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**Tuesday
1st March, 2005**

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PARLIAMENTARY DEBATES SINGAPORE

OFFICIAL REPORT

TENTH PARLIAMENT

PART I OF SECOND SESSION

VOLUME 79

Tuesday, 1st March, 2005

The House met at 12.00 noon

PRESENT:

- Mr SPEAKER (Mr Abdullah Tarmugi (East Coast)).
- Mr Ahmad Khalis Bin Abdul Ghani (Hong Kah).
- Dr Ahmad Mohd Magad (Pasir Ris-Punggol).
- Mr Ang Mong Seng (Hong Kah).
- Dr Balaji Sadasivan (Ang Mo Kio), Senior Minister of State, Ministry of Information, Communications and the Arts and Ministry of Health.
- Mr Alexander Chan Meng Wah (Nominated Member).
- Mr Chan Soo Sen (Joo Chiat), Minister of State, Ministry of Education.
- Mr Chay Wai Chuen (Tanjong Pagar).
- Dr John Chen Seow Phun (Hong Kah).
- Mr Chew Heng Ching (East Coast), Deputy Speaker.
- Mr Steve Chia Kiah Hong (Non-Constituency Member).
- Mr Chiam See Tong (Potong Pasir).
- Assoc. Prof. Chin Tet Yung (Sembawang).
- Mr Charles Chong (Pasir Ris-Punggol).
- Dr Chong Weng Chiew (Tanjong Pagar).
- Mr Davinder Singh (Bishan-Toa Payoh).
- Mr Arthur Fong (West Coast).
- Mr Cedric Foo Chee Keng (West Coast), Minister of State, Ministry of Defence and Ministry of National Development.
- Mr Gan Kim Yong (Holland-Bukit Panjang).
- Mr Andy Gan Lai Chiang (Marine Parade).
- Dr Geh Min (Nominated Member).
- Mdm Halimah Yacob (Jurong).
- Mr Hawazi Daipi (Sembawang), Senior Parliamentary Secretary to the Minister for Education and Minister for Manpower.
- Mr Heng Chee How (Jalan Besar), Minister of State, Ministry of Trade and Industry.
- Mdm Ho Geok Choo (West Coast).
- Assoc. Prof. Ho Peng Kee (Nee Soon East), Senior Minister of State, Ministry of Law and Ministry of Home Affairs.
- Ms Indranee Rajah (Tanjong Pagar).
- Mr Khaw Boon Wan (Tanjong Pagar), Minister for Health.
- Dr Amy Khor Lean Suan (Hong Kah).

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[Mr ALEXANDER CHAN MENG WAH]

can explain the reason why people make divots when the ball is teed up. It is because of the sea and the OB markers, but I could not, for the life of me, understand why this 30-year-old, good-looking, healthy Singaporean male saw his job only as ticking off the foursome.

As the storm clouds loomed overhead, I asked him whether it might rain, hoping for a rain check. And his predictable reply was, "It hardly rains at Sentosa." He was merely fulfilling his employer's economic goals. After the first hole, the Club sounded the rain signal and we were stuck under the shade for the next 45 minutes waiting for the all-clear signal. Maybe a day will come when our parents and our teachers will no longer say to our kids, "by right, this" or "by right, that". The right comes from rote and likely stems from repetitive action and driven by efficiency. Equally, I also hope that when we set policies, we also remove the concept of "no second bite of the cherry". As the hon. Member, Mr Iswaran, said yesterday, if it is necessary, we should do it.

To conclude, we will be entering the debate in the Committee of Supply with a new set of rules. This will limit each Member to a maximum of 18 minutes. It appears that this is driven by efficiency. So being well-trained in efficiency, I dutifully submitted 18 minutes, six cuts, three minutes a cut. We could have opted to speak faster if time was a limitation but, perhaps, our interpreters would be simply too stressed out, and it is not good for the staff. It will not be a desirable outcome. Perhaps these new rules will create opportunities to have more integrated actions by forcing collaboration on common issues among Members; better still, between Members and Ministers. If we can do that, we will be on the way to creating opportunities and building a Singapore community. If we

cannot do this, then I am afraid that we would have solidified our legacy.

With that hope, I support the motion.

EXEMPTED BUSINESS

(Motion)

Resolved,

That the debate on the Budget Statement be proceeded with beyond 7.00 pm and the proceedings thereon be exempted at this day's sitting from the provisions of Standing Order No. 91(3). – [Mr Mah Bow Tan].

ANNUAL BUDGET STATEMENT

Debate resumed.

Prof. Ivan Png Paak Liang (Nominated Member): Mr Deputy Speaker, Sir, I rise in support of the motion.

I strongly support the Prime Minister's and Cabinet's vision to remake Singapore into a more caring and inclusive society where everyone belongs. Allow me, however, to offer four-and-a-half suggestions in response to the Budget.

My first suggestion concerns CPF top-ups. Singaporeans are concerned about growing old without sufficient support, and particularly about healthcare. The Government has heard these concerns. The Budget includes Medisave top-ups of \$50-\$350 and CPF top-ups for older citizens of \$100. The total cost of these top-ups is \$400 million. Like hon. Member, Mr Sin Boon Ann, I am however concerned that these funds are not focused.

May I suggest that we focus these top-ups on the people who need it the most? The Budget proposes to give top-ups to the rich and poor alike. But the well-off people will benefit relatively more from

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the income tax cuts. They would hardly notice a few hundred dollars of CPF top-up. So my proposal is, let us focus the top-ups on the needy. How about re-allocating the top-ups for the top quarter of citizens to the bottom quarter, and then our neediest compatriots can get double the top-up?

Mr Deputy Speaker, my second suggestion concerns estate duty. The Budget proposes a new relief for successive deaths that occur close in time. Allow me to propose a more radical change. Presently, estate duty is payable on the value of any estate with a \$9 million exemption for housing and \$600,000 exemption for all other assets, including CPF balances. Over 82% of our population own and live in HDB flats, and the market value of the flat ranges roughly between \$50,000 and \$600,000. A very much smaller proportion of our population own and live in private property. And, even so, how many private homes are worth \$9 million?

For many years, we have over-invested in housing. The Economic Review Committee has recognised that and has made a number of changes to the policy in the last few years. But I think the Economic Review Committee has overlooked changing the estate duty system. Let me give you an example. If an industrialist leaves a \$9 million factory in his or her estate, the estate duty would be levied on \$8.4 million. If the same person were to sell her factory and to buy a house of equal value, there would be zero estate duty. Indeed, when I told a friend about this housing exemption, his immediate response is that when he gets older, he must remember to sell his business and re-invest the money in a big house. That way, his children will get the full amount and with no estate duty. Clearly, the estate duty structure discourages enterprise that creates jobs.

Let me share with Members the estate duty systems in Australia and Hong Kong.

Australia has rescinded estate duty. Hong Kong's estate duty provides an exemption of HK\$7.5 million, that is, less than one-fifth of our exemption for housing, but only for one, and only if it was occupied by the deceased and his or her spouse and only if it passes to the surviving spouse. So a smaller exemption and three conditions. Ours is five times larger and no conditions.

Let me say it is time to re-balance estate duty, so that it is neutral between various assets. In closing on this point, let me disclose an interest. I have invested in listed shares, unlisted business. I own only a very modest condominium unit.

Mr Deputy Speaker, my third suggestion concerns a lean and effective Government. I applaud Government's initiatives to outsource. These initiatives would strengthen our private sector, while keeping the public sector lean and effective. In outsourcing, I propose that the Government impose a condition on the outsource provider. The condition is that the provider must use GeBIZ for all procurement of goods and services.

Let me explain. One of our public sector's greatest achievements is a clean and transparent procurement system. We have a level playing field among all vendors – SMEs have equal opportunity with GLCs – although hon. Members, Mr Inderjit Singh and Mr Ang Mong Seng, might disagree. Sir, let me qualify that. Let us say that we have a somewhat level playing field among all vendors – SMEs have almost equal opportunities with GLCs and MNCs. Be that as it may, I worry that outsource providers are not going to care so much about our clean and transparent procurement system. Hence, I suggest that all outsource providers under our public-private-people partnership (PPP) be required to use GeBIZ for all procurement. In this regard, I

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[Prof. IVAN PNG PAAK LIANG]

disagree with my hon. colleague, Mr Ang Mong Seng's suggestion that opportunities be allocated in closed systems. I think that our open system is one of our bedrocks and we should do our utmost to protect that.

In Singapore, competition is based on what you know and not who you know. Let us please keep it that way.

Mr Deputy Speaker, Sir, my fourth suggestion concerns taxation. The Budget proposes a number of tax incentives to particular industries. These add to a wide range of incentives — tax, grants, loans — that are given to particular companies and particular industries. My suggestion is that our key tax incentive ought to be a simple tax system with low overall rates.

I urge the Government not to create too many exemptions for particular companies, particular industries. The end result would be a system that benefits only accountants and lawyers. I do support initiatives to generate employment, even for accountants and lawyers, but let us not do it through a more complex tax system.

Personally, one of the big benefits that I have enjoyed, since returning to Singapore some 10 years ago is a very easy time around 15th April. Why? A US tax return, as the Members may know, even a simple personal return, takes days to complete, and that is even with software. I am proud that the Singapore return takes only a few hours, and without any specialised software.

Likewise, our corporate tax system is much simpler than those elsewhere. My wife was a tax lawyer in the US. She had this bible called "CCH" — Commerce Clearing House — which is stacks and stacks of US tax codes. In Singapore, we

do not have that. It is a good thing. Let us keep it that way. Let us not lose sight of this advantage.

Mr Deputy Speaker, Sir, my last suggestion is rather minor and so I call it half a suggestion, that is why I have a total of four and a half. It concerns GeBIZ fees. The Prime Minister and Minister for Finance announced that, to benefit SMEs, GeBIZ would give all suppliers one free account. Members would remember I cheered. Senior Minister Goh asked me why I made such a big fuss. Why did I cheer? The reason is that this decision corrects a mindset.

Most Members who are in business would know that if you are procuring goods and services, you welcome more people coming to sell you things. It is a bit unusual to do the opposite — to levy a fee to exclude people who want to become your suppliers.

So here is my half suggestion. The GeBIZ fee for additional accounts should be on a sliding scale. Surely, the cost of maintaining the second, third and fourth accounts is not the same \$320 as the cost of the first account. Now, of course, we are waiving the first \$320, but what remains is that it is \$320 for the second, third, fourth and fifth accounts. If I understand this correctly, we should be doing this on a cost-recovery basis and not a profit maximisation basis. I think it makes more sense to have a sliding scale fee.

Let me disclose an interest here as well. I have investments in several small businesses, as previously disclosed, and I am a director of several companies. These would benefit from a sliding scale.

Mr Deputy Speaker, Sir, I strongly support the motion. I very much strongly support the Government's vision to build a great nation out of Singapore — a little country, great nation. I do hope that

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these four and a half suggestions would go some way towards helping us build that great nation.

Mr Zainudin Nordin (Bishan-Toa Payoh):
Mr Deputy Speaker, like many of the hon. Members in this Chamber, I would like to join in the debate on the Budget Statement delivered by our Prime Minister and Minister for Finance.

Sir, the 2005 Budget arrived against a backdrop of solid economic expansion that took place last year and Singapore's trade dependent economy grew 8.4%, the strongest in the past four years. Furthermore, this year, we were told that we could expect growth of between 3-5%. As I understood, Sir, the 2005 Budget seeks to refine and improve policies of the previous Budget. I support the need to strengthen the country's economic position by enhancing Singapore's competitiveness in the global market place. It is, in fact, an important focus.

The Budget also proposes measures to build an economy that is both dynamic and resilient, while encouraging the entrepreneurial spirit and strengthening the oneness of our society. Similarly, the learning culture we hope to establish is also aimed to help Singaporeans adjust to the perpetual changing economy.

Allow me, Sir, to raise some points that I hope the Government would give due attention and resources in the coming financial year. Sir, I believe that one of the major challenges of the Government is greater social redistribution. The economic recession of 2002 and the SARS epidemic have both demonstrated the importance of closing the growing income gap between the growing middle upper class Singaporeans and those who lost out and the under class, when the tide of globalisation hit us. As we know, older and under-qualified workers who, due to the low level of education and other

factors, fill the ranks of this blue collar class and their expectations need to be dealt with.

How do we deal with the problem of increasing arrears, for instance? Should we consider increasing social handouts? Is that the way to go? It is unfortunate that there is the perception that as Singapore develops, it is beginning to alienate a group that has fallen behind. The recent proposed changes in the individual tax rates may unintentionally fan this perception, where the lower income bracket receives less or no tax rate reduction, while the reduction of the upper income bracket is 1% over the next two years. Nevertheless, many also realise and are thankful of some of the goodies that have been proposed in the Budget for almost every strata of the society, the lower income inclusive, such as the Edusave, Medisave and CPF account top-ups. I do believe, Sir, that we would never get enough of the handouts and there would always be a segment of our society who feels that more could be given to assist them in this difficult time. If, indeed, this negative perception is left unattended, it may bring about undesirable cracks in our society. Unity is something we would not want to compromise in the long term.

Youth potential and challenges. The young, Sir, is our resource. They represent the key of our future. However, having said that, the older generation must not be marginalised. Their experience and knowledge are valuable. The contributions and sacrifices must be mentioned and appreciated. We must concede that, more often than not, the younger generation who sees the prosperity of the present, but fail to appreciate the risk and uncertainty of the past, takes much for granted.

Our relatively small economy is fragile and steps must be taken to protect it. We need to be reminded of this time and