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PRIME MINISTER'S EVE OF

NATIONAL DAY BROADCAST, 1988

We have done better than expected for the first half of 1988. We made 11.1 per cent growth, the highest since 1975 for any half-year. The growth was broad based. Productivity growth was 4.0 per cent, lower than the 4.3 per cent for the same period last year. But this is normal because productivity growth is always faster in the initial phases of an economic recovery.

The Minister of Trade and Industry forecast nine per cent for the whole year because growth may be slowing down. If the slowing down is not too great, we may exceed nine per cent. In that case, at the end of this year, besides the 13th month bonus (or Annual Wage Supplement), the government will improve on last year's extra one-third month variable bonus.

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We want to move to flexi-wage. We should keep the basic wage relatively stable, and adjust for good or bad years by increasing or reducing the annual bonus. You remember the recession in 1985, when we had a negative growth of 1.6 per cent. Fortunately, there was the 25 per cent employers' contribution to CPF to cut back to ten per cent. Because we took corrective action, the recession turned and we made a small growth of 1.8 per cent in 1986. Last year, 1987, we recovered with 8.8 per cent growth, it looks easy to retrospect. But it was not easy to make hard decisions when we were experiencing the difficulties.

The first decision I took was correct. That was to put the second generation leadership in charge and test them. They formed an Economic Committee of 12 from the public and private sectors. The solutions they recommended were published in their report of February 1986. The second generation Ministers decided to reduce fees, taxes, JTC rents, PUB rates, PSA and airport charges. That was the easy part giving the money back. The difficult part was to take money away from workers by cutting wages and holding wage increases down. They tackled the problem head-on. CPF contributions by employers were cut from 25 per cent to ten per cent of wages. And they successfully persuaded the unions to exercise voluntary wage restraint for two years. Very few countries have tried, much less succeeded in doing this.

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The unions and the workers have done their parts. Now that the economy has turned around, the second generation Ministers are doing their part. They have decided to restore CPF rates gradually to 40 per cent (20 per cent from the employer, 20 per cent from the employee). The government, as a major employer, has restored pay-cuts, which together with the annual increment and the two per cent CPF increase, amounted to about an eight per cent increase in the wage bill. The government has set an example. We consider any settlement between six per cent and ten per cent (including the two per cent employer's CPF) as reasonable. At the same time, we are moving into a flexi-wage system. We propose to increase the end-of-year bonus when times are good, and the opposite when times are bad. Other employers should do likewise, or work out their own flexi-wage system.

The way Goh Chok Tong and his team have got Singapore out of the recession and brought us back to steady growth has increased confidence of investors at home and abroad. Let me give you an example. In October 1986, I was in Kyoto to meet 20 top industrialist investors. One of them came up and said to me that he had met and spoken to one of my younger Cabinet colleagues earlier in May. Because of that, he had decided to invest in Singapore. I knew what he meant. He meant that I was over 63 years old then; that his investment, which is capital-intensive and high value-added, would take many years to

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amortize, or get his money back. Having met my younger colleague, he was reassured that he would have many years to recover his investment and make his profits.

This is the nub of the problem that my old guard colleagues and I had to solve. The increased investments over the last two years, I believe, is a vote of confidence by investors. By the mid-70s, Singapore had become stable and prosperous. It was difficult to get able young men to give up promising careers to go into politics. To shake them from the belief that the old guards could carry on indefinitely, I named a target date for a new team to take over, when I reach 65.

For more than 12 years, we have been screening, selecting and testing potential leaders. A young team is in charge. They have worked together for many years and have become a team. But however careful the preparations, when the change takes place, and I leave the government, it will still be unsettling for a while. The next government is going to be more collegiate, or more of a team.

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In ordinary times, this will make little difference. But in stormy weather, and there are bound to be storms, coordination will have to be very close for a

collegiate or team leadership to respond swiftly, for instance, to decide either to change course and avoid the storm, or to steer the ship through the eye of the storm.

I have discharged my responsibility to provide for continuity. Now let me talk about your responsibility. This is my 30th year as Prime Minister. I think I know Singapore well. Let me share with you my concern. Many younger Singaporeans believe that there will always be an honest, fair and capable government. They are wrong. Older Singaporeans, who have experienced the Lim Yew Hock Government before 1959, know better. Look at other countries. See how much money is needed for elections elsewhere. Honest and competent government is rare in new countries because it is difficult to achieve. It is only because the PAP old guards have insisted upon and enforced high standards, and chosen men and women of integrity that ministers and MPs have remained honest and competent. Those who have not, have had to pay the price.

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This is special to Singapore. It is a precious asset of immense value for economic growth and political stability. And because the government has never sought to deceive people into believing that they will get something for nothing, everybody is self-reliant and the country's finances are sound.

Now the government proposes that you protect your collective savings by requiring an elected president to agree to it before it is spent. This will prevent any quiet spending of your savings. The fact that this government has not raided the reserves whenever revenue was short, is no guarantee that it may not happen in the future. We should put your CPF savings, which are a big part of the reserves, out of temptation's way.

Another proposal is that an elected president must consent to appointments of members of the Public Service Commission and other more important statutory boards. This will be a check on any government who wants to replace the current incumbents with more pliable men. The most important appointments are those to the Public Service Commission (PSC), for the PSC appoints the members of the civil service and promote them. Such a provision will ensure that sound and able men are appointed.

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Now let me talk of the recently passed Town Councils Act, 1988. This Act will put the MP in charge of his constituency town council. The honesty and competence of your MP will then directly affect you because he will be in charge of the maintenance and administration of your housing estate, instead of the HDB. He will control a budget of $9 million yearly for a single member constituency or $9 million for a Group Representation Constituency (GRC). This

sum will increase as more functions like car parks, hawker centres and markets are handed over to town councils. If your MP is not honest, or not competent, you will know it soon enough. And if your estate is poorly run, repairs slow, and lift maintenance poor, you will be inconvenienced and worse, the re-sale value of your flat will be affected. So you had better take a careful look at the persons or the three persons, in a GRC, who seek to represent you. Your personal well-being will be at stake when you choose your MP. This change will make for careful and better selection of MPs by you and by political parties, and will be good for Singapore.

In new countries, democracy has worked and produced results only when there is an honest and effective government, which means a people smart enough to elect such a government. Remember, elected governments are only as good as people who choose them.

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