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SINGAPORE GOVERNMENT PRESS STATEMENT

LC DE.17/66 (FIN)

BUDGET STATEMENT BY THE MINISTER FOR FINANCE,

MR. LIM KIM SAN, IN PARLIAMENT ON

5TH DECEMBER, 1966

Mr. Speaker, Sir, I beg to move,

That the House approves the financial policy of the Government for the year 1967.

Mr. Speaker, Sir, I am privileged to present the Second Budget of the Independent Republic of Singapore today.

The first full year of our independence, 1966, has been a period of intense effort and activity. Separation of Singapore from Malaysia did not mean the loss of the common market but the loss of expectation of a common market. Our manufacturers have now overcome this psychological barrier. Industrial output and employment increased substantially. We have consolidated and strengthened our financial position. The uncertainty following separation has been dispelled. Our official external reserves are up.

ECONOMIC REVIEW AND TRENDS

Growth of Gross Domestic Product

The economy continues to move forward. Gross domestic product in 1965 increased by \$206 million to \$3,017 million, representing a rate of growth of 7.3 per cent over 1964. This compares very favourably with 1964 when the rate of growth was only 2 per cent. Even more gratifying is the fact that in spite of sudden political developments in the last six years, Singapore has been able to achieve a consistently high rate of growth. The average annual rate of increase in gross domestic product during the period 1960 to 1965 is 8.5 per cent.

Of great importance to the economy is the rate of gross capital formation. In 1965 gross capital formation increased by \$49.1 million to \$463.8 million reflecting an increase of 11.8 per cent over 1964. It therefore accounts for about 15 per cent of the gross domestic product. Though creditable, this performance falls short of the 17.5 per cent to 20 per cent rate of capital accumulation, which is considered necessary for self-sustaining growth in developing countries.

External Reserves

Official external reserves of the Government and statutory authorities have increased by \$123.3 million this year, compared with the position in 1965. Official reserves now total \$1,038 million, compared with \$914.7 million in September last year. It is made up as follows:-

	<u>1966</u>	<u>1965</u>
Government reserves	554.31	484.7
Statutory authorities	183.69	153.6
	<hr/>	<hr/>
	738.00	638.3
Add estimate of currency reserves	300.60	276.4
	<hr/>	<hr/>
Total:	1,038.00	914.7
	=====	=====

Our official reserves would probably be more, depending on the amount of currency redeemed in Singapore next year.

External debts stand at only \$61.75 million, which is a slight increase of \$2.75 million over last year.

Rising External Trade

The buoyancy of the economy is reflected by the rising volume of external trade. In the first nine months of this year, imports were valued at \$3,017.9 million which is an increase of 6.3 per cent over the same period in 1965. Similarly, exports expanded to \$2,494.6 million, an increase

of 13.3 per cent over last year. Total external trade by the third quarter of this year has therefore shown an increase of 9.36 per cent. Projected over the full year, total trade may well exceed \$7,290 million. Though this would be still below the peak years of 1962 and 1963, prospects for improvement are good, bearing in mind the resumption of trade with Indonesia and establishment of direct trading relations with the Soviet Union and East European countries.

An examination of the composition of Singapore's growing external trade shows even more significant and encouraging trends. Domestic exports, excluding petroleum products in 1965 increased by \$48.9 million to \$345.8 million. This represents an increase of 16.4 per cent over 1964. It forms 11.5 per cent of total exports compared to 10.7 per cent in 1964. A large proportion of the increase in domestic exports comes from local industries. For instance, exports of wheat flour in 1965 showed an increase of 125 per cent over 1964. Similarly, exports of steel bars and plywood recorded increases of 140 per cent and 197 per cent respectively over the previous year.

Imports of goods purely for re-export is declining in importance. In 1964 re-exports of goods imported formed 37.9 per cent of total exports. In 1965 it fell to 36.2 per cent.

It is natural that with industrialisation, Singapore will either process goods it imports before re-exporting them, or use them as raw materials for the manufacture of new products, which are then exported. Retained imports will therefore increase with the years. In 1965 retained imports increased by \$190.5 million to \$1,809 million. But what is significant is the fact that an increasing amount of imports retained is in the form of either raw materials or capital equipment required by new industries.

The growing volume of external trade has resulted in higher earnings for Singapore. In 1965 earnings from trade was estimated at \$396.2 million or \$44.5 million over earnings in 1964, which stood at \$351.7 million.

Building and Construction

The value of buildings commenced in the first six months of this year stood at \$56.5 million as against \$80.7 million for the same period last year. Private development fell from \$42 million in 1965 to \$28 million in 1966 for the same period - a fall of just \$14 million.

Investment in property is less attractive than investment in other fields. I will outline later the steps we are taking to make investments in properties in urban and designated areas, a more attractive proposition.

Transportation.

Industrial growth and expanding trade is shown by the increasing volume of shipping and cargo handled through our port. The number and tonnage of ships entering and leaving the port of Singapore in 1965 surpassed all previous records with an impressive figure of 21,862 vessels of 90 million net registered tons. Performance this year is likely to be even higher as there has been a rapid increase in shipping movements during the first nine months of the year. Cargo passing through the port last year totalled 21.3 million tons or an increase of 18.2 per cent over 1964. Performance this year shows that cargo handled will reach 24 million tons in 1966. Increase in cargo handled is due to Singapore's growing importance as a centre for petroleum refining. Discharge of industrial raw materials such as bulk wheat and cement clinker is also rising rapidly, testimony to Singapore's changing industrial structure.

Finance

The well being of an economy can also be tested by an examination of its financial bedrock, namely, deposits in the banks and advances made by them during the year. As at the end of September this year, deposits of customers other than banks totalled \$1,337.2 million. This is \$115.2 million more than the amount of deposits at the end of December 1965 and \$172.9 million more than deposits held at the end of September last year. Increases in bank deposits this year are therefore better than increases in previous years which averaged \$82.3 million annually between 1961 and 1965. Loans and advances of banks show the level of economic activity generated. At the end of September this year, loans and advances to customers other than banks total \$995 million or an increase of \$81 million over the amount lent at the end of December 1965.

Control of Finance Companies

Of late, the activities of certain finance companies have given rise to some concern and I feel that a public warning would be timely. Very simply, finance companies receive deposits from the public on payment of interest and re-lend this money to finance, usually on hire-purchase, the sale of goods like motor-cars, motor-scooters, radios, refrigerators and so on. In a sense they operate like a bank but unlike banks the activities of finance companies are not governed by law. Recently, there has been a spate of finance companies advertising for deposits from the public offering to pay rather high rates of interest. It follows that in turn these finance companies must re-lend at even higher rates of interest in order to make a profit. To do so, some of them may be tempted to take undue risks in their lending and thereby endanger the security of the deposits made by the public.

There is nothing wrong if a reputable finance company accepts deposits from the public and in turn re-lends if care is taken to ensure that the purpose for which the money is re-lent is sound and there is reasonable credit-worthiness to warrant such lending. It is only when the finance companies become reckless and accept unjustifiable risks without regard to proper and adequate securities, that the monies deposited by the public are exposed to danger.

The Government will shortly introduce legislation to regulate and control the operations of finance companies in order to safeguard the interests of the public who deposit funds with them.

Industrial Expansion

The industrial census of 1965 shows that output by manufacturing industries increased by 16.6 per cent from 3927.9 million to \$1,082.1 million. Employment in these industries rose by 13.8 per cent from 41,488 to 47,217. Value added in 1965 was \$319.6 million compared with \$282.5 million or a rise of 13.1 per cent. Wages also rose accordingly from \$111 million in 1964 to \$132 million in 1965. This is an increase of 18.9 per cent. The increase in output, value added, employment and wages is due both to establishment of new industries, as well as rising production of firms already established. Output of an established group of 882 manufacturing firms increased from \$918.9 million to \$1,034.6 million or 12.6 per cent in 1965 over 1964.

Industrialisation remains the backbone of our economic development. During the two years in Malaysia no Pioneer Certificates were issued in Singapore, but since August last year we have issued 58 new certificates, in addition, some 25 more projects were approved in principle. Today, there are 165 pioneer industrial firms compared with 113 in 1964. 107 of these are already in production while 33 projects are in various stages of implementation.

By September 1966, the total investment of these pioneer firms in fixed assets had grown to more than \$300 million from \$255 million at the end of 1965. The total value of output of these firms is expected to exceed \$450 million this year, as against \$318 million in 1965. In terms of employment, the total number of workers in pioneer firms has grown from 5,400 at the end of 1964 to 12,000 today. For the industrial sector as a whole, the production of all industrial firms - pioneer and non-pioneer - in the Republic has risen by nearly 20 per cent during the past 12 months.

Perhaps the most encouraging aspect of the industrial development programme is that our exports of domestic products have been increasing steadily. As noted earlier, in 1965 \$345.8 million worth of domestic products were exported. This is expected to reach some \$450 million this year. Another significant aspect of our programme is that we have succeeded in broadening our industrial base. There is today a wide range of industrial enterprises scattered all over the Republic which are capable of expansion. This includes the expansion of oil refineries into a petro-chemical complex, the expansion of general ship-repairing and building facilities for construction of specialised vessels, construction of a fisheries harbour as part of an integrated plan for developing a deep-sea fishing and canning industry, the production of parts and components for motor vehicles, electronics and other engineering assembly industries, the development of an integrated feedmill and vegetable oil complex around the grain silo enterprise, the expansion of caustic soda and chlorine production to p.v.c. and other chemicals, the establishment of a modern paper mill for supporting various paper products industries, the expansion of garments manufacturing to integrated textile mills, and the development of integrated timber projects to make use of waste from saw-milling and plywood factories.

To provide the infrastructure for expansion, continuing efforts are being directed to developing new industrial land and factory buildings. Prepared new land for industry at the Jurong Industrial Estate has gone up to 2,843 acres in September this year, as compared with some 2,443 acres at the end of 1965. The country's first flatland factory at Tanglin Halt Industrial Estate was fully occupied immediately upon completion. More will be built. Prepared sites in the Kallang Park Marine Industry Zone and the Kranji Timber Industry Estate are also in great demand.

NEW FISCAL INCENTIVES

The performance of the economy in 1965 and the current year shows that it is moving forward. By all criteria - external trade, domestic exports, industrial production and savings, Singapore has an expanding economy. The challenge really is whether the Singapore economy can grow fast enough to solve its fundamental problem, namely, generation of employment opportunities.

During the period, 1961-1965, employment opportunities increased by 57,600 jobs or an average of 11,520 jobs a year. This fell short of the 70,000 additional jobs needed. This shortfall of 12,400 jobs added to the number of people already unemployed at the beginning of 1961, raised the number of unemployed to 56,300 at the end of 1965. This level of unemployment constitutes 10 per cent of the total economically active population. The incidence of unemployment is therefore high. Unless we can during the coming five years reduce this spectre, then all the economic gains will be lost in the turmoil of social and political unrest. Over the next five years from 1966 to 1970, Singapore would need not only to wipe off the backlog of the existing unemployed, but also provide another 95,000 jobs for our youths, who would be leaving schools and seeking entry into the labour market.

The solution to this employment problem lies in a crash programme for the development of export-orientated industries. As in the case of all countries which strive for industrial development, we have initially only a limited number of industries directed entirely towards exports. The majority of our existing industries still depend to a great extent on the domestic market. This is inevitable in the early stages of our industrial development. We must now move to a new phase of the industrial programme, namely, the development of export-orientated industries. In order to achieve early full employment and to ensure long-term economic stability and growth, we need specially to encourage manufacturers with established overseas markets and which can draw their raw material supply on a world-wide basis.

After independence, we began to work in this direction. I am glad to report that we have now completed the necessary administrative arrangements for such a crash programme. This programme calls for three major areas of action.

Development Training

Firstly, the development of human resources remains our most valuable asset. It is only in recent years that we began to gear our educational system towards providing skills needed for an industrial society. In order to achieve rapid technological advancement and to develop to the full the potential quality of our workers, it will be necessary to organise a mass programme of training within industries for specialised skills.

The L.D.B. has already started, on a limited scale, the training of technicians and skilled workers in tool and die making, electro-plating and heat treatment. The specialised training programmes help to upgrade the skill of our workers

in the existing industries and, what is more important, to impart new specialised skills and knowledge to school leavers to prepare them for new and more sophisticated industries. A Metal Industry Development Centre and Prototype Production and Training Centre for machinery building, electronics, precision instruments, printing and plastic will be set up. These centres will be operated in close co-operation with industry. In addition, specialised production teams including workers will be sent overseas for on-the-job training. Each of such schemes will be directed towards the creation of specific factories. By building up a large reservoir of technicians and skilled workers, and by gearing training to the industrial Promotion programme, we can quickly enter into a more sophisticated stage of industrial development.

National Productivity Drive

The second area of action lies in redoubling our efforts towards high quality and lower production costs. This is because the international market is becoming increasingly competitive. Young industries take time to mature and yet meet fierce competition from the start.

With the co-operation of the NFUC, the Singapore Manufacturers' Association and the Singapore Employers' Federation, we have jointly drawn up in 1965 a Charter for Industrial Progress. It is recognised by all parties that high productivity brings better wages and working conditions, lower prices for consumers at home, and a wider market abroad and, finally adequate investment returns, continuing expansion of production capacities, and full employment. To translate this basic policy into concrete action, practical steps have been initiated. The Singapore Productivity Centre, under a Governing Council with representation of all parties concerned, will come into operation

in January 1967. The Centre will be entrusted with the responsibility of launching a national movement directed to further labour-management co-operation, and to improve the operational efficiency of every enterprise in the Republic.

Export and Investment Incentives

I come now to the third area of action. Clearly, the success of our development training programme and the national productivity drive depends ultimately on the continuing expansion of our exports and the rapid growth of our industrial sector. To achieve both objectives in the shortest possible time, we need many more entrepreneurs, much more managerial capabilities and technical knowledge and especially much more international marketing "know-how". We have therefore to attract the types of export industries which buy raw materials and sell their products on a world-wide basis and which can make full use of the high quality of our labour force, our geographic advantages, and efficient infrastructures. International manufacturers of this type have more or less free choice in selecting their plant location. Singapore, therefore has to compete with other countries in all parts of the world for such enterprises.

This means that our fiscal incentives must be as attractive as, if not more than, those offered by other countries. To all industries, pioneer or non-pioneer, which are prepared to play an active role in our export-orientated programme and to make a positive contribution to this new phase of our industrial development, the Government will grant, with effect from 1st January, 1967, the necessary incentives for export and investment, for expansion as well as for encouraging rapid technological advancement. This means the incentives will apply to export profits earned in 1967, and will generally be taken into account for the year of assessment 1968.

Specifically, for export and investment, the Government will grant approved enterprises the following incentives:-

- First: Tax on interest earned by non-residents from deposits held in an external account in a bank in Singapore will be reduced from 40% to 10%.
- Second: Interest paid from Singapore sources and received by persons or enterprises overseas is generally liable to tax in Singapore. Such payments made on approved loans advanced to approved enterprises in Singapore for the purchase of capital equipment from abroad will be exempted from tax.
- Third: Profit on export of manufactured goods for both existing and new manufacturing industries (excluding processing) and deep-sea fisheries, will be taxed at the equivalent of one-tenth of the normal company tax rates.

This concessionary rate (4%) applies to all limited liability companies where the profits derived from export are at least 20% of their total profits, and export sales (f.o.b.) amount to not less than \$100,000 per year. Qualifying firms with pioneer status will be granted this concessionary rate for a period of not less than 10 years from the date of expiry of their pioneer status. The concessionary period for qualifying non-pioneer firms will be not less than 15 years.

Modern industries cannot afford to stand still. They must be encouraged to expand their productive capacity in order to achieve high volume and low cost of production, thus enabling them to compete successfully in the international market. For existing industries which expand, the Government will offer the following incentives:-

In the case of plant expansion through the increase of funds by an approved enterprise, it will be granted tax exemption, from the date on which the newly added equipment thereof starts to operate or to render services, in respect of the income increased as a result of such expansion, on a basis similar to that applicable to pioneer industries, provided that at the time of closing of accounts for the year the expansion has resulted in a 30% or more increase in its productive capacity over the appropriate existing capacity applicable prior to such plant expansion.

It is appreciated by the Government that the development of many modern sophisticated industries such as petro-chemicals, pharmaceuticals, electronics and specialised branches of engineering industries incur high initial investments in research and pilot plants or in specially designed tools and equipment, which become obsolete in a comparatively short period. In order to seek continuing advancement of the technological level of our industries and to speed up the process of development, the Government will give the following encouragement:-

Tax on royalties, licences and technical assistance fees, and approved contributions to develop and research costs payable overseas by approved enterprises may be reduced from 40% to 20%, provided that such concession would not result in transfer of any tax liability to the resident countries of the recipients. Further, the Government may exempt such payments in special cases if the national interest would be thereby served.

Foreign recipients who derive royalties, licences and technical assistance fees from Singapore and convert such payments into equity of the manufacturing firms operating in Singapore may be exempted from tax liability.

Existing Incentives

In addition to these new incentives, we have already provided for powers whereby the Government may approve on application special accelerated initial depreciation up to 100% in one year and a three-year write-off for plant, equipment or machinery utilised in the manufacture or processing of goods and materials. Besides, approved manufacturers are now also entitled to double deduction on expenditure spent on advertising or market development. Investors will, of course, also continue to enjoy the benefits of pioneer tax exemption.

Urban Redevelopment Incentives

Members of the House are no doubt aware of our programme to renew and redevelop our city and urban areas. Clearance and demolition of the 135-acres Outram and 90-acres Crawford precincts are progressing satisfactorily. Part of these areas will be marked out for development by the private sector and private investors may also redevelop other city areas on their own. Such development must, however, be sufficiently comprehensive to make full use of the land and to provide for better traffic circulation, pedestrian bays, parking and other facilities.

In order to stimulate private participation in redevelopment of the city, the Government has decided that with effect from next year, the rate of property tax for properties erected in areas designated for urban redevelopment will be 12% as against the present rate of 36%. In addition, during the period of construction, there will be a waiver of property tax on the land for an initial period of 6 months, plus an additional month for every storey of the building to be erected on the property. For instance, a 10-storey building will receive a waiver of 16 months of property tax on the vacant property while construction is going on. Singapore has over the last 6 years achieved a unique position in the provision of low-cost housing and it is hoped that Government's plans for urban renewal with private participation will achieve equal success.

Development Outlook

For private industry to respond fully to the new fiscal incentives, it will be necessary for the entire Government machinery to have a forward and enlightened outlook. The administration must be infused with enthusiasm for development and be intelligently flexible to facilitate it. Experience in many countries shows that unnecessary rigidity, officiousness and delays will nullify the effects of incentives and frustrate promotional efforts. What we want are results - not red tape. We are giving high priority to a review and examination of existing ordinances and administrative rules for their relevance to the development effort. We must ensure that those who respond receive full co-operation and support at all levels and sectors of the Government complex.

General Review of Revenue and Expenditure in 1966

I now come to a review of revenue and expenditure in 1966. It was estimated that the budget for 1966 will yield a small balance of approximately half a million dollars. The objective was a balanced budget without having to run down reserves. I am pleased to report that from performance up to now, the position is expected to be slightly better than originally estimated and it is likely that we shall close the year with a balance of about \$5.7 million.

Revenue receipts for the year are likely to come out at \$537.3 million. A sum of \$401.3 million has been collected by the end of September. The balance of \$136.0 million is expected to be collected in the last quarter of the year.

Expenditure up to the end of September came to \$354.5 million, including a sum of \$23.3 million paid to the International Monetary Fund and a sum of \$1 million to the World Bank, being Singapore's membership subscription to these two world bodies. Expenditure for the last three months of the year is estimated at about \$177.1 million inclusive of a transfer to the Development Fund of \$30 million. Total expenditure for the year should then come out at \$531.6 million.

With a total revenue of \$537.3 million and a total expenditure of \$531.6 million, the surplus will amount to \$5.7 million; in other words about \$5 million better than anticipated.

Revenue 1966

Total revenue for 1966 is as estimated, with short-falls from some heads compensated by increases in others. Revenue from customs duties on liquor will probably be \$0.8 million less than anticipated, due to a fall in consumption of imported malt liquors.

Revenue from imported petroleum products will be \$25.5 million less than estimated, but this will be more than offset by an increase in revenue from petroleum products locally refined amounting to \$33.2 million. Revenue from sugar is expected to be \$3.1 million less, because of duty exemptions to manufacturers.

Income tax collections will probably exceed the estimate by \$12 million, due in part to natural growth and more efficient administration. Television does not seem to have adversely affected other forms of entertainment as entertainment duty is likely to bring in \$2.1 million more than estimated. Excise duty on liquors is expected to exceed the estimate by \$3.8 million, due to increased consumption of locally brewed liquor. Receipts from tobacco duty are likely to yield \$2.7 million more, due to greater use of dutiable raw tobacco in local cigarette manufacture.

Motor Vehicle Ad Valorem Registration Fees and Road Tax are expected to exceed the estimate by \$1.6 million and \$0.6 million respectively. Receipts from Property Tax in the City Area are expected to come up to the estimate, but receipts from the Rural Area are expected to be \$2.5 million more, reflecting the trend of greater development there.

Other important increases are sales of Goods and Services from current operations which is likely to be \$0.9 million more, and an increase of \$1.9 million from interest on the Republic's investments.

A number of lesser import duties were re-appraised during the course of the year. They were found to be of no value or unnecessary in protecting local manufacturers and have been abolished. These duties related to certain categories of s/a and aerated waters, non-aerated beverages, non-alcoholic beverages, and compounds of alcoholic preparations. Import and excise duties on certain type of lubricating grease have also

been removed. This is in keeping with our policy not to hinder trade, where possible.

Expenditure 1966

In the course of the year, supplementary estimates totalling \$7.8 million were approved as follows:-

- (1) \$6.3 million for the Telecoms Department;
- (2) \$1.45 million for the Ministry of Labour; and
- (3) \$43,000 for the Trade Division.

Supplementary estimates of \$610,000 are being sought for the Head of Expenditure "Public Works Recurrent", making total supplementary estimates of \$8.4 million for the year. Provision for this Head was found to be inadequate. This was on account of the large number of Government buildings which had to be renovated during the year. During the period under Malaysia, practically no maintenance was carried out on the buildings which were Federal responsibilities. This resulted in a larger than normal number of buildings requiring urgent maintenance and repairs. The other Heads of Expenditure are expected to keep within the provisions voted.

With the addition of supplementary estimates of \$8.4 million, total estimated expenditure for the year would now be \$545 million. However, in

view of savings in certain departments, actual expenditure for the year is expected to be in the region of \$531.6 million, which is \$5 million less than the sum of \$536.6 million provided in the Estimates.

Review of Development Expenditure in 1966

As for development expenditure for 1966, the public sector development comprises of projects undertaken directly by Government ministries and departments as well as schemes which are implemented by the various statutory authorities. The tentative public sector allocation for 1966 was \$430.5 million made up of \$149.6 million proposed expenditure by Government ministries and departments and \$280.9 million to be spent by the statutory authorities. Allocation for Government ministries was subsequently increased by a supplementary estimate of \$27.2 million, to make a total of \$176.8 million. Based on actual performance up to date this year, it is likely that public sector expenditure for the full year will reach \$284 million. Compared with actual expenditure of \$250.6 million in 1965, this represents an increase of 13.3%.

Expenditure by Government ministries will amount to \$113 million as compared with \$67.2 million spent in 1965, reflecting an increase of 68.2%. However, nearly \$20 million of 1966 expenditure arose from payments for the SEACOM

project as well as purchase of the assets of Cable & Wireless Ltd. Land reclamation and urban re-development have also shown rapid progress.

Expenditure by the statutory authorities is estimated to amount to \$171 million which is about 6.6% less than the \$183.1 million spent in 1965. The fall in expenditure is due mainly to a reduction in the expenditure of the Economic Development Board largely because the major portion of the costly infrastructure development has been completed. Expenditure by the other authorities was about 10% higher in 1966 compared to 1965.

Sectoral development is likely to be: economic development \$191 million; social development \$79 million; public administration and defence \$14 million.

Ordinary Estimates 1967

The financial outlook for 1967 continues to be fair. Total revenue is estimated at \$590.5 million and total expenditure at \$590.2 million including transfer of \$30 million to the Development Fund. This gives a small surplus of \$0.3 million. The estimated expenditure of \$590.2 million for 1967 is higher than the sum of \$531.6 million expected to be spent this year by \$58.6 million. Fortunately, this increase is matched by a corresponding rise in estimated revenue.

The estimated revenue of \$590.5 million is \$53.2 million higher than the revenue of \$537.3 million expected to be collected for 1966. Thus, in spite of the rather steep rise in expenditure, it is possible to have a balanced budget for next year.

The highest increase in estimated expenditure is, as usual, in respect of the Ministry of Education. For 1967, expenditure for Education is estimated at \$143.7 million which is \$14.5 million more than the sum of \$129.2 million provided for this year. The main reason for the increase is because of the expenditure of secondary schools.

This is required to accommodate the large number of students taken into the primary schools during the past few years and who would now move into secondary level.

The next highest rise is in respect of servicing the Public Debt. This is a statutory expenditure and shows an increase of \$11.2 million. With more loans being floated with the years to finance development, the rise in this expenditure is expected to continue.

The normal expansion of our Police and Defence Forces results in a rise of estimated expenditure of the Ministry of the Interior and Defence by \$4.9 million. The establishment of missions abroad in keeping with our new independent status is expected to result in a rise of \$1.4 million in the expenditure of the Ministry of Foreign Affairs. In addition, a provision of \$5 million has been included under the Ministry of Finance head of expenditure for the purpose of acquiring property abroad for our foreign missions, and \$1.0 million under the Contributions and Charitable Allowances head of expenditure for contributions to international organisations. For reasons which I have mentioned, the estimates for the Telecoms Department for 1967 show an increase of \$6 million. This increase was covered by supplementary estimates in 1966.

The estimates for the Postal Department show a rise of \$2.2 million. Of this \$1.5 million is on account of a change in book-keeping procedure to conform to Financial Regulations in respect of the mail conveyance vote. Hitherto, receipts were credited to revenue only after deduction of expenditure. This has been changed to paying in gross receipts and meeting the expenditure involved from an expenditure vote. The net result is the same as both revenue and expenditure will be increased by the same amount. The balance of \$0.7 million of estimated increase in expenditure of this Department is due mainly to the separation of the Postal Department from the Malaysian

Postal Department. As a result of the separation, the Postal Department will have to set up new sections to deal with certain functions previously discharged by the headquarters at Kuala Lumpur.

The head of expenditure "Public Works Recurrent" shows an increase of \$1.4 million. This is mainly due to the increase in the number of roads which leads to an increase in expenditure on their maintenance and on public street lighting.

The increases I have mentioned made up a total of \$47.6 million. The balance of \$6 million is made up of small increases of the other heads of expenditure on account of normal expansion, such as about half a million increase for the Hospital Division and \$400,000 for Parks and Recreation.

Revenue 1967

Revenue from most of the major taxes are expected to increase next year in the normal manner resulting in a total collection of \$590.5 million.

Income Tax is expected to yield \$114.0 million. Excise and Entertainment Duties are expected to yield \$73.6 million. The major increases under this group are from Entertainment Duty, liquors and petroleum. Excise duties from petroleum products, locally refined will yield an additional \$34.0 million but as against this it is estimated that there will be a fall from revenue on duties of imported petroleum products of about \$24.8 million. This reflects the effect of our industrial policy and shows that with three refineries operating in Singapore we are now depending less and less on imported petroleum products.

Normal increases are expected in tobacco duties, property tax and other revenue items.

Driving licence fees are being increased from \$5 to \$10 per annum and this item is expected to bring in an additional \$1.8 million.

During the course of the year a review has been made of miscellaneous licence fees and fees for services which have remained unchanged for periods varying from 10 - 30 years, and this is expected to yield an additional \$2 million.

Cable & Wireless was acquired by Government in 1966 and the revenue from the Telecommunications (External) Service and this new item of revenue is expected to yield \$8.9 million.

Singapore's share of Currency Profits will amount to \$12 million.

New Basis for Road Tax

Licence fees on motor vehicles have hitherto been collected on the horsepower rating of the vehicles. This is an obsolete method of taxing motor vehicles for use of roads. It is now proposed to change this to follow international practice by prescribing fees according to the cubic centimeter cylinder capacity of the vehicle. The new Road Tax will be 10 cents per cubic centimeter. The revised fee is expected to yield an increase of \$5.5 million. Care, however, has been taken to minimise the incidence of the tax on the public transport sector. This is done by reducing the seating fee of \$5 per passenger per month to \$3.50 for licensed taxis and \$4.20 for buses. Therefore, there should be no increase in bus or taxi fares.

Taking these and the normal increases in other revenue items it is anticipated that the 1967 revenue figure will amount to \$590.5 million.

1967 Public Sector Development Programme.

The public sector development programme for 1967 will amount to \$411 million. The distribution between the Government sector and the statutory authorities will be \$151.3 million and \$259.7 million respectively. The

allocation by the various ministries and statutory authorities is as follows:-

<u>Government Sector:</u>	<u>1967 Provision</u>
	<u>\$ million</u>
(1) Deputy Prime Minister's Office	12.7
(2) Ministry of Interior & Defence	12.3
(3) Ministry of Education	26.5
(4) Ministry of Health	4.1
(5) Ministry of Finance	2.6
(6) Ministry of Culture & Social Affairs	4.4
(7) Ministry of Law & National Development	<u>88.7</u>
Total:	<u>151.3</u> =====

<u>Statutory Authorities:</u>	<u>\$ million</u>
(1) Economic Development Board	45.0
(2) Housing & Development Board	75.0
(3) Port of Singapore Authority	43.6
(4) Public Utilities Board	83.0
(5) Singapore Telephone Board	<u>12.9</u>
Total:	<u>259.7</u> =====

Total Public Sector: \$411.0 million

Deputy Prime Minister's Office

The allocation for the D.P.M.'s Ministry will be \$12.7 million. A large claim on the provision will be for telecommunications development. It accounts for \$5.7 million of the total. The major project here is the installation of the Automatic Telephone Switching Exchange which will be in operation before the end of 1967. This will not only bring in more revenue for Singapore, but will also maintain our position as the premier international telephone switching centre in this part of the world. The Telex services for both domestic and international communications continue to

grow. With the completion of the SEACOM cable next year and the growth of commercial and industrial activities in Singapore, the volume of traffic on the telex services is expected to rise substantially in 1967. For this reason \$600,000 has been provided in the Estimates for the purchase of more subscribers' teleprinter machines.

The other projects of the Telecommunications Department are designed to expand radio services and to develop trunks and junctions to keep pace with the ever-increasing demand for telecommunications services.

The Civil Aviation Department is expected to carry out a number of projects to improve airport facilities. \$6 million has been provided for 1967. For the safety of aircraft operation the runway will be re-surfaced next year. The Instrument Landing System and Visual Approach Slope Indicators will be installed to assist pilots bringing aircraft in to land especially at night and during bad weather. The parking aprons and hangar facilities will be expanded to cope with the growth of international airline traffic to Singapore. A start will also be made to extend the runway by 1,000 feet to 10,000 feet.

Ministry of the Interior & Defence

When the Government's policy of requiring newly recruited civil servants to undergo military training is implemented as from next year, it will be necessary to increase the number of training depots and training camps. Some of the battalion camps of our regular units are in

bad shape and will need to be rebuilt. Vehicles available to the regular battalions as well as to the People's Defence Force are at present grossly inadequate. It is necessary to acquire more vehicles as well as to provide for a centre for maintenance and repair of vehicles. A capital expenditure of \$12 million for 1967 has therefore been provided for the expansion of the People's Defence Force and the Police.

Ministry of Education

The Ministry of Education will have a budget of \$26.5 million next year. This is 68% higher than the 1966 expenditure of \$15.8 million. Of the total provision, \$22.5 million will be for the School Building Programme. 1967 will see the completion of Government's programme of expansion of primary school building and emphasis will shift to secondary schools. Thereafter, primary schools will be built only in newly developed housing estates such as Toa Payoh.

To meet the need for skilled workers and technicians for industry, Government will build two new vocational institutes - one in Jurong for the teaching of engineering trades and the other at Queenstown for manual and applied arts. The Singapore Vocational Institute at Balestier Road will also be extended to increase its intake of students. A sum of \$580,000 has been provided for the expansion of vocational education in 1967.

Ministry of Health

The Ministry of Health will spend \$4.4 million on its development projects in 1967; this is a threefold increase over the expenditure of \$1.5 million in 1966. The main project is the establishment of the Institute of Medical Specialities and the Radio Therapy Isotope Centre - a joint project between the University of Singapore and the Ministry of Health. Structural works on the proposed 9-storey building will begin next year.

The disposal of city refuse is becoming an acute problem. The Kolan Ayer dumping ground is no longer available for refuse disposal as it is now part of the Hallang Basin Reclamation Scheme. Of the 600 tons of refuse collected in Singapore every day, over 500 tons are from the city alone. There is an urgent need to divert city refuse to the rural dumping ground at Tampines. To do this, more garbage and ancillary vehicles will be required. A provision of \$800,000 is being made for the purchase of these vehicles. In the meantime, detailed planning is under way to construct an incinerator at Redhill for the disposal of part of the city refuse.

Ministry of Finance

The total allocation to the Ministry of Finance is \$100.6 million. Of this sum, \$5 million represents loans to the Public Utilities Board, the Economic Development Board and the Housing & Development Board. Of the balance, \$10 million is to set up a Contingency Fund for development purposes and \$3 million will be a loan to the Government Officers Co-operative Housing Society. The remaining \$2.6 million will be spent on the expansion of the Customs Service. The projects envisaged in 1967 will contribute to the improvement of facilities for the control and prevention of smuggling.

Ministry of Culture and Social Affairs

The allocation to the Ministry of Culture and Social Affairs for 1967 is \$4.3 million which is less than its expenditure of \$7.6 million in 1966. This is mainly because the major portion of television and radio facilities has been provided in 1966 and earlier. Only minor expenditure will be incurred in the Broadcasting Division in 1967 for the completion of projects.

For parks and recreation facilities, 10 children's playgrounds and 2 public parks will be built in 1967, while the Changi beach resort will continue to be developed at a cost of \$100,000.

A new branch library will be constructed at Queens-town next year to meet the demand for more library facilities. The National Library now has a total readership of 106,300 which is more than it can cope with. The Library in Queens-town will be the first of a series of branch libraries to cater for our people.

A Junior Approved School will be built in 1967 to house and rehabilitate delinquent boys under the age of 16. To cope with the rapid growth of Jurong New Town, a fire station will be constructed there.

Ministry of Law & National Development

The total provision for the Ministry of Law and National Development will be \$88.8 million next year as compared to the expenditure of \$55.3 million in 1966 - a 61% increase. This Ministry has the highest share of the 1967 Development Estimates and accounts for more than 50% of the total Government development expenditure for 1967.

The special projects undertaken by the Housing & Development Board acting as agents of the Government, namely, the East Coast and Vallang Reclamation Schemes, Urban Redevelopment and Resettlement will cost \$38 million in 1967. These are continuing schemes initiated even before 1966. They have a long gestation period. The benefits and services which the schemes will bring will only be fully realised in 5 to 10 years, or even 15 years, particularly in the case of urban redevelopment. However, they are bold and imaginative schemes, worth pursuing.

On completion, the East Coast and Vallang Basin Reclamation schemes will make available 2,000 acres of valuable land, most of it in the city area. The land will be available for the development of industrial and housing estates, schools, highways, commercial buildings, and holiday resorts with hotels and recreational facilities for tourists. The economic benefits in terms of income and employment generated consequent on the completion of these schemes will be substantial.

Visible progress of urban redevelopment is evident when travelling along Chin Swee Road and Sumbawa Road. Most areas in Precincts S.1 and N.1, which together comprise 225 acres, have been cleared. Earth works and the construction of flats, shops and schools have already begun. While the acquisition of land and properties and the clearance and resettlement of people are a slow process, once completed, construction work can proceed rapidly. For this reason, expenditure on urban redevelopment in 1967 will be \$15 million, which is more than twice the amount spent this year.

The Ministry of National Development has two other large projects in hand for 1967. They are the National Sports Stadium and the Erskine Hill office building. These schemes were initiated this year and work on them will continue up to 1968 or 1969 for their completion. The National Sports Stadium will cost \$18.5 million and it is proposed to reimburse the cost from the proceeds of the Singapore Sweep. As the Sweep was only launched in October this year, it may not be possible to derive sufficient funds from the Sweep to meet necessary payments in 1967. For this reason, it is proposed to vote \$3 million in the Estimates for the project next year and to recover it from the Sweep in subsequent years.

The P. W. D. will have a development budget of \$34.8 million in 1967 which is about a third higher than the department's actual expenditure of \$26 million in 1966. For roads and bridges a sum of \$9.0 million will be spent, for drainage and flood alleviation \$3.1 million and for sewerage works \$9.3 million.

Although substantial investments have gone into the opening up of new roads, the widening and improvement of existing roads into dual carriageways, and the introduction of one-way traffic systems, the problem of traffic congestion, especially in the city, still remains. This is evident from the frequent traffic jams along main roads leading into the city. The P. W. D. has recently set up a Special Traffic Unit to this problem and 1967 will see the beginning of changes in road development. As part of the new scheme of things, the construction of some flyovers

will begin in certain main junctions, notably the one at Woodsville Circus where Serangoon, Upper Serangoon, MacPherson and the New Toa Payoh Roads meet. Another flyover will be constructed at the junction of Whitley, Thomson and the New Toa Payoh Roads.

The major project under drainage and flood alleviation is the Bukit Timah Alleviation Scheme. This scheme, when completed in 1969, will remove the present serious flooding in the Bukit Timah area after heavy rain storms. In 1967, \$1 million will be spent on the Bukit Timah Project, which is expected to cost in all \$6.8 million.

Sewerage is an essential social overhead in any modern city. The expansion of sewerage facilities in Singapore needs to keep pace not only with population growth but also with urban redevelopment and the development of new housing and industrial estates. In 1967 the major schemes to be launched or continued will enable an extension to be made of sewerage facilities to Kallang Basin, Jurong and the urban redevelopment precincts. Expenditure on treatment works will also be substantial in 1967 because of the need to increase their capacity in step with the expansion of sewerage facilities.

Economic Development Board

The Economic Development Board proposes to spend \$45 million in 1967 which is nearly 20% higher than the estimated expenditure of \$38.0 million this year. Industrial financing will claim \$25 million of the total while infrastructure investment for the expansion of Jurong and other industrial estates will account for the balance of \$20 million.

Housing & Development Board

In 1967, the Board is expected to complete 12,000 housing units and shops. The major development will be at Toa Payoh and Kampong Tiong Bahru where it is proposed to build 10,000 units.

In urban redevelopment areas, about 2,000 units of flats and shops will be completed before the end of next year.

Port of Singapore Authority

The Port of Singapore Authority plans to step up its expenditure programme for 1967. It proposes to spend \$43.8 million next year, as compared to the estimated expenditure of only \$5.0 million this year, an eightfold increase. The main scheme under port development will be the construction of four deep water berths at the East Lagoon which began this year. On completion of this scheme in 1968-69 the turn-round of ships at the Authority's wharves will be speeded up. The construction of godowns and ancillary works will also be undertaken to cope with the growth in the number of vessels and the volume of goods handled at the Authority's wharves.

Public Utilities Board

The Public Utilities Board proposes to spend \$83 million in 1967.

Under Electricity, the main project is the Jurong Power Station, Phase I, the first two units of which will be commissioned during the Plan period. Preliminary work on the project has already begun. Construction work will be pursued expeditiously next year.

The expansion in generating capacity is justified on two grounds: firstly, the expectation of increase in power consumption by industries and secondly, to meet the growth in domestic consumption due to population growth and the extension of supplies to rural areas.

With the expansion of generating capacity, substantial investments are necessary to extend the network of electrical transmission and distribution lines. In fact, capital investment in the distribution network will be \$31.0 million next year, which constitutes two-thirds of the total budget of the Electricity Department.

Phase I of the Johore River Scheme will be completed next year and this will increase the reliable yield of water supply by another 30 million gallons a day, bringing the total reliable yield from the various sources to 87 million gallons a day for Singapore. The average yield will go up to over 130 million gallons per day.

The Gas Department will have a budget of \$3.5 million which will be spent mainly on the extension of the distribution network to bring gas to Toa Payoh, Bartley and Upper Serangoon areas as well as to Telok Kurau and Bedok areas.

Singapore Telephone Board

The Singapore Telephone Board will spend \$12.9 million next year. Its major expenditure will be for the purchase of exchange equipment to extend the capacity of existing telephone exchanges, especially those serving the Katong and Bukit Panjang areas where population has increased. To complement these schemes, the underground cables and plant will be installed to link the exchanges with subscribers. It is expected that 6,000 new lines will be in service next year, while the total at the end of the year will be 70,000.

Sectoral Allocation of Public Sector Development Programme

The proposals of ministries and statutory authorities for 1967 in terms of economic classification are as follows:

Economic Development	\$234.2 million	57.0%
Social Development	\$148.1 million	36.1%
Public Administration and Defence	\$ 28.7 million	6.9%
Total:	<u>\$411.0 million</u> =====	<u>100.0%</u> =====

The lion's share of the allocation goes to economic development which is consistent with the objective of promoting rapid economic growth. The provision for social development ranks second in the Budget and will be sufficient to maintain and improve the already high standard of social services in Singapore.

1967 Development Estimates

I will now turn to the financing of the Development Expenditure for 1967. Out of the estimated expenditure of \$259.7 million by the statutory authorities, it is expected that \$174.7 million will be from their own resources or external loans, the balance of \$85 million will come as loan from the Government.

Development expenditure by the Government is anticipated to be \$151.3 million. This together with the loan of \$85 million to the statutory authorities, a loan of \$3 million to the Government Co-operative Housing Society and a transfer of \$10 million to create a Contingency Fund, give a total of \$249.3 million to be provided for on Government account.

Financial Resources for the Estimates

Although the 1967 Estimates total \$249.3 million, the anticipated expenditure is estimated at \$211.4 million or about 85% of the total provision. We will now examine the position of the Development Fund, which is the source of finance for the Estimates, to determine how it will meet this anticipated expenditure.

The balance of the Development Fund at 31st December, 1965, was \$179.7 million, while the inflow to the Fund this year (1966) is expected to be \$171.3 million, giving a total of \$351 million.

The total expenditure from the Fund this year is now estimated at \$212.9 million, which means that the balance in the Development Fund at 31st December, 1966, will be \$138.1 million.

The inflow into the Fund in 1967 is expected to be \$180.0 million. As the anticipated expenditure from the Fund for 1967 is \$211.4 million, the balance in the Fund at the end of 1967 will be around \$106.7 million. The Government proposes to obtain loans from the World Bank and other financial institutions, as well as from friendly countries, to finance its development programmes. Hitherto, World Bank loans have gone to traditional projects such as power generation, water supplies and port development. The Government will continue to encourage the statutory authorities to seek loans for such "bankable" projects, as well as for new schemes such as electricity and water transmission and internal telephones. Such loans will enable the statutory authorities to reduce their dependence on the Government for financing.

In the Government sector loan applications will shortly be submitted to the World Bank for education, roads and sewerage development. As Singapore has an excellent record of well-planned and executed development programmes, there will be a strong case for additional loan financing from the World Bank. The World Bank has financed similar schemes in other countries. On the whole the balance in the Development Fund will be quite satisfactory.

Through Mr. Speaker, Sir, we are making progress, it is not fast enough to be self-sustaining nor is it of the magnitude required to solve our unemployment problem. We must never forget that Singapore has no agricultural base. We do not have what the economists call primary income. Our earnings are from services rendered, processing and refining of raw materials and manufacturing - the last growing in importance. Therefore, if we want to live well and improve our standard of living it is imperative that we should be more efficient than others. This calls for the closest co-operation between Government, the entrepreneurs and labour and each must give of its best to bring about ever-increasing efficiency.

The Government has given all the incentives necessary to attract investment and to provide both the necessary infrastructure as well as a stable political climate to make investment possible. It is now left to our entrepreneurs to show that they have inherited the verve, resilience, drive and skill of our forefathers and take advantage of the facilities and incentives available. The Productivity Centre will help labour achieve greater productivity and thereby contribute to our efforts to industrialise and compete successfully.

Responsible trade union leaders know that it is through greater productivity that wages can rise, for any increase in wages without corresponding increase in output will very quickly blunt our industrial drive and add to our army of unemployed.

As I have stated before, the Government, apart from providing the basic facilities already enumerated, will hold a fair balance between management and labour. While seeing to it that there must not be any exploitation of labour, we must also ensure that entrepreneurs get a fair return for their investment. Without profits there will be no investment and therefore no employment. At the same time our society rightly expects work for wages paid.

The fact of the matter, Mr. Speaker, Sir, is that without primary income we have no buffer to fall back on. If there is a deterioration in the services we are rendering or, worse still, a breakdown in the provision of such services, inevitably this would lead to a collapse of our economy. It is the duty of the Government to see that no section of the population endangers the standard of efficiency, either through misunderstanding of the situation or through irresponsible behaviour, such as malingering and restrictive practices, which we see creeping into the system. Prompt and effective action will be taken to stop the rot wherever it is found.

It is ironic that the first full year after a separation we did not seek was better than the first full year of a merger and Malaysia we sought and worked for so long and arduously. For the first full year of Malaysia was the first full year of Confrontation and saw our annual growth rate of 8.5% go down to 2%.

This has not been so with the first full year of Independence after we were suddenly separated from Malaysia. Although the percentage increase of our G.N.P. is not as yet available, the figures show an increase of between 9% to 12% in trade and

revenue - cause for quiet confidence. But this confidence must not lead us to smugness and complacency. It must not lead our people, whether entrepreneurs, or trade unionists, into believing that the world owes us a living and that things will always be all right. They will be all right only if we are constantly alert, efficient and striving. For ours is not any ordinary economy like that of many other countries in this region. Our future is at once fraught with peril and yet bright with promise, depending upon how things work out in Asia as a whole. If big power conflicts are contained and the smaller countries turn to constructive pursuits, then we shall thrive and prosper in peace. If not we must inevitably be embroiled in grievous strife, with big powers exploiting the petty feuds, jealousies and rivalries. But these are matters beyond our dispensation. What we can see clearly is into the 70's for, barring the unexpected, we can assume a relatively quiet and secure situation in this corner of Southeast Asia. But we have lived long enough to learn that the unexpected does often happen and we are learning to make contingency provisions for such accidents.

It has been my good fortune as Finance Minister for two successive years not to have had to raise revenue by increases in the rates of taxation. This year, the only change is in the method of computing the motor-vehicle tax, which will bring in a small increase of \$5½ million in revenue, a step we are taking more to establish sound principles of taxation than the need for the \$5½ million. But Singapore cannot assume that the expanding cost of education, health and social services, plus added burdens of our own separate defence expenditure, can always look after themselves. On the one hand, my officials have had to do their unpopular duty of using the pruning knife whenever they feel that an item of expenditure was extravagant in

relation to our own economic capacity. On the other hand, our entrepreneurs and workers must give of their best to keep this economy humming and thriving, so that the increased economic activity will always give an ever increasing revenue.

Provided there is a clear appreciation of the elementary facts of life in our lean society, and provided that each and every sector plays its part, there is no reason at all why we should not be able to achieve our goal of a better life for all. Our people have got what it takes to make Singapore prosper. What is required now is an awareness of the problems before us and a concerted response made to meet the challenge of our separate destiny. Together we should be able to surge forward to a better and brighter future.

Sir, I beg to move.