

EMBARGO UNTIL DELIVERY

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SINGAPORE GOVERNMENT PRESS STATEMENT

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Budget Address -

Legislative Assembly 2nd November, 1964.

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Mr. Speaker Sir,

I beg to move that this Assembly approves the financial policy of the Government for the year 1965. The Estimates before the House and the review that I am proposing to make in presenting these Estimates may be of exceptional interest. We have completed a full year of confrontation which had brought about strains and stresses in our economy. Last year I presented a forecast of the possible economic effects of confrontation and this year, it is possible to compare the outcome of that prediction.

Indonesian confrontation in the economic field is intended to deny Malaysia and Singapore in particular, supplies of raw materials, mainly, rubber, copra, timber and other tropical produce which Indonesia used to market through our ports. Singapore handled more than 80% of the Indonesian entrepot trade carried on through Malaysia. Indonesia also closed her markets to our exports and re-exports of food and consumer goods. How have we fared during this period?

The first observation that I want to make is that the trade embargo which Indonesia intended to mount against us had never at any time been 100% effective. In the case of trade carried on through letters of Credit, the Indonesian authorities were compelled to acknowledge the realities of her economic situation as tens of thousands of tons of low grade rubber piled up in the ports along the Sumatra and South Kalimantan coast. Eventually they had to authorise the export of these goods to some ports in Asia with the full knowledge that the material will be transhipped to Singapore. I understand that the export licences for these goods were personally authorised by President Sukarno himself. As a result of this leakage

Singapore was able to recover some proportion of trade which she lost to her after last September. I understand that the Indonesian authorities have again clamped down on exports through third countries and we shall have to wait and see what they will do when their ports get cluttered up again with unsaleable rubber.

Then there was the barter trade, which was carried on in small craft manned mainly by Indonesian traders and crews. After confrontation the volume of barter trade increased substantially. The Indonesian authorities, the Navy, Customs, Exchange Control, other government departments proved either unwilling or unable to prevent the movement of tropical produce from Rhio and the Sumatra ports to Singapore. With the sales of such produce the Indonesian traders were able to buy food, provisions, textiles and household goods which they cannot get from other sources.

The fact that the economic blockade mounted by Indonesia was incomplete, diminished the impact of confrontation on Singapore's economy. From the 14th August it was necessary for the Government to impose a ban on the barter trade. The trade had been used for the purposes of smuggling explosives and arms as well as infiltration of agents. The ban when carried out by our own navy, police and customs authorities was completely effective unlike the futility of controls mounted by Indonesia. No barter trade is going on in Singapore.

Published figures on our external trade in shipping do not include either third country imports or transactions in the barter trade. It is obvious that in a state of economic warfare which Indonesia is waging against us, there is no special reason why we should oblige our enemy with such information. The recorded trade showed a substantial decline. Total imports for the first half of this year amounted to

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\$1,362 million as compared with \$1,789 million for the corresponding period of 1963, a decline of 23%. Exports amounted to \$881 million recording a fall of 31% compared to the previous year. The actual decline is rather less than this for reasons which I have explained.

In my forecast of possible effects of confrontation last year, I said that if the embargo on trade was completely effective it would lead to a direct decline of something like 8.7% of our national income and unemployment in our processing industries up to 8,200. In the event, this forecast proved over pessimistic. The number of workers unemployed as a direct result of confrontation never exceeded 4,000 at any one time.

Nevertheless the decline in trade even allowing for leakages, made quite a serious impact on our trading economy particularly after the ban of the barter trade. Its impact on other sectors of the economy was partially cushioned off by a number of factors. The chief one was the high level of activity in the construction industry and secondly, the growth of our manufacturing industries.

Commercial bank lending can be taken as a good indicator of economic activity. Outstanding commercial bank loans stood at \$303 million at the end of January and rose to \$861 million at the end of August this year. Bank lending to the trade sector has maintained its level probably because of the increases in local purchases of raw materials from Sabah and Sarawak and other states of Malaysia to make good the reduction in Indonesian sources. Advances to the manufacturing industry rose from \$86.5 million in June last year to \$117.0 million this year. Advances to construction industry increased from \$32.2 million to \$55.8 million for the corresponding period. The total number of buildings under construction both by private enterprise and Government,

totalled 23,616 units in June 1964 as compared with 16,393 in June last year. The expansion of the manufacturing industries I will deal with later.

It is because of increased activity in construction and industry that we were able to offset to some extent the economic effects of Indonesian confrontation. While there has been a decline in business activities which were linked to Indonesian trade and while this has extended also to some service and entertainment industries, I think it is a fair assessment to make that the economy of Singapore has stood firm. We have not cracked up under confrontation. Indeed, it is the Indonesians themselves who had to admit defeat and who had to release exports of raw materials which they knew would find their way to Singapore. Naturally, from the economic point of view, a return to normal trade with Indonesia would provide a substantial increase in business and general prosperity. But however much we may desire this we must not forget that the national interest of Malaysia is of overriding importance. In any event, the set back to our trading sector is insignificant compared to the loss of income and the shortage of goods which Indonesia has brought upon herself by her policy of confrontation. Indeed, the disintegration of the Indonesian economy - ramshackle at the best of times - has reached the stage where the eating of rats and corn have been commended as a patriotic virtue.

General Review of 1964 Revenue & Expenditure

The Budget for 1964 is the first one for the State as an integral part of Malaysia. Expenditure including a capital transfer of \$16 million was estimated at \$326.4 million. This was almost equal to the estimated revenue of \$326.7 million.

Up to 30th September this year, actual payments in respect of expenditure came to \$219.8 million. This practically balanced the revenue of \$219.3 million received during this period.

It always happens that expenditure in the last quarter is higher than in previous quarters. This is because bills for articles ordered earlier in the year arrive for payment and vacancies in posts are more fully filled up. On the other hand revenue falls off. The large revenue earners, income and property taxes, would have yielded most of their proceeds during the first nine months of the year.

Expenditure for the last quarter of the year is estimated at about \$100 million. Total expenditure for the year is, therefore, expected to come to approximately \$319.8 million, which is about \$7 million below the amount estimated.

On the revenue side, a sum of \$76.7 million is expected to be collected during the last quarter. The total for the year therefore, will be around \$296 million or \$23 million, less than expenditure. This year, the indications are that Singapore will incur a deficit. This is the first time that this has happened to a PAP Government. I will go into the reasons later.

In general revenue is well-maintained, with only the entertainment tax and tobacco duty failing to come up to expectations. The revenue from entertainment duty is

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expected to be about \$7.5 million as against \$8 million estimated. The sum collected in 1963 was \$7.5 million. Compared to 1963 there has been no fall, and is just a case of not rising to expectations. This is due to the popularity of Television, and the disturbances during July and September which affected cinema attendances.

Tobacco duty is expected to be \$5.7 million below the estimate of \$48 million but about \$1 million higher than 1963 revenue. This is due to the trend to switch to locally imported cigarettes from imported brands.

There are two large items of revenue in the 1964 estimates for which no payments have so far been received. The first is arrears of contribution payable by the Central Govt. <sup>to the Singapore Government</sup> towards the University of Singapore. The amount is \$12 million. Another is an amount of \$11 mil. representing currency profits earned in 1963 prior to Malaysia Day. If these two payments totalling \$23 million, were to be made this year, we would just about balance the budget. But it should be noted that these are non-recurring revenue items and it gives me no pleasure to depend on them to achieve a balance.

The other sources of revenue have not done badly. Of the Federal taxes, i.e. those taxes where the revenue would be apportioned between the Federal Government and the State in the ratio of 40:60, income tax is expected to yield \$92 million, which is \$2 million above the sum estimated, and \$6 million above the 1963 figure of \$86 mil. Customs and Excise duties on liquor are expected to be about \$1.2 million higher than the estimated sum of \$30.5 million. The revenue of \$31.7 million is about the same as for 1963. Petrol duty is also up by \$3.3 million as compared with the amount estimated, and about \$3 and a half million higher than last year.

From these figures it would be seen that confrontation has made little effect on revenue which depends on the level of income. Income tax has risen slightly exceeded expectations. Liquor duties indicate that people are drinking just as much. Revenue from petrol duty shows that more motorists are driving more cars.

When I presented the 1964 Estimates last year, I explained that the estimates on expenditure had been trimmed of all margins. This was done by assessing actual requirements and providing for these only. As a result, it was anticipated that no head of expenditure would show substantial savings, and that certain heads may require supplementary provisions.

Expenditure to-date confirmed my forecast. No head of expenditure is expected to show savings of any substantial size. With the exception of six heads of expenditure they are expected to be able to keep within voted provisions. The heads that are short are seeking supplementary provisions. Taking the expenditure of all heads together shortages as well as surpluses expenditure for the year is expected to fall short of estimates by about \$7 million. This is insignificant out of a budget of \$326 million.

The Ministry of Education will require additional funds of approximately \$10 million. This will raise expenditure on education for the year to around \$105 million; slightly more than 1/3 rd. of total revenue for the year. I shall deal with Education expenditure in greater detail later.

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Social Welfare requires an additional \$1.1 million to meet public assistance payments. Culture is seeking \$0.9 million. Of this \$0.39 million is in respect of the balance of Government's contribution towards the National Theatre and the balance for television. The expenditure for television had been under-estimated, because at the time when the estimates were prepared, television had been introduced for only a few months, and it was difficult to estimate with any precision at that juncture. The rapidly mounting cost of television is a source of concern to my Ministry.

Customs will require an additional \$170 thousand to increase its fleet of launches and speed-boats. These were required in order to be able to maintain increased sea-patrols on account of confrontation.

The other two heads, Planning and Marine Surveys, are short of small amounts of \$47 thousand and \$4 thousand respectively and are due to an under-estimation of their requirements. Taking the financial situation as a whole, although we have no cause for immediate concern, I nevertheless, have to sound a word of caution. The revenue and expenditure of the current financial year shows that the days are over when we can take for granted that each financial year will end with a surplus of some \$50 million or more. This fact will have to be faced. We have entered a period when we must be careful over expenditure. This is on account of two factors:-

- (i) the rise in expenditure has been too fast for revenue to keep pace with;
- (ii) the contribution which we have to make to the Federal Government towards defence and Central Government services.

The rise in expenditure especially on social services has been fast. The increase in expenditure on education in particular has been spectacular. In my Budget speech in 1959, I drew attention to the effect which the population growth would have on education expenditure. I predicted that by 1970 we may well spend \$180 million a year by 1970. Expenditure for the past few years have confirmed my forecast. Running cost on education has risen from

\$57 million in 1960 to

\$67 million in 1961

\$82 million in 1962

\$94 million in 1963 and

\$105 million estimated for 1964.

These figures represent running costs only and exclude development expenditure. In the space of four years, expenditure on education has almost doubled. The rate of increase is, however, mercifully expected to fall off. A benign providence must have heard my cry of despair in 1959 for the birth-rate since then began to show a substantial decline each year. Members will recall that in 1946, the first post war year, the number of births was 38,665. The number increased at a frightening rate each year, and by 1958 reached 62,495. The crude birth rate was then 41.3 per thousand and has gone down steadily to 33.5 last year. In terms of actual number of births, the annual figures from 1959 to 1963 read as follows, 62,464, 61,775, 59,930, 58,977 and 59,530. As these births relate to a  
and  
population that is growing/increasing each year, it means that the crude birth rate is declining. Detailed demographic studies show a continuous decline in the age-specific fertility rates in all age groups.

This dramatic change in demographic trends in the state seems to have escaped the attention of the public. It is no longer true that the population is increasing at the world-record rate of 4% or more. The latest estimates for 1963 show an annual increase of 2.2%, still too high but not as unmanageable as that of a decade ago.

However expenditure on secondary and higher education will continue to rise for the next few years, as the present primary students move up, before such expenditure levels off. I have mentioned that expenditure on education takes up slightly more than one-third of total revenue. This is a high proportion. Thus, under existing conditions it will be rash to introduce any change in education policy that will raise expenditure beyond our financial resources.

The 1965 Estimates:

For 1965 revenue has been estimated at \$339.6 million and expenditure at \$359.8 million including a capital transfer of \$20 million to the Development Fund.

Of the total estimated revenue of \$339.6 million, the State share of Federal Revenue collected in Singapore has been taken to be the existing one, i.e. 60%. This is estimated at \$190.2 million, which is about 56% of the total revenue accruing to the State Govt. the other 44 per cent being local taxes.

The main revenue-yielding taxes, i.e. income tax, customs duties, liquor, petroleum and tobacco duties, road tax and estate duty, are Federal. A change in the rates of taxation by the Federal Government will, therefore, affect our revenue, as will any revision in the apportionment ratio.

We do not, of course, at this stage know what tax changes the Federal Government may want to introduce for the next financial year. Our revenue estimates are being prepared on the basis of what we anticipate will happen in Kuala Lumpur. Our assumptions need not necessarily be correct, and what the Central Government decides to do could throw our estimates off the mark. Preparing the estimates under such conditions, is, of course, unsatisfactory. There appears, therefore, to be a need to change our financial year to enable us to complete our estimates after the taxation policy of the Central Government is known, and in due course I may come up to ask Assembly to consider moving the financial year to begin later in the calendar year.

For 1965, the State's share of Federal revenue has been estimated at \$190.2 million against \$175.6 million estimated for 1964. These estimates are made on the basis that the rates of existing taxes will remain the same, and on the assumption that certain protective duties will be imposed under the Common Market arrangements.

On present performances income tax is expected to increase by \$1.9 million. Customs and Excise duties on liquor are estimated to bring in \$3.4 million more than the \$30.5 million estimated for 1964. Other major sources of Federal revenue that are expected to yield more money are motor vehicles registration fees and road tax, stamp duty and estate duty.

On the assumption that certain new protective duties will be introduced, this source of revenue, which hitherto has been insignificant, is expected to yield about \$7 million.

Revenue from State sources is estimated at \$149.4 million which is \$1.7 million lower than the \$151.1 million estimated for 1964. The drop in revenue from State sources is mainly on account of the State losing two major items of revenue:-

- (1) currency profits which was estimated to bring in \$11 million in 1964. This now goes to the Central Bank;
- (2) port dues estimated at \$2.5 million for 1964. This has been transferred to the Port of Singapore Authority.

Contributions in respect of the Widows' and Orphans' Scheme is estimated to fall by half a million. This is because the intention is to wind up the scheme. No new contributors will be accepted and it is expected that a number of existing contributors will opt out. Entertainment duty is estimated to be around the actual amount to be collected this year. This is half a million lower than the amount shown in the 1964 estimates.

The decline of revenue from these four items amounts to \$14.5 million. The total is only \$1.7 million lower than the total for 1964 because other items of revenue are estimated to increase. Since they relate to a large number of minor items, I do not intend to touch on them.

I now come to 1965 expenditure. Education again takes first place with an estimated expenditure of \$107.9 million. This is \$13 million higher than the 1964 estimates, but only about \$3 million higher than what is expected to be actually spent in 1964. Actual expenditure in 1964 includes about \$2.5 million in respect of payment of arrears of salary to women teachers on their conversion to men's salary scales. The estimate for 1965, thus, represents a true rise of about \$5.5 million.

Next comes Hospitals Division which shows a rise of \$3.1 million arising from an expansion of hospital facilities. The estimates for Ministry of Culture is increased by \$2.2 million. This is mainly on account of expansion in television.

With the exception of "charge on account of public debt" which is statutory expenditure, the other heads of expenditure shows only modest increases.

Finally, I wish to draw attention to the addition of a new head of expenditure, the Ministry of Law, Head account code No. 1101. This head only shows the Minister for Law with a skeleton staff for his Ministry headquarters. The departments discharging functions under his portfolio are still shown under their former Ministries. This is because by the time the duties of the Minister for Law were decided upon, the draft estimates had already been in an advance state of preparation, and there was insufficient time to extract these departments out and show them where they rightly belong. This will be regularised in the 1966 estimates.

Development Expenditure.

In 1964 development expenditure by Government Ministries and departments is expected to total \$166.4 million as compared with \$134.3 million in 1963. This shows an increase of 23.2%. If we include development expenditure of Statutory Authorities, Public Utilities Board, the Port Authority, Economic Development Board, the Telephone Board, and others, development expenditure in the public sector in 1964 will come to \$254.4 million as against \$198.0 million in 1963. This represents an increase of 28.7% over last year.

Since the Statutory Authorities are important agencies of economic development in the State, I wish to deal with the whole of the public sector in my review and not merely confine it to Government departments and Ministries.

As in previous years, I will deal with development expenditure in the public sector under three convenient heads namely :- economic development, social development and public administration. The totals for each of these main sub-sectors are as follows :- economic development \$156.5 million, social development \$96.3 million and public administration \$1.6 million, making a grand total of \$254.4 million.

Economic development consists in the purchase and development of land, provision of power and other Public Utilities, construction of industrial estates, laying and improvement of roads, wharves, bridges, telephones. In a word to provide what economists call "the infra-structure."

Land and agricultural development amounted to \$11.3 million. Rural development schemes maintained a high tempo during the year. 60 schemes for extension of power supplies to villages and village roads have been implemented.

Farmers and fishermen both on the main island and the Southern island continue to receive an increasing scale of extension services. Six existing veterinary extension services were fully occupied and it is necessary to add two veterinary clinics to cope with increasing work.

Industrial development continues to receive the urgent attention of the Government. Expenditure this year is expected to total \$117.2 million. The main agency of State's industrial promotion effort is, of course, the Economic Development Board whose exertions are now beginning to show results. Of the 113 firms awarded pioneer certificates, 43 are in production. The actual capital investment carried out by these firms totalled \$132.5 million at 31.8.64. These firms provided an initial employment of 2,233 persons and this has increased to 4,195 by the end of August. Eventually these firms are expected to employ 6,687 persons.

In addition to the 47 pioneer industries in production, another 54 are in various stages of implementation. \$37.9 million had already been spent by these firms. Their final capital outlay would be in the region of \$234.1 million. These 54 industries will provide employment to 6,368 persons at initial production and 9,331 in full production. Of the remaining 12 pioneer firms, 8 have shown very little progress and 4 projects have been abandoned.

In addition to these pioneer industries, there are of course others which do not qualify for pioneer status. A count made at the last census of production showed that 120 new non-pioneer firms went up during the reference year. These are mostly small factories employing 10 persons upwards. The small industries are not being overlooked or neglected by Government. The Light Industries Service has been set up by the Economic Development Board to provide loan, training and technical assistance to small manufacturers in need of them. Among the larger non-pioneer industries either in production or in the process of implementation, there are 11 of substantial size, including several motorcar assembly plants. These 11 industries involve an investment of \$44 million with an employment potential nearly 4,000.

The Jurong Industrial Estate occupies a pivotal position in our industrialisation programme. 1,400 acres of land have been levelled, reclaimed and prepared for occupation. Another 400 acres are in the course of preparation. To date, 74 enterprises have been allotted sites. 19 firms are

in production and another 12 are expected to be in production by the end of this year. Another 15 are at various stages of construction and most of them would be in production in 1965. I had recently made a review of progress of works in Jurong, the new Port, roads, railway, electricity, industrial water, housing, bridges and other matters. As honourable members are doubtless aware of the contents of this review, I need not repeat myself on this occasion.

The progress in the smaller industrial estates has also been encouraging. At Tanglin Halt, of the total number of 56 prepared lots, 54 have been allocated to 34 companies. All the sites at the Redhill Industrial Estate have been taken up by 30 enterprises of which 26 are in production. By September 1964 all sites have been taken up and ten firms were in operation at the Kallang Park Industrial Estate. The prepared plots at the Bendemeer Road and Kampong Ampat Road industrial estates have all been allocated and work is progressing satisfactorily. Because of land shortage in the City area, the construction of multi-storied flatted factories is being undertaken. Piling for the first of such factories has commenced.

With regard to public utilities, the extension of electric power supplies is proceeding ahead of schedule with \$58.66 million expected to be spent in 1964. With the installation of a new 25 m.w. steam turbo-alternator set and 6 x 6.0 m.w. open cycle gas turbines, the generating capacity has increased from 152 m.w. in 1961 to 226 m.w. in 1963 and to 284 m.w. by the end of 1964, as against the target figure of 264 m.w. envisaged in the Plan. The demand for electricity has been increasing steadily. The first new 60 m.w. alternator will be commissioned in 1964, the second by May 1965 and the third and fourth by June and September 1966 respectively. Transmission and distribution schemes for extending supplies of electricity to many parts of the Estate, in particular to the Jurong Industrial Estate, have been carried out successfully. The installed capacity for the manufacture of gas has doubled from 538 million cu. ft. in 1960 to about 1,160 cu. ft. in 1964.

Schemes for the increased supply of water to meet the growing needs of

the State are in progress. Soil investigation in connection with the Johore River Project was completed in April this year. Land has been acquired for the headworks in Kota Tinggi. The first phase of the Project is expected to be completed in 1967/68 at an estimated cost of \$40 million. Progress has been made <sup>on</sup> the Scudai River Project, and by August it was possible to pump 12 million gallons of treated water per day. The whole project is expected to be completed some time next month when it would be able to add another 30 million gallons a day to Singapore's water supply.

In the year under review this sub-sector presents a picture of greater progress <sup>in</sup> transport and communications than in previous years. With the completion of the East Wharf Scheme, expenditure in 1964 was incurred on other development items such as portable diesel generators extensions to Dockyard head office and provision of quarters. Further plans for the expansion and improvement of facilities in the harbour are nearing completion.

Civil aviation projects progressed ahead of schedule. In May, the new International Passenger Terminal Building was opened. Other notable completed projects include the construction of a new extension to the Jet Parking Apron, the installation of Surveillance Radar Equipment, and High Power VHF Radio Telephone equipment. Orders have been placed for Automatic Speech Recorders.

The expansion of our telephone system is progressing at a faster rate than was expected, \$6.75 million spent in 1964 as against \$3.34 million planned. With four new telephone exchanges at Nee Soon, Changi, Bukit Timah and Jurong, new connections increased from 35,358 lines in 1960 to 52,130 by September 1964. A submarine cable has been laid between Singapore and Pulau Bukom.

The Multi-Storey Car Park, a new project in the State Plan, was completed in June this year at a cost of \$2.45 million providing bays for 882 cars and about 300 motor cycles and scooters. In July 1964, work commenced on the Raffles Place Underground Car Park, to provide parking bays for 140 cars. This will be completed in 1965.

The construction of roads, drains, and bridges has shown progress. The removal of squatters in certain areas is, however, still a factor setting back the rate of construction. In all \$11.80 million will be spent in 1964.

In the field of social development/ capital expenditure to a total of \$93.6 million will be spent by the end of the year as against \$79.7 million last year. The classification of expenditure is as follows :-

SOCIAL DEVELOPMENT

<u>Head</u>	<u>1964</u> <u>\$ million</u>
1. Urban Redevelopment	7.22
2. Health	2.64
3. Education	13.77
4. Social Welfare	1.42
5. Housing	56.00
6. Sewerage	10.03
7. Community Services	0.16
8. Culture	1.44
9. Trade Union House	<u>0.96</u>
Total	<u>93.64</u> -----

Singapore's programme of public low cost housing proceeds with undiminished vigour. The Housing Board has completed 9,636 flats so far this year and by the end of the year, another 12,000 flats will be under construction. Nearly one-third of these are at Jurong.

Television was introduced in February / last year and by last month 51,515 television licences have been issued. Work has commenced of a construction of a permanent television studio which is expected to be ready by April 1966.

The Ministry of Health is concentrating in consolidating their services rather than expanding them. Nevertheless, development was not

neglected. and 10 new school dental clinics will be completed by the end of the year. At the General Hospital, a third medical unit is under construction. At the Tan Tock Seng Hospital a Thoracic Surgical Unit is being built. Both these works will be completed in 1965.

The Ministry of Education continues to build new schools as well as extending the capacity of a number of existing schools. 21 schools are under construction of which 8 will be completed this year. In view of the changed demographic trends I referred to earlier it is necessary soon to make a review of the Ministry's future development plan. Construction of additional three-storey block at the Vocational Institute has commenced recently. This is to prepare the skilled workers and artisans which industry needs. The International Conference Hall and Trade Union House at Selegie Road is nearing completion. The target date set for the opening of this substantial building, costing £ 34.5 million, is set for March 1965. The Social Welfare Department has completed a home for the aged at Woodlands. The Youth Leadership Training Centre of the People's Association was also completed this year.

A new chapter in Singapore's history commences this year with the rebuilding of the city itself. The detailed plans for the development of Southern Precinct I bounded by New Bridge Road, Newlock Road, Outram Road and Chin Swee Road and Northern Precinct I bounded by Beach Road, Crawford Street, Victoria Street and Jalan Sultan has been completed. 1,173 families have been allocated Housing Board flats and the vacant houses have been demolished. Construction of new houses will begin next year.

The last sector is a small one namely public administration. This relates to the improvement and construction of Government offices and buildings. The amount to be spent this year comes to \$1.6 million.

1965 Development Estimates

I now turn to the 1965 Development Estimates. 1965 is to be an extended phase of the State Four-Year Development Plan and most of the provisions in the Development Estimates are for continuing schemes. Broadly, the emphasis has been on the completion of schemes already started, leaving most of important new schemes for the next Plan. The new plan period will be for five years and commence in 1966. This will bring the State's plan period into line with other states of Malaysia.

There are, however, a number of new projects in the Estimates. It will be noticed that against several of these projects only a token provision of \$10 has been made, or the votes have been made subject to Treasury sanction. This is to enable further examination of the projects as to the best means of their implementation.

Under Ministry of Finance, provision of \$300,000 is made to take up the option offered to the Singapore Government of purchasing shares of Malaysian Airways Ltd. amounting to 5% of the increased capital arising out of the proposed amalgamation of Malaysian Airways Ltd. with Berneo Airways Ltd.

For the Customs and Excise Department, there is provision for Customs Stations and Facilities, Free Trade Zone to ensure that there are adequate Customs facilities to implement Customs control over goods leaving the Port of Singapore Authority area when a Free Trade Zone is established. Further, with the rapid progress made in the Jurong Industrial area, it is necessary to provide a Customs Station and Transit Bend outside the area to exercise effective control over movement of dutiable goods and smuggling. An extension to Customs House is also required in view of the expanding functions of the Department.

The Government Printer will acquire equipment to enable a more speedy output of work in the Bookbinding and Composing Sections to meet increasing demands on the Department.

The Ministry of Education will bring existing schools up to standard size requirements in its provision for major extensions to eleven existing schools and the reconstruction of four Primary Schools.

The Ministry of Health will extend facilities at the Nurses Training School at the General Hospital as the number of students at the School has increased from 400 to 800 students.

Under Ministry of National Development, a sum of \$39.5 million for Phase II has been allotted to the Housing and Development Board to meet its second five-year programme of low cost housing. This includes provision of \$10 million for housing in the Jurong Industrial Area.

Completion of the programme under phase I will need an additional \$35.5 million. So the Housing Board will receive a total of \$75 million for the building of low cost flats in their principal housing estates. This of course is in addition to the \$20 million to be allotted for the renewal of the city which I have already discussed.

Some of the major activities of the Ministry of National Development are worthy of mention. The East Coast Reclamation will proceed with renewed vigour. \$1.8 million has hitherto been spent in reclaiming land off Bedok. Next year \$12 million has been allotted for continuation of this work. When completed in four years time this will result in an addition of 1,200 acres to Singapore's territorial domain. The Kallang reclamation work will continue. \$4.4 million has been spent so far and an additional \$5 million has been set aside next year.

Under Public Works Non-Recurrent, a number of new schemes are required. The Sungei Pang Sua Drainage Scheme will eliminate flooding at Woodlands between the 11th and 14th milestones and in Bukit Panjang. Another drainage scheme at Tiong Bahru will also alleviate flooding in the area. Under the Roads programme, the widening of Frankel Avenue and Whitley Road is required in view of the greater volume of traffic along these single carriageway roads. At Nicoll Highway, two extra lanes will be built to cope with the increased traffic load.

A valuable project which the Primary Production Department of the Ministry of National Development will carry out next year is the construction of the Abattoir and animal quarantine station in Jurong. A sum of \$4.6 million has been voted for this project.

Contrary to the expectation of laymen and experts, there is in Singapore a thriving livestock industry based on the rearing of poultry and pigs. Not only are we self-sufficient in these products, but we are also exporting large quantities of poultry, eggs, and pigs to other States of Malaysia. We must now look to overseas markets which we can supply by the canning of meat products. But before we can build an export market in canned meat, we must satisfy international health requirements in the slaughter of animals. The present abattoir is decrepit and out of date. A new abattoir in Jurong has been carefully planned with the assistance of experts from Denmark.

When this modern abattoir becomes operational, it will make a contribution not only to the export of canned meat but also by providing a supply of many by-products for local industries, such as hides and skins for the leather tannery being established in Jurong, the supply of animal waste, bones and offal for the organic fertilizer factory that is also going up in Jurong.

Construction of new roads and bridges and extension to existing roads and improvements to bridges have become a matter of great urgency because of the rapid increase in a number of motor vehicles. Not less than \$15.5 million has been set aside for this purpose.

Among the interesting projects authorised for next year, is the construction of flyovers along Bukit Timah and Dunearn Roads at the junction of Farrer Road and Adam Road. A sum of \$1 million is to be voted for this project. This is the first time that we are constructing flyovers in Singapore but the motivation for this is not prestige but, as motorist will testify, sheer necessity.

Hitherto, the criteria on which any development project is judged, had been its value to the State. This means that in one way or the other the project must add to the sinews of our economic muscles, or increase the capability of our present and future generation of citizens. These criteria had been sternly utilitarian as befits a developing nation. It would be irrational for us to go for the frills and frivolities on the one hand or prestigious magnificence on the other.

Affluent societies can afford to do this. Bankrupt nations, like Indonesia, also do this in the quest of a momentary illusion of grandeur.

And yet it will be wrong to overlook the need for some grace and elegance in public amenities. Some new projects entered in the next year's estimates show a relaxation of the austere standards that we have observed in the past. For instance \$150,000 will be spent on developing the Mount Faber Scenic Park. A garden is to be built over the underground car park at Raffles Place for which purpose \$120,000 have been set aside.

The Woodlands tree nurseries will be extended to provide the trees which are needed in the campaign to grow more trees in Singapore. Another \$40,000 have been set aside for the extension to children's play-ground. We also propose to build a number of fountains in some roundabouts and in public places. In all, half a million dollars has been set aside for these fountains and \$100,000 will be spent next year. The Van Kleeef Aquarium has been allotted some \$43,900 for improvements and extension. All these projects will go some way to beautify our island and make it a more congenial place to live in.

This concludes my review of what we have done this year and what we intend to do next year. On the economic front, nothing has happened that could upset the forecast I made in my last budget statement that we can successfully ride Indonesian Confrontation. The collapse which the Indonesians had expected and which their anti-national pro-Communist allies in Singapore were hoping for, did not happen. On the contrary, with the enthusiastic support of the masses, our great work of construction and industrial development took great steps forward. And so it will go on until the Indonesians and their local stooges realise the futility of their fight against Malaysia.