

FY 2005 BUDGET DEBATE ROUNDUP SPEECH

Delivered by the Prime Minister and Minister for Finance,
Mr Lee Hsien Loong on 2nd March 2005

Mr Speaker, Sir, may I thank all Members for their views and suggestions.

I am grateful that nearly all the Members who spoke supported the Budget. Of course, many have also raised specific issues, which I will leave to the respective Ministers to deal with in the Committee of Supply.

In this speech, I will focus on the main thrust of the Budget, namely, how we can create more opportunities for Singaporeans through economic growth and restructuring while building a sense of community that will bind us together as a nation.

Budget 2005 should not be viewed in isolation. It is part of the Government's ongoing efforts to restructure our economy - to make it more dynamic, diversified and entrepreneurial. In recent years, we have made major tax changes.

For companies, we have reduced the corporate tax rates, exempted from tax most types of foreign-sourced income, and introduced group relief to make our tax regime more competitive and business-friendly.

For individuals, we have lowered personal income taxes and, in this Budget, we will reach the 20% target which was set by the Economic Review Committee two years ago. We have also exempted from tax all foreign-sourced income and domestic investment income.

In economic policy, we have made strategic shifts. We have injected greater competition into the economy to foster efficiency and innovation, for instance, in telecommunications, power generation and financial services. We have re-focused the CPF system to better meet the retirement needs of Singaporeans while enhancing the competitiveness of our businesses. And we have worked with unions and management to make our labour market and wage system more flexible, so that we can respond more nimbly to changing economic conditions.

This Budget builds on these changes and supports our strategies to enhance our competitiveness, diversify our economic base, and restructure our economy into one that is open to talent, enterprise and ideas. Only then can we sustain growth and keep abreast of other countries in the region and meet the aspirations of Singaporeans.

But even as we press on with restructuring and expanding our economic opportunities, we recognise that not all Singaporeans can keep up with the changes which are happening fast, and we must help those who cannot keep up to get back on their feet. Hence, this Budget also focuses on helping Singaporeans who need help. The measures seek to cover all the important groups affected - people concerned about healthcare, older people, lower income groups. But the measures are not meant to meet all their needs. That is not possible, nor even desirable. Not possible because no government has enough money to do that, and not desirable because that would undermine our

spirit of self-reliance and personal responsibility. Our aim is to help people in a way that will enable them to help themselves.

This Budget is all about creating Opportunity with Community - growing the economy while ensuring that no one is left behind. And it aims to do this while maintaining fiscal discipline and budget balance.

Restoring fiscal balance

After running deficits in three of the last four years, we are on track to restore fiscal balance this year. We expect a small surplus of \$210 million in FY 2005, after distributing more than \$600 million in special transfers to Singaporeans. The economy has had a very good year, and this year it is expected to grow at its medium-term potential of 3-5%. Yet, some MPs have complained that fiscal policy has been overly conservative, that this Budget does not provide sufficient stimulus for the economy, and that the Government is withdrawing its help too quickly, particularly for businesses.

Dr Ahmad Magad and Dr John Chen both lamented that this Budget is contractionary. Mr Inderjit Singh felt that the Budget must continue to be expansionary until all sectors of the economy are doing well and, as he says, “firing on all cylinders”.

Let me set our fiscal stance in perspective.

Firstly, fiscal policy is a macro-economic tool. Whether to make it expansionary or contractionary has to depend on the state of the economy as a whole, ie, what is appropriate for the whole economy. It is not possible for

fiscal policy to try to accommodate every single sector or industry, because there will almost never be a time when all sectors of the economy are “firing on all cylinders”. So, if we went by Mr Inderjit Singh’s suggestion, we would have to have fiscal policy which is expansionary almost all the time, which is not possible.

This year, we are projecting GDP growth at 3-5%. Last year, it was much higher, at 8.4%. But we cannot therefore conclude that we need more fiscal stimulus this year. It was 8.4% last year mainly because of a very low base, and in 2003 we had SARS. And if we take 2003 and 2004 together, the growth averages out to about 3.4%. So, 3-5% growth projected for this year is not low. It is, in fact, the economy’s sustainable medium-term growth rate. Our unemployment has come down and it is below 4%. There is not much slack or excess capacity in the economy. So, as Mr Iswaran points out, “there is no need for new fiscal stimulus”.

Secondly, even though this Budget may be less expansionary than last year’s, overall, the Government is still injecting demand into the economy, i.e. more demand is being injected than is being withdrawn. Why do I say that? Because our operating revenues are lower than our total expenditure, even before taking into account Special Transfers. So, as far as the domestic economy is concerned, we are putting in more than we are taking out in terms of taxes and fees. How do I balance the Budget? Through contribution from Net Investment Income. But if I look at the economy alone, net injection is still positive, even though it is smaller than last year’s.

Thirdly, we have to stay on track to restore fiscal sustainability over the medium term and the long term. I have distributed some charts. I refer Members to the first page, Charts 1 and 2. As Dr Koo Tsai Kee highlighted two days ago, operating revenue from taxes, fees and charges, as a percentage of GDP, has fallen over the past decade from about 22% to about 17%, while total expenditure has risen from about 14% to 17% of GDP today. So, as you can see in the top chart, operating revenue has come down, total expenditure has tended to go up, and operating revenue is now less than total expenditure. We are now able to balance the overall Budget only because of the contribution from Net Investment Income (NII) and, even then, we expect to have only a thin buffer – a surplus of 0.5% to 1% of GDP in the medium-term. And you can see from the bottom chart on the page how we had big surpluses in the 1990s but, since 2000, we have had deficits and, in the years when it has been positive, minimal surpluses.

Our fiscal objective is to achieve an overall Budget balance, or a modest surplus, on average over the business cycle. That means taking the up years and down years, from the boom to the recession, on average to balance our Budget, or maybe have a little bit of surplus. I think it is a prudent approach. You could make an argument to be even more conservative. In fact, Mr Chew Heng Ching argued and went so far as to say that we should try to balance the Budget without relying on Net Investment Income at all, which we used to be able to do. But, now, we find NII quite useful.

Therefore, it is important that we restore fiscal balance in FY 2005. As Mr Ong Kian Min pointed out, “The Government does not possess bottomless pockets that can dish out endless amounts of money and there is a need to balance the budget.” In fact, if we cannot balance our budget in a year when the economy is growing steadily at potential, how can we hope to balance the Budget over any business cycle?

Sir, I urge Members to bear in mind this larger fiscal reality even as they call for more Government help to meet all kinds of needs. It is critical that we do not compromise fiscal prudence and discipline. There was an opinion piece in the *Business Times* last week, written by Assoc. Prof. Tan Khee Giap from NTU. He had a very cogent analysis of the Budget and he warned: “the potential danger of a structural budget deficit is real for future Singapore governments” and, therefore, “unrealistically high expectations on future budgetary spending ought to be moderated as our economy meanders through a volatile era”. I would not say we are meandering. I think we are navigating. But it is a volatile era and, fundamentally, Prof. Tan is right. We cannot just look at one year of strong growth and budget surplus, and immediately commit to increase indiscriminate social spending because, as Professor Tan also points out, such expenditures “once incurred, are recurring and difficult to retract”.

Efficient and effective Government

Maintaining fiscal discipline and balancing the Budget amidst growing spending pressures means that we have to keep the Government lean and trim.

Some MPs, like Prof. Ivan Png, have applauded the Government's efforts to outsource or, more accurately, to best source. On the other hand, Mr Teo Yock Ngee and Mdm Halimah have expressed their concerns about the job security of employees in the public sector.

We have to strike a balance. On the one hand, we want the public sector to be as lean as possible, so that it will function efficiently and minimise the burden on taxpayers. On the other hand, we must treat public sector employees fairly, especially as many of them have put in years of dedicated service.

Public sector agencies often do not have a bottom line to measure, and therefore do not on their own face the same pressures as the private sector. If you are running the Ministry of Defence, how do I measure the results? Not from the size of the army or air force, not from the battles won, but from the peace assured. But, if you have peace, you never know whether that is because you had a good SAF or whether you did not need such a strong SAF. It is intangible, but it is critical. So, you have to find other ways, proxies for the bottom line, and the way we are trying to do it is by trimming the budget and by best sourcing to apply the pressure to drive down costs and to spur greater productivity.

Mdm Halimah expressed concern that we are outsourcing too many activities and that this will lead to a loss of core skills in the public sector. But I think she does not have to worry because we are outsourcing only non-core functions and, in fact, we are only going to market-test 20% of the non-core functions. These are not skills that are core to the functioning of Government

Ministries. These are ancillary activities which the Ministries have to carry out and which really distract them from their main mission and which we are market-testing in order to see whether the private sector can do them better.

The non-core functions make up only 16% of all Government functions. So we are going to market-test 20% of 16% which means about 3% of all Government functions. Although the idea is new and unsettling, the scale is modest. We are taking a gradual approach and there will be ample time for the public sector workers to make necessary adjustments.

But I can understand why the public sector workers are unsettled by this talk of market-testing and best sourcing. In the private sector, restructuring and job losses have always happened regularly. But in the public sector, they are something new. The public sector has an important role to play and we will always need good and hardworking civil servants to fulfil these roles. In fact, we need more good and hardworking civil servants to fulfil these roles. But, today, it is not always possible for the civil service to employ a person from school-leaving until retirement and, indeed, many civil servants on their part see a job in the public sector as only one stage in their working careers.

From time to time, restructuring or outsourcing becomes necessary. In such cases, the civil service will work closely with the unions to help the workers affected by the changes, whether these changes arise from job restructuring or from best sourcing. Where possible, we will redeploy the staff. If it is not feasible, then we will release the staff who are affected on fair and reasonable terms. There will also be training opportunities to help staff transit to other

careers. Mr Teo Yock Ngee expressed his concerns about this. I share his concerns. I assure him and other Members that we will see to it that our public sector workers are treated with fairness and consideration. We owe it to them.

I give you an example of how changes which are necessary can be done skilfully. In February, IRAS released 120 officers as part of its overall restructuring exercise. I happen to know this because I used to be Chairman of IRAS. The 120 positions have become redundant because of computerisation and the increased use of e-filing. It used to be that IRAS actually had to hire temporary workers at tax collection time to open the envelopes, unfold the submissions, and feed them into the scanners. But now that we do it on the Internet, they do not need the staff anymore. So IRAS worked closely with the unions in order to treat the affected staff fairly and reasonably and, in fact, gave them one whole year's notice. And having identified the redundant positions, IRAS invited those who wished to leave with separation benefits, under the Special Resignation Scheme, to indicate their interest. More than 120 staff responded. So, in the end, some officers were disappointed not to have been chosen to be retrenched. Each affected officer was given a training allowance of up to \$2,000 for training and that would help increase their deployability. IRAS arranged for counselling for the staff and helped to facilitate their outplacement by having NTUC's Joblink briefed staff on the vacancies available.

I think, overall, our efforts to build a lean civil service are showing results. For example, last year, we introduced a Manpower Management Framework to

reduce headcounts by 3% per year over three years, or else to have Ministries pay a headcount surcharge of \$10,000 per head per year. The framework has made agencies more mindful about whether they needed to hire replacements when staff retired or left for another job. At this point, it looks like most Ministries have been able to meet the 3% cut in headcounts through natural attrition, resignations and normal retirements. Only a few Ministries will actually be paying the \$10,000 per head surcharge and it shows that the system is working because it has allowed the flexibility and in the cases where the Ministries did need the staff, they could do so and, if necessary, we can adjust their budgets to allow them to do so.

We have got to keep the Government lean and trim and subject it to the same rigours of the private sector. Other governments are having to do the same. The Americans are restructuring. They have an enormous bureaucracy. The British are restructuring. They are famous for their bureaucracy. You have watched "Yes, Minister". We also have to become efficient because only then will we be able to continue providing Singaporeans with the same level of public services while keeping the tax burden on businesses and the people light.

Fostering Economic Growth

There is a sentiment amongst Members of Parliament that this Budget should have done more to help businesses. But as I said earlier, we should view this year's budget not in isolation, but in the larger context of all that we have done

in recent years to restructure the economy, grow our industries and boost our competitiveness. I have made a table (Table 1) in the handout which lists the major tax changes that Government has introduced for businesses in the last five years, and the changes have saved businesses at least \$1.8 billion each year.

We now have a tax structure that is one of the most competitive and pro-business in the world. And our policy approach is to ensure that our taxes are low and our costs reflect market conditions so that we do not distort the economy and incentivise people to do wrong things which are counter-productive. As Prof. Ivan Png said, we aim to keep our tax system as simple and as free of distortions as possible, though there are times when incentives and assistance schemes are not avoidable and are necessary. We have achieved the 20% target rate set by the ERC. But we will continue to monitor trends in tax rates in other countries and will make further adjustments if this becomes necessary and if our fiscal position allows.

I know that several Members have asked for even more Government help for businesses. But the fundamental question which we should ask ourselves is how best Government can help business and foster economic growth. Our basic approach is to pursue market-based policies, keep the corporate tax burden light and create an overall business-friendly environment. Our economy is open, we do not impose tariffs and we provide a level playing field for all companies.

The alternative to this is to protect our local companies, to give local businesses special grants or protect them from competition. It may benefit the companies in the short term, but in the long term, it will sap their vitality and dampen their entrepreneurial spirit. We will end up with uncompetitive local companies and an inhospitable environment for foreign companies to invest in Singapore. MNCs will be discouraged from putting their projects here and we will tarnish our reputation and our international image as a business-friendly centre. The experience of many countries which have tried to protect local businesses in this way and failed should warn us about the dangers of going down this path. Having an open and competitive economy is the foundation of our success. It is a fundamental tenet which we must keep.

This commitment to free competition and open markets does not mean that the Government therefore cannot help local companies. We provide incentives and assistance schemes to reward promising profitable companies, not subsidies and grants which artificially lower costs for failing ones. If their businesses are no longer viable, it is better for them to exit than for the Government to keep them on life support or intensive care. The more protection the domestic enterprises receive, the less incentive they have to restructure, less competitive they will be, the greater the drag on the economy, and for those in the non-viable businesses, the longer the pain and struggle before they eventually fail.

Mr Gan Kim Yong and others feel that there is room for Government to do more to lower business costs. It is right that we should continually seek to

reduce business costs. But we should do this by becoming more efficient, and by making our factor markets - land and labour, capital markets - more competitive and flexible so that they can respond quickly to changes in demand and supply. And we have evidence that we are succeeding.

Firstly, look at labour - wages. Labour cost per unit of output for the manufacturing sector has come down by 9% since 2003, and by 4% for the economy as a whole since 2003. This is the result of strong productivity growth, as well as the CPF cuts. Our wages are also now more flexible. MOM conducted a survey in June 2004 which showed that 80% of the workforce in large enterprises and 42% in small and medium enterprises already had some form of flexible wages.

Secondly, land. Members have spoke quite a lot about rentals, and I refer Members to Chart 3 in the handout, which shows clearly that industrial and commercial rentals have continued to come down, and are adjusting to market conditions. They were at a high in 1996, and they came down. The shop and office rentals went back up around 2000/2001 and since then, they have been coming down again, only now just beginning to stabilise.

Government itself, as the landlord, has given \$2.4 billion in rental rebates to JTC and HDB tenants since the Asian crisis. We are going to phase this out finally in July. I know some Members have asked for the rental rebates to carry on and said that it is not time yet. But if the rebates have to continue year after year, even when the economy is growing at full potential or even stronger than that, then something must be wrong. Either our market rates are not really

market rates and we are pegging our rental rates too high, and then we have to give discounts, the way hotels do just to make their customers feel good. Or maybe some of the tenants have businesses which are not really viable and they are being assisted to hang on by the rates which are artificially being held down, even though there are other businesses wanting their space, willing to pay more, to do the business. So JTC and HDB have revised their rentals to reflect current market conditions. At the same time, HDB is working out a scheme to help to restructure and rationalise the retail shops in HDB estates. I think it is better for us to tackle the problem now, than to let it drag on from year to year.

Thirdly, in terms of utilities, electricity prices go up and down with oil prices, but if you adjust for oil prices, electricity prices have come down by 11% since 2001, over the last three-plus years. And they have fallen by 1% just in the last one year alone. This is the result of the liberalisation and the competition which we have introduced into the industry. So I think, overall, our costs are competitive and under control.

One business cost which this Budget has increased is the foreign worker levy. Dr Wang Kai Yuen and also Dr Ahmad Magad said that it is too soon to increase the foreign worker levy. We lowered the levy for skilled workers in 1998 and 1999 to help businesses to save costs and cope with the economic downturn. Today, most sectors of the economy have recovered, and it is timely to restore the levy to more realistic levels. I do not say to the old levels, I say to more realistic levels, because I think we have to find a new benchmark. But

at \$50 per worker per month, I think that is below a realistic level. We should bear in mind the underlying purpose of the levy, ie, to control the number of foreign workers here, and to prevent excessive number of foreign workers from depressing the wages of Singaporeans. I believe that overall businesses will be able to cope with the changes. The increase in levy will only raise the operating cost marginally, and we are also raising the levy in two steps, to give businesses more time to adjust.

Dr Teo Ho Pin pointed out that companies in the construction and marine sectors will be more adversely affected. This is true. But the construction sector's problems are really structural. Demand has fallen, and there is over-capacity in the industry. It cannot be solved by keeping the foreign worker levy low. Also, the industry is over-reliant on poorly skilled foreign workers, and productivity is low, and has remained low for many years. Increasing the levy will provide construction companies with the right incentive to reduce their reliance on labour, increase productivity, and restructure. It is not the only thing we have to do. We have to work with the industry in order to upgrade their skills and technology levels, working procedures, buildability, and so on. But there must be some pressure on employing foreign workers and the levy is part of this pressure.

As Mr Chay Wai Chuen pointed out, Australia has a highly productive and efficient construction industry. It turns out high quality work, at affordable prices, using well-paid Australian construction workers. We should learn from them.

Mr Chiam See Tong expressed concern about the other change we are making to the levy scheme, which is the new \$500 levy for companies which want to exceed the dependency ratio and he is afraid it will drive businesses away. I think Mr Chiam may not have quite understood how the new levy will work, because the employers who are below the ceiling today, will not be affected by this new levy at all. They can carry on as they are, paying the \$50 or eventually the \$100. The \$500 only kicks in if they want to hire more workers than they are presently allowed to do. Today, they cannot do it at all. In future, if they want to do it, you pay a high levy - \$500 per worker. So it represents a liberalisation for the companies, not an additional burden.

Mdm Halimah has a different concern on this point. She thinks that this \$500 is still too low. She wants it to be even higher because she is afraid that employers will hire foreign workers at will and displace Singaporeans. I do not think this will happen. Firstly, we are going to impose a limit to this new flexibility. There will still be a dependency ceiling, but higher than the present one. So at \$500, you can get more workers, but up to a limit, and you still have to hire a certain proportion of Singapore workers.

Secondly, I do not think \$500 is low at all. It is quite steep. Companies would think very hard before paying this amount for an additional foreign worker. I may be wrong. She may be right. We will have to see, monitor the situation carefully and, if indeed, there is an unexpected influx of foreign workers, then we will tighten up by raising the levy. On the other hand, if \$500 proves to be too high, and too few companies that need this flexibility can

afford it, we may need to lower the \$500 carefully and gradually, so that we would achieve our objective. Our aim in introducing this higher tier for companies that need additional foreign workers is not to loosen up the overall limits on foreign workers, but to make the market for foreign workers more flexible and responsive. The idea is to help companies to thrive and so create more jobs all round, including for Singaporeans.

Helping local enterprises

Mr Speaker, Sir, no Budget is complete without measures to help small and medium enterprises. And, no Budget Debate is complete without calls from MPs for more help. I am glad that SMEs have so many champions in this House. They are an important part of our economy and we want to see more of them thrive, innovate, and grow. Many of the more specific suggestions raised by Members on developing local enterprises will be addressed at MTI's Committee of Supply. Here, let me respond to some of the more general points that MPs have raised.

First, I am glad that Members welcome the introduction of loss carry-back. Dr John Chen has asked if the cap on the losses that could be carried back should not be set higher than \$100,000. I believe this is not necessary because our intention is to target the benefit at the SMEs and not at the bigger companies. IRAS' data shows that among all the companies that made losses in the Year of Assessment 2002, which I think is the latest for which they have analysed, more than 70% made losses of less than \$100,000. Sir, loss carry-back is to help viable companies that are experiencing temporary downturns,

and not companies that are basically non-viable. Other countries which have loss carry-back like UK, Germany and Ireland, also limit their loss carry-back feature to a one-year period.

Mr Inderjit Singh spoke at length about what needs to be done to help our local enterprises to grow. As he rightly points out, we should not focus only on small and medium local enterprises, but all local enterprises, including the ones which have done well. In fact, the ones which are no longer so small or medium should also be counted to our credit because they have succeeded and they will show the way for others to follow. They are, Hyflux, Osim, Creative, and for that matter, many Temasek-linked companies - all expanded into the region and beyond, and contributing significantly to Singapore's economic growth and employment creation.

We already have many schemes in place to help local enterprises. I have made a list of some of them and you can see them in Table 2 of the handout - various schemes in place targeted at local companies. This is just the schemes that apply to all local enterprises. It does not include industry-specific schemes administered by agencies like IDA, MDA or STB. Local enterprises can get help to access financing, upgrade their capabilities, and expand beyond Singapore. Dr John Chen remarked that micro-loans would be a very good idea. I agree. In fact, I think there is a scheme. If you look at the list we have a micro-loan for small businesses which is administered by SPRING. It is on the first page of the handout. It has already provided some 6,000 micro-loans amounting to close to \$200 million since 2001. IE Singapore brings together

businesses from the entire supply chain to seek out business opportunities overseas, either in a consortium or a cluster approach, so that these businesses can complement each other, and band together to take advantage of the opportunities in the region.

One example of such a consortium that has ventured overseas is the Singapore Airport Consortium, which comprises 12 Singapore companies from our airport industry, including smaller home-grown companies like Inter-roller Engineering Limited and WEC Engineers & Constructors Pte. Ltd. The Singapore Airport Consortium serves as a business development vehicle for these 12 companies to market and secure projects in China. The combined strength of the members of the consortium increases the chances of each consortium member securing projects. The SAC also enables these Singapore companies to work together to bid for entire projects, whereas previously each of them could only sub-contract the projects.

Mr Inderjit Singh also spoke about how, unlike Taiwan, we have not developed our local companies, and how the Singapore Government allocates more resources to multinationals via EDB. I think Mr Inderjit Singh is right that Taiwan has a more vibrant local enterprise scene than Singapore. But I do not think it is just because of the Taiwanese government's support. The structure of their economy is different, the depth of their talent is much greater and, of course, they go overseas into China particularly, and they work together when they go overseas and form consortiums so that they give mutual support to one another. We in Singapore have a different set of circumstances and we

rely on multinationals to grow our economy for many years. Now we want to complement the multinationals with local enterprises and with entrepreneurship, but we still want to attract more multinationals to come here because we still need them, and there is no country which can afford to do without them.

The Singapore Government, as much as any one, wants our SMEs to succeed. Our schemes and incentives are equally accessible to both local and foreign companies, whether it is a pioneer incentive or investment allowance. The schemes are open and they are available also to local companies and have been given to local companies. We do not discriminate against local enterprises. Indeed, in some areas such as access to loans and equity-financing, we have more schemes for local enterprises than for MNCs because *de facto* MNCs do not need these schemes. EDB has schemes like the Startup Enterprise Development Scheme (SEEDS), which is specifically targeted at local firms.

We will do our best to help local companies, to help them restructure and upgrade, improve their productivity, enhance their access to financing, bring them together, and to help them to reach and project into the region, beyond Singapore. But we must always bear in mind that it is ultimately the companies' own vision, drive, resourcefulness, sweat and toil that will make them successful.

A good example of such a company is the Sheng Siong Supermarket chain. Those of you who are in Sengkang, Hougang, Ang Mo Kio or Woodlands,

would know about it. The owner, Mr Lim, first started off as a pig-farmer, then moved on to become a butcher. He started the first Sheng Shiong Supermarket outlet in Ang Mo Kio in 1985. He opened the second store in 1988, and he has now got, I am told, 16 of them all over the island. I believe he is even planning to bring his business into Malaysia soon.

His success did not come easy, especially in the face of competition from retail giants like Carrefour; NTUC Fairprice and Cold Storage. But he is enterprising enough to find a niche for himself and to stay ahead of his competitors. For instance, to bring his costs down, he brings in 30% of his goods from across the Causeway, and some of these goods are directly delivered to the shelves of his retail stores, to save on warehousing and handling costs. I am told that he makes it a point to keep a healthy cashflow, so he can pay his suppliers promptly and get better prices for his goods.

Many MPs, Mr Inderjit Singh, Dr Amy Khor, Dr Loo Choon Yong, Mdm Cynthia Phua and others have suggested that we set up a single, dedicated agency to promote local enterprises. MTI, in fact, studied this issue thoroughly in 2002, when it considered merging SPRING and IE Singapore but finally it decided against doing so because it felt this would dilute the different missions of the two statutory boards.

Also, it is not realistic to expect that a local enterprise development board will be like EDB. EDB targets just a few hundred multinationals and, therefore, can focus on their needs. But there are more than 110,000 SMEs in Singapore – a very diverse group of companies, at different stages of their life

cycles, and having different needs. A single agency could well turn out to be heavily bureaucratic and unwieldy, losing focus and impact along the way. We have studied other countries. Some of them have gone for a single-stop approach for SMEs and these are some of the drawbacks which we have observed. So we have two agencies – SPRING and IE Singapore – to focus on the different needs of Singapore companies. SPRING's mission is to help the numerous local enterprises get going, improve their capabilities, restructure and grow, domestically in Singapore. IE Singapore's mission is to promote Singapore companies that are successful to venture overseas. There is also the Pro-Enterprise Panel, chaired by the Head of Civil Service, which reviews and removes rules which are unfriendly to businesses, especially the SMEs.

So rather than trying to solve all the SMEs' problems through one omnibus single agency, we should ask ourselves how the Government can better exploit existing expertise and capabilities in its specialised agencies, to give help to local enterprises in a seamless and coordinated way, to get them to work together and support the SMEs with their respective specific skill sets. We welcome suggestions on how we could do better in this respect. Members may or may not know that Mr Inderjit Singh is on SPRING's Board. He has a keen interest in championing SMEs and I am sure he would be more than willing to listen to any suggestion that Members may have, and ensure that they reach the relevant authorities, or you could raise it with MTI or with me.

Dr Amy Khor suggested that we should improve small companies' chances for winning Government contracts by either breaking up contracts into smaller

ones, or by recognising the combined financial strength of SMEs banding together. We have already done the second since November last year. Companies can now join together and form a consortium to bid for Government orders. On the whole, smaller enterprises have fared well with Government contracts. Already, they win a significant number of contracts from the public sector. Of the 594 Government tender contracts with value up to \$100,000 that were awarded between 1st April 2004 and 31st December 2004, 90% went to companies with net assets below \$500,000. So, many Government contracts are already going to small companies, and I think as they get stronger, more will do so.

Putting the debate on the casino in perspective

Besides ensuring a conducive overall environment for businesses, we will continue to promote in a more focused way certain key and promising sectors of our economy. Tourism is one such sector, and the proposed integrated resort, including possibly a casino, is part of our overall set of initiatives to promote tourism. The issue of whether we should build such an Integrated Resort has generated vigorous and sometimes emotional debate, certainly passionate debate, among Singaporeans. It is good that so many people are so actively engaged in this debate. It shows that Singaporeans care for the issues that affect our economy and our society, and that they care deeply enough to want to speak up and be heard. This is what an active citizenry is about.

But an active citizenry does not mean the Government abdicating its responsibility. The Government has been elected and entrusted by the citizens

to decide on issues and safeguard the long-term interests of Singapore. It will pay careful heed to the various views expressed, especially views expressed in this House, and it will take them into consideration before arriving at a decision.

But the Government cannot govern by referendum. The casino is not an issue of national survival or sovereignty that deserves to be settled by a referendum, as Dr Loo Choon Yong suggested. Nor is it an issue of conscience or fundamental principle like abortion or organ transplantation, because we already have many forms of legal gambling in Singapore. So there is no need for a free vote in Parliament, which Mr Tan Soo Khoon has suggested. It is a policy matter - whether to allow an additional outlet for gambling, and to weigh the pros and cons to decide whether the economic benefit to Singapore of doing so outweighs the social costs. Hence, I said in the Budget speech that this is an issue that the Cabinet will decide, after hearing all the views that have been expressed and studying the concept proposals submitted by the interested bidders. We have received a total of 19 proposals, and we will make a decision in 4-6 weeks after studying the proposals carefully.

Let me put the issue in perspective. The casino will neither be the panacea to the challenges which are facing us - boosting growth, creating jobs, or raising revenues - nor will we allow it to undermine the foundations on which Singapore has been built and which we have come to stand for - hard work, strong families, safe, secure and a wholesome environment. Nobody can predict exactly how things will turn out. But this should not paralyse us from

making a decision one way or the other. We must be willing to push on, and let the results speak for themselves. This is the approach we take to all our major decisions, not just on the casino - be guided by facts; assess costs and benefits, both social and economic, tangible and intangible; take a holistic approach; adopt a long-term perspective; not to be swayed by emotion or populism; then exercise judgment; and in good time, with due deliberation, make a decision and implement it well.

Tax Issues

Personal income tax rates

Let me now turn to individuals and households, and address some of the specific tax proposals that Members have raised.

Dr John Chen has asked if our personal income tax rates should not be reduced in one step rather than two steps. Our personal income tax structure is already very competitive. For chargeable incomes up to \$390,000, Singaporeans are already paying less tax here than they would in Hong Kong. With the latest cut in the top PIT rate to 20%, this crossover point increases to \$540,000. In other words, 99% of our taxpayers pay less tax in Singapore than they would if they earned the same income in Hong Kong.

These cuts therefore send a very strong signal for talent attraction. The fact that we are phasing them in over two years will not detract from this signal. But from an immediate fiscal perspective, phasing in the cuts gives us more resources to help groups that are finding it difficult to keep up with

restructuring. If we had cut the personal income tax rates in one step instead of two, our revenue loss next year would be twice as much and our ability to give early assistance to groups that need it would be constrained.

Dr Warren Lee lamented that middle-income earners did not benefit as much from the personal tax reductions as high-income earners. The reason this is so, and the middle-income enjoy less tax savings, is simply because they pay less tax to begin with, as a percentage of their income. An individual earning \$80,000 a year pays an effective tax rate of 5.4%, compared to an individual earning \$300,000 a year who faces an effective tax rate of 13.1%.

Dr Warren Lee has also said that some taxpayers will have to pay higher taxes because of the falling CPF contribution rates for the elderly and the reduction in CPF contribution ceilings. This is true, but this is only because their disposable incomes have gone up. If they wish, they can put this additional income into their SRS accounts and enjoy a tax deferral. And with careful planning of withdrawals after retirement, the individual could end up paying little or no tax on his SRS withdrawals.

SRS

On SRS, Dr Ong Seh Hong, Prof. Low Seow Chay and Dr Ahmad Magad have suggested raising the SRS caps, and not tying them to the CPF salary ceiling. We have simplified the rules on the SRS contribution caps. Instead of capping the amount which an individual can contribute at his income level, we will now apply a common absolute cap of 17 months of the prevailing CPF salary ceiling. The CPF salary ceiling has come down, but the change we are

making to the SRS contribution caps go in the opposite direction, and will allow Singaporeans who earn below the CPF salary ceiling and the self-employed to contribute more to the SRS, without incurring more tax.

Estate duty

Mr Chiam See Tong and Dr Loo Choon Yong both suggested abolishing estate duty. Our exemption levels on estate duty are high - \$9 million for residential properties and \$600,000 for other assets. And the rates are low rates - the first \$12 million is taxed at 5% and subsequent assets are taxed at 10%. So estate duty affects primarily the wealthy families.

With personal income taxes coming down significantly in recent years, it is not unreasonable for the state to impose a modest estate duty - levied only on the wealthy. It ensures that our tax system is progressive and it gives a helpful signal of social equity because, in principle, we would like each person to start off life from the same starting point. In practice, it is not completely possible because they have their parents. They have wealth. They can give their children gifts while they are alive. They can leave a bequest to their children as an inheritance. But we would like to equalise at each generation as we go along, and the estate duty is a signal of this intention.

Mr Chiam expressed the concern that our estate duty is holding back the development of Singapore as a wealth management hub. I think this should not be a problem because estate duty is levied on foreigners only for immovable assets. All movable assets of foreigners are exempt from estate duty.

Prof. Ivan Png has suggested that we rebalance estate duty, because the exemption on the house is so much bigger than the exemption on other assets. He has a point. I agree that having different exemption limits for residential properties and all other assets could potentially distort people's investment choices towards residential property over other assets. But home ownership indeed was the purpose of this policy. We do not think there is a strong need now to increase the allowance for non-residential property assets and moveable assets. The \$9 million limit for residential properties is high, but it was set in 1996, at a time when property prices were rising sharply. And I think quite a number of families were afraid that if the home owner died and the estate had to pay duty on the home they were living in, this would impose hardship on the survivors. But since then, conditions have changed. So we will review it from time to time, just as we review other aspects of the estate duty rules and all our tax legislation.

Helping Singaporeans in need

Besides tax changes, this Budget also includes measures to help Singaporeans cope with changes in the economy, to encourage savings for retirement, to support families, and to promote community involvement and philanthropy. Members have generally welcomed the measures, but some have qualified their happiness with suggestions on where we can do more. I am heartened that Members have taken the time to study and think about how the Government's assistance could be more effectively delivered - and I am sure

they will raise these issues during the Committee of Supply, particularly in the MCYS Head.

Mrs Yu-Foo Yee Shoon is heading the ComCare steering committee to examine how best to reach out to Singaporeans in need. While the ComCare Fund is managed by Government, the assistance measures that it supports should indeed be administered in a devolved and decentralised manner, as Dr Amy Khor and Mr Sin Boon Ann have suggested. So I am sure Mrs Yu-Foo Yee Shoon will welcome useful ideas and suggestions from Members. But, here, let me paint the broader considerations and principles that guide our policies on helping Singaporeans in need.

Helping the low-income and unemployed

Several Members, including Mr Ahmad Khalis, Prof. Ivan Png, Mr Zainudin Nordin and Mr Sin Boon Ann, have expressed concern about the difficulties of the low-income and the unemployed. Dr John Chen particularly has highlighted that the bottom 20% of households have not fared well.

Most Singapore households have seen their lives improve steadily. If we take it over a decade, household incomes have gone up across the board for all groups. But the years since the Asian crisis in 1997 have been tougher, especially for the lowest 20% of households. This lowest 20% includes households where the breadwinner has lost his job or suffered sharp reductions in wages. Although many of them have assets in the form of their HDB flats, they live day-to-day and often find it difficult to make ends meet.

Mr Zainudin Nordin was worried that an underclass is forming in Singapore now. Because he talked about MPs seeing families which are chronically unable to look after themselves and their children. And in the last debate in January, Dr Tan Cheng Bock mentioned this too. It is true but so far, the numbers are small, but we have to watch this carefully because, potentially, it can be a serious problem.

This problem of a segment of the population being left behind is not unique to Singapore - other developed countries are also grappling with this. Globalisation has put many low value-added jobs at risk and driven down the wages of lower-skilled workers everywhere. The best way to help such lower-income households is to create job opportunities for the unemployed and educational opportunities for their children. Only then can they climb out of poverty, either in this generation or, if not, especially in the next generation.

For job opportunities, we have put a major effort to match people to jobs. The WDA has worked very hard to reach out to job seekers through the CDCs, job fairs and many means. They have used NTUC, grassroots organisations, and advisers have also helped. We have had some success, but the effort and the cost per job matched have been enormous. Because for every match we have, we have many people whom we try and try again, and somehow we are not able to get the right person linked up with the right job. Sir, we have got to keep on trying, and to find ways to do this better. Mr Ahmad Khalis and Mr Matthias Yao told us how small gestures, like having CDC officers accompany

job applicants to the workplace, can go a long way. I hope to see more such efforts, and I think we can do better.

I agree with Dr Warren Lee and Mr Ong Ah Heng that sometimes, lower-skilled workers turn down jobs because they feel that after deducting for CPF and transport costs, they have almost nothing left. Therefore, we should strengthen incentives for people to get back to work and upgrade their skills so that they can take on better jobs. We will support them but they must make the effort themselves. And this is what our REAP programme seeks to achieve because it redesigns and enhances the pay and conditions of existing jobs, to make them more attractive for Singaporeans to take up. And it provides workers with financial incentives to adjust to their new jobs and to stay with them.

REAP is therefore not welfare in the traditional sense of the word, but a "welfare-to-work" measure to get people back into work, and to support them in the transition to new employment.

Mr Chiam See Tong suggests a different approach. He wants unions to fight for a minimum wage for lower-skilled workers. I think this is a recipe for failure, and it will hurt our workers, although it is well-intentioned. Minimum wages do nothing to help the unemployed find jobs, or help at-risk workers keep their jobs. In fact, they encourage employers to cut back on employment at the lower end. And the experience of countries with minimum wages is that it often raises unemployment. In European countries which legislate minimum wages, unemployment is typically close to 10%, or in the case of Germany

now, more than 10%. Mr Seng Han Thong is right when he said that the best way to help lower income workers or the unemployed is not to introduce a minimum wage but to redesign jobs so that they can justify higher wages.

Secondly, education opportunities. To prevent an underclass perpetuating into the next generation, we have to help the children of these families to do well. In schools, teachers and principals know which students are at risk, and try very hard to help them to succeed. But they cannot solve the problem alone. Ultimately, parents must want their children to stay in school, to provide a conducive environment at home for the children, and the children must make the effort themselves.

The self-help groups have a role to play, to reach out to families at risk, to counsel them, to encourage them to support their children and give them a fair start in life. It is a sensitive matter, but it is a reality that many of these families are unable to manage their own affairs and somebody has to help them, guide them and encourage them. The self-help groups will not find it easy to do. But they are the best placed of any organisation to do this.

The alternative to this approach of emphasising jobs and education is Mr Low Thia Khiang's approach of state welfare. Mr Low spoke about how "welfare" should not be a "dirty word" and the Government should not be afraid to give more direct welfare. We should be quite clear what Mr Low means. He is not thinking of providing assistance in a limited and targeted way that the Government is doing, seeking to maintain our work ethic and the spirit of self-reliance. He is thinking of generous welfare provision as an entitlement

to a wide range of Singaporeans - the way it is provided in much of Europe, and in the US before they reformed their welfare systems, for example, he specifically mentioned universal healthcare benefits for all without means testing. This is becoming his consistent line. In the debate on the President's Address last month, he cited Finland as an example. Then I challenged him, he backtracked, he said he is only proposing to study Finland, not to follow it. Now, he is trying again.

As I told Mr Low in Parliament in January, he owes it to Singaporeans to be upfront about how he proposes to pay for his seductive schemes. In every country with comprehensive state welfare, personal income tax rates are typically well above 30% and their VAT rates, equivalent to our GST, are 15-20%, or higher. So which tax does Mr Low propose to raise, by how much, and on whom?

Mr Low spoke of higher income earners paying more taxes. The top 10% of our taxpayers already contribute 75% of our personal income taxes. We are lowering the top rate from 22% to 20% over two years, and MPs have clamoured for me to do it faster. Does Mr Low intend to raise their taxes instead, and risk having some of the best and most talented go elsewhere? Or does he propose to tax the middle-income earners more heavily? Or does he propose to extend the tax net even widely to the two-thirds of our working population that currently pay no tax? Or maybe he is thinking of raising the GST rate. I think we deserve to know.

But the bigger danger of what Mr Low proposes is eroding Singaporeans' desire to be self-reliant and instead breeding an "entitlement mentality". I know that MPs are quite conscious this is a real danger. Miss Irene Ng already expressed her concern that we may already have created a sense of entitlement with our U-Save scheme. Mr Ong Kian Min told of how one of his residents insisted on getting his entitlement from one particular scheme that he had missed out on, even though Mr Ong offered him the equivalent benefits from other schemes - he says 'no', give me the rest, but give me this too. And I am sure Members have come across many similar examples.

When we talk about doing more to help Singaporeans affected by the economic changes, we are talking about the people who are at the bottom end, the bottom 20%, the people who are potentially in the underclass. We have many schemes implemented by MCYS and the CDCs and the grassroots organisations to help them find jobs, pay their utility bills, meet their hospital charges, help them to cope and get on their feet again. We are doing more, eg, through the ComCare Fund. In addition, whenever the budget can afford it, we will implement top-ups and rebates to help this group. This is what I have done in this Budget.

We have a tried and tested compact, a social compact, that we have forged over the years - to keep our tax burden light so as to encourage enterprise, to subsidise only the essentials so as to encourage personal responsibility, give Singaporeans the choice over how to spend their incomes, and give extra help to those who need special help, who are a minority. We also help individuals

save for their retirement, facilitate home ownership, and encourage insurance coverage for their healthcare needs. Miss Indranee Rajah spoke of how the Budget and the various assistance measures are like a bicycle built for two - the Government will do its part, but Singaporeans must pedal hard as well. I think that is the right approach. If we all hope to sit behind, and leave the rider in front to do all the pedalling, the bicycle will soon stop and we will all fall off. But for those who truly cannot fend for themselves, we have schemes which directly extend additional help.

Helping older Singaporeans

One group we have to focus on are the older Singaporeans. Miss Penny Low, Mr Sin Boon Ann, Miss Irene Ng, Dr Lily Neo, Dr Ahmad Magad and Mr Iswaran all spoke about the need to do more for them, particularly in the areas of employment, housing, retirement finances, and healthcare.

The key to meeting the needs of older Singaporeans lies in ensuring that they stay employed longer, build up adequate retirement savings, and their families and the community play an active part in supporting them. As Miss Penny Low put it very succinctly, “Every individual is responsible for his/her own financial well being” and social safety nets should be the last resort only if their families cannot help them.

First, stay employed for longer. We have formed a tripartite committee to recommend measures to help older workers work longer. Raising the statutory retirement age may be part of the solution, but it cannot by itself enhance the employability of older workers. Only 57% of the population aged 55-59 years

are in the labour force today, even though the statutory retirement age is 62 years. We need more holistic solutions for older workers to stay in the labour force for longer periods. And the tripartite committee will study this.

Sir, Members have called for incentives and tax reliefs for companies which hire older workers. The tripartite committee will study these as well, but this should not be our primary approach. What is key is that employment of older workers must make economic sense, and must contribute to their employers' growth and profitability. They must be cost-competitive, because that is what will create and sustain jobs for older workers. Otherwise, once you take away the incentives, the grant, the subsidy, the employers will let the workers go again. Fiscal subsidies therefore go against this as they have to be increased over time to retain their effectiveness.

The strong economic growth last year has improved the employment situation for older workers. The unemployment rate for those aged 50 years and above has fallen to 3.3% in September last year, compared to 5.4% in September the year before. So, in fact, if you look at the unemployment rate for people 50 and above it is actually slightly lower than the overall unemployment rate for all age groups. So instead of introducing broad fiscal incentives for hiring older workers, our primary approach has still to be to help older workers be more competitive in the job market, be it through upgrading their skills, re-designing jobs or reviewing the wage structures, while at the same time addressing the mindsets of both employers and older workers. If we need fiscal

incentives at all, they must be targeted at helping the lower-skilled and lower-educated older workers.

Secondly, building up sufficient retirement savings. We have been helping to do this, to help Singaporeans build up their retirement savings by topping up older Singaporeans' Special and Retirement CPF accounts whenever we can afford to do so. But this can never be enough. The best way to ensure adequate savings in retirement is to stay employed longer. Because if you work for 30 years and you expect to retire for 25 years, then you must put aside at least half of what you save to provide for the time when you are not working, and that is not possible. So the longer you can work, the more you would be able to provide for your retirement and, in fact, the healthier and the better off you will generally be. Also, hard-earned savings must be husbanded for the retirement years rather than be diverted to other uses, however worthwhile. We have already taken steps to limit over-consumption of housing through the CPF. These measures will take several years to work through, but gradually this will restore the balance between housing and other investments for old age.

Dr Ong Seh Hong rightly pointed out that Singaporeans' CPF savings can earn better returns if they are invested wisely. But we must remember that in financial markets, higher returns invariably mean higher risks. So we want Singaporeans to have higher returns. But can Singaporeans bear these higher risks? How do we design a scheme that allows Singaporeans to benefit from the potential upside without too much risk from the downside? We had studied Private Pension Plans and, eventually, we came to the conclusion that they

would not be viable. Now, we are studying other possibilities to increase returns for CPF savings without raising the risk unduly for individual members. I know Members have an interest in this. I heard Miss Penny Low just now speaking and she knows a lot about this subject. I think it is something which we will have to study in detail.

For the upper and middle income groups who have savings over and above the CPF, what Miss Low described to have a CPF, to have the SRS, to have some other schemes, I think she called it Section 5, these are possible ways a prudent professional can plan for retirement. But for the lower end of the population, many of whom have the CPF as their main savings and very little discretionary saving over that. We have to work within the CPF limit. Because it is not possible to put aside another 5% or 10% of your income, put it in this account, and we have some investment schemes or some tax arrangements and, therefore, you will have more for old age. Because they have to balance between what they need now and what they need in old age. And they have to work within this 33% because that is what the employers are able to afford if you are hiring workers. Otherwise, it will be non-competitive compared to foreign workers or workers elsewhere. Within this limit, we have got to find the best scheme and deploy the money in the best way, so by the time he retires, it will last him for as long as possible. Even then, not completely, because we have to depend on his HDB flat being worth something, we have to depend on his family chipping in to help him to look after himself or herself.

The third point on provision for the elderly is that families have a responsibility to care for their elderly dependants. This is particularly a challenge for those families who have old people to look after and also young children to look after, as Ms Irene Ng, Mdm Ho Geok Choo and Prof. Ong Soh Khim all have drawn attention to. The Government appreciates the difficulties faced by this “sandwiched” generation of Singaporeans, and we will continue to provide support to them.

It is not true that Government provides more support for childcare than for eldercare. The public, and Prof. Ong, may not be aware, but the Government subsidises 90% of the development costs of VWOs providing eldercare services. It also grants other subsidies to VWOs and needy Singaporeans to further defray the cost of eldercare. The Government also provides tax relief and foreign maid levy concessions for looking after elderly parents to families and also to singles.

Low-income elderly Singaporeans can also turn to Medifund for additional support. In FY 2003, close to 220,000 applications were considered, and virtually all the applications were approved from Medifund, and the funds disbursed amounted to \$34 million. So, we do many things to help the elderly, but this is a big subject. We will have to continue to revisit it regularly because, as our population ages, we will have to make many adjustments to our society and our economy in order to make the whole fit together and work.

Balancing between being inclusive and being targeted

Finally, Members, including Miss Irene Ng, Prof Ivan Png and Mr Ong Kian Min, felt that our top-ups and assistance measures are currently spread too widely and thinly and, in their words, it is said "not targeted enough". I agree that, for targeted incentives, we should target the assistance better, in order to direct our limited resources to meet specific needs, and to get them to reach those who need them most. And that is why we need to think of extending means-testing in healthcare, and setting the right cost recovery rates in higher education. But working out the best way to implement these principles is not easy, and we will proceed carefully. We have said this many times, but I will say this again. No citizen will be deprived of basic healthcare or tertiary education for lack of means.

When our aim is to help those in need, then we should target the assistance better, so that it reaches those who need it the most. It is not easy to do precisely, because every household has different circumstances, and we cannot examine the finances or the spending habits of each household to decide who is in need and who deserves help. It is not only intrusive, but it is just not practicable. So, we have used proxies, like HDB flat size or sometimes with your CPF balances, although this is not ideal. But we will bear in mind the MPs' comments, and we will try to develop better ways of targeting and identifying who needs the help. Then we can do it more effectively and equitably in future.

However, we need to balance between being inclusive and being targeted. When our economy has done well, and we have achieved good surpluses, it is

only fair that some of it is distributed to all Singaporeans, including the higher-income groups who pay the bulk of income taxes. Some groups have complained that they do not receive much from this Budget, and that the Government has not put any real cash into their hands. They may have forgotten that Singaporeans have just received the third tranche of Economic Restructuring Shares just a month ago. In fact, one of the reasons why Chinatown was booming this year is because of the ERS. And 1.3 million Singaporeans have already withdrawn more than half a billion dollars of their ERS in cash. But, alas, the Minister for Finance is not the *cai shen ye* or God of Fortune, with *ang pows* for everyone every year.

Conclusion

Mr Speaker, Sir, this Budget is based on a vision of what Singapore can be, and how the Government and people, working together in tandem, can bring about this vision. The Government will continue to provide the fundamentals for this vision: security and stability – strong defence, good governance, sound regulations, prudent fiscal position, low inflation, safe streets.

Beyond these fundamentals, Singapore must also represent opportunity. The Government will create opportunity by making available quality education, affordable healthcare and good housing. It will also provide a conducive climate for individuals to be the best they can be and for businesses to grow and succeed.

But Opportunity is ultimately a matter for individual confidence, competence and commitment. It is the effort, the determination and the spirit of the people – individually and collectively – that opens up Opportunity and brings success.

And for Singapore to be truly home, we must also build Community. This means standing together in times of crises, supporting those who have difficulty keeping up with the pace of change, caring for those in need, sharing the fruits of success, leaving no one behind.

The vision is Opportunity with Community, resting on a foundation of Security and Stability. So, let us together secure that vision. Let us have strong bodies to persevere and to weather the changes that come our way. Let us have willing hands to help one another and to seize the opportunities that are out there. Let us have tough minds to face the challenges ahead with courage and conviction and to make the right decisions. And let us have warm hearts to care for one another and to beat for Singapore as our nation and our home.