



# PARLIAMENTARY DEBATES

DEWAN RA'AYAT  
(HOUSE OF REPRESENTATIVES)

OFFICIAL REPORT

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MALAYSIA

**DEWAN RA'AYAT**  
(HOUSE OF REPRESENTATIVES)

*Official Report*

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Fifth Session of the First Dewan Ra'ayat

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*Monday, 16th December, 1963*

*The House met at Ten o'clock a.m.*

PRESENT:

- The Honourable Mr Speaker, DATO' HAJI MOHAMED NOAH BIN OMAR, P.M.N., S.P.M.J., D.P.M.B., P.I.S., J.P.
- „ the Prime Minister, Minister of External Affairs and Minister of Information and Broadcasting, Y.T.M. TUNKU ABDUL RAHMAN PUTRA AL-HAJ, K.O.M. (Kuala Kedah).
- „ the Deputy Prime Minister, Minister of Defence and Minister of Rural Development, TUN HAJI ABDUL RAZAK BIN DATO' HUSSAIN, S.M.N. (Pekan).
- „ the Minister of Internal Security and Minister of the Interior, DATO' DR ISMAIL BIN DATO' HAJI ABDUL RAHMAN, P.M.N. (Johor Timor).
- „ the Minister of Finance, ENCHE' TAN SIEW SIN, J.P. (Melaka Tengah).
- „ the Minister of Works, Posts and Telecommunications, DATO' V. T. SAMBANTHAN, P.M.N. (Sungai Siput).
- „ the Minister of Transport, DATO' HAJI SARDON BIN HAJI JUBIR, P.M.N. (Pontian Utara).
- „ the Minister of Agriculture and Co-operatives, ENCHE' MOHAMED KHIR BIN JOHARI (Kedah Tengah).
- „ the Minister of Labour and Social Welfare, ENCHE' BAHAMAN BIN SAMSUDIN (Kuala Pilah).
- „ the Minister of Health, ENCHE' ABDUL RAHMAN BIN HAJI TALIB (Kuantan).
- „ the Minister of Commerce and Industry, DR LIM SWEE AUN, J.P. (Larut Selatan).
- „ the Minister of Education, TUAN HAJI ABDUL HAMID KHAN BIN HAJI SAKHAWAT ALI KHAN, J.M.N., J.P. (Batang Padang).
- „ the Minister of Sarawak Affairs, DATO TEMENGGONG JUGAH ANAK BARIENG, P.D.K. (Sarawak).
- „ the Assistant Minister of the Interior, ENCHE' CHEAH THEAM SWEE (Bukit Bintang).
- „ the Assistant Minister of Labour and Social Welfare, ENCHE' V. MANICKAVASAGAM, J.M.N., P.J.K. (Klang).
- „ the Assistant Minister of Commerce and Industry, TUAN HAJI ABDUL KHALID BIN AWANG OSMAN (Kota Star Utara).
- „ the Assistant Minister of Information and Broadcasting, DATU MOHAMED ISMAIL BIN MOHAMED YUSOF, P.D.K. (Jerai).

- The Honourable the Assistant Minister of Rural Development (Sarawak),  
 ENCHE' ABDUL-RAHMAN BIN YA'KUB (Sarawak).
- „ ENCHE' ABDUL AZIZ BIN ISHAK (Kuala Langat).
- „ ENCHE' ABDUL GHANI BIN ISHAK, A.M.N. (Melaka Utara).
- „ ENCHE' ABDUL RAUF BIN A. RAHMAN, K.M.N., P.J.K.  
 (Krian Laut).
- „ ENCHE' ABDUL RAZAK BIN HAJI HUSSIN (Lipis).
- „ ENCHE' ABDUL SAMAD BIN OSMAN (Sungai Patani).
- „ TOH MUDA HAJI ABDULLAH BIN HAJI ABDUL RAOF  
 (Kuala Kangsar).
- „ TUAN HAJI ABDULLAH BIN HAJI MOHD. SALLEH, A.M.N., P.I.S.  
 (Segamat Utara).
- „ TUAN HAJI AHMAD BIN ABDULLAH (Kota Bharu Hilir).
- „ ENCHE' AHMAD BIN ARSHAD, A.M.N. (Muar Utara).
- „ ENCHE' AHMAD BIN MOHAMED SHAH, S.M.J.  
 (Johor Bahru Barat).
- „ TUAN HAJI AHMAD BIN SAAID (Seberang Utara).
- „ ENCHE' AHMAD BIN HAJI YUSOF, P.J.K. (Krian Darat).
- „ CHE' AJIBAH BINTI ABOL (Sarawak).
- „ O. K. K. DATU ALIUDDIN BIN DATU HARUN, P.D.K. (Sabah).
- „ ENCHE' AWANG DAUD BIN MATUSIN (Sarawak).
- „ TUAN HAJI AZAHARI BIN HAJI IBRAHIM (Kubang Pasu Barat).
- „ ENCHE' AZIZ BIN ISHAK (Muar Dalam).
- „ DR BURHANUDDIN BIN MOHD. NOOR (Besut).
- „ ENCHE' JONATHAN BANGAU ANAK RENANG (Sarawak).
- „ PENGARAH BANYANG (Sarawak).
- „ ENCHE' CHAN CHONG WEN, A.M.N. (Kluang Selatan).
- „ ENCHE' CHAN SIANG SUN (Bentong).
- „ ENCHE' CHIN SEE YIN (Seremban Timor).
- „ ENCHE' V. DAVID (Bungsar).
- „ ENCHE' DAGOK ANAK RANDEN (Sarawak).
- „ ENCHE' EDWIN ANAK TANGKUN (Sarawak).
- „ DATIN FATIMAH BINTI HAJI HASHIM, P.M.N. (Jitra-Padang Terap).
- „ ENCHE' GANING BIN JANGKAT (Sabah).
- „ ENCHE' GEH CHONG KEAT, K.M.N. (Penang Utara).
- „ ENCHE' HAMZAH BIN ALANG, A.M.N. (Kapar).
- „ ENCHE' HANAFI BIN MOHD. YUNUS, A.M.N. (Kulim Utara).
- „ ENCHE' HARUN BIN ABDULLAH, A.M.N. (Baling).
- „ ENCHE' HARUN BIN PILUS (Trengganu Tengah).
- „ TUAN HAJI HASAN ADLI BIN HAJI ARSHAD  
 (Kuala Trengganu Utara).
- „ TUAN HAJI HASSAN BIN HAJI AHMAD (Tumpat).
- „ ENCHE' HASSAN BIN MANSOR (Melaka Selatan).
- „ ENCHE' STANLEY HO NGUN KHIU, A.D.K. (Sabah).
- „ ENCHE' HONG TECK GUAN (Sabah).
- „ ENCHE' HUSSEIN BIN TO' MUDA HASSAN (Raub).

- The Honourable ENCHE' HUSSEIN BIN MOHD. NOORDIN, A.M.N., P.J.K. (Parit).
- „ TUAN HAJI HUSSAIN RAHIMI BIN HAJI SAMAN (Kota Bharu Hulu).
- „ ENCHE' IKHWAN ZAINI (Sarawak).
- „ ENCHE' IBRAHIM BIN ABDUL RAHMAN (Seberang Tengah).
- „ ENCHE' ISMAIL BIN IDRIS (Penang Selatan).
- „ ENCHE' ISMAIL BIN HAJI KASSIM (Kuala Trengganu Selatan).
- „ PENGHULU JINGGUT ANAK ATTAN (Sarawak).
- „ ENCHE' JHUMAH BIN SALIM (Sabah).
- „ ENCHE' KANG KOCK SENG (Batu Pahat).
- „ ENCHE' K. KARAM SINGH (Damansara).
- „ CHE' KHADIJAH BINTI MOHD. SIDEK (Dungun).
- „ ENCHE' KADAM ANAK KIAI (Sarawak).
- „ ENCHE' EDMUND LANGGU ANAK SAGA (Sarawak).
- „ ENCHE' LEE SIOK YEW, A.M.N. (Sepang).
- „ ENCHE' LIM HUAN BOON (Singapore).
- „ ENCHE' LIU YOONG PENG (Rawang).
- „ ENCHE' PETER LO SU YIN (Sabah).
- „ O. K. K. HAJI MAHALI BIN O. K. K. MATJAKIR, A.D.K. (Sabah).
- „ ENCHE' MOHAMED BIN UJANG (Jelebu-Jempol).
- „ ENCHE' MOHAMED ABAS BIN AHMAD (Hilir Perak).
- „ ENCHE' MOHD. ARIF SALLEH, A.D.K. (Sabah).
- „ ENCHE' MOHAMED ASRI BIN HAJI MUDA (Pasir Puteh).
- „ ENCHE' MOHD. DUN BIN BANIR, A.D.K. (Sabah).
- „ ENCHE' MOHAMED NOR BIN MOHD. DAHAN (Ulu Perak).
- „ DATO' MOHAMED HANIFAH BIN HAJI ABDUL GHANI, P.J.K. (Pasir Mas Hulu).
- „ ENCHE' MOHAMED YUSOF BIN MAHMUD, A.M.N. (Temerloh).
- „ TUAN HAJI MOKHTAR BIN HAJI ISMAIL (Perlis Selatan).
- „ TUAN HAJI MUHAMMAD SU'AUT BIN HAJI MUHD. TAHIR (Sarawak).
- „ NIK MAN BIN NIK MOHAMED (Pasir Mas Hilir).
- „ ENCHE' NG ANN TECK (Batu).
- „ ENCHE' NGUI AH KUI, A.D.K. (Sabah).
- „ ENCHE' OTHMAN BIN ABDULLAH, A.M.N. (Perlis Utara).
- „ ENCHE' ABANG OTHMAN BIN ABANG HAJI MOASILI (Sarawak).
- „ TUAN HAJI REDZA BIN HAJI MOHD. SAID, J.P. (Rembau-Tampin).
- „ ENCHE' SANDOM ANAK NYUAK (Sarawak).
- „ ENCHE' SEAH TENG NGIAB (Muar Pantai).
- „ ENCHE' D. R. SEENIVASAGAM (Ipoh).
- „ ENCHE' S. P. SEENIVASAGAM (Menglembu).
- „ ENCHE' SIM BOON LIANG (Sarawak).
- „ ENCHE' SNG CHIN JOO (Sarawak).
- „ ENCHE' SONG THIAN CHEOK (Sarawak).
- „ TUAN SYED ESA BIN ALWEE, J.M.N., S.M.J., P.I.S. (Batu Pahat Dalam).

- The Honourable TUAN SYED HASHIM BIN SYED AJAM, A.M.N., P.J.K., J.P. (Sabak Bernam).
- „ TUAN SYED JA'AFAR BIN HASAN ALBAR, J.M.N. (Johor Tenggara).
- „ ENCHE' TAJUDIN BIN ALI, P.J.K. (Larut Utara).
- „ ENCHE' TAN CHENG BEE, J.P. (Bagan).
- „ ENCHE' TAN PHOCK KIN (Tanjong).
- „ ENCHE' TAN TSAK YU (Sarawak).
- „ ENCHE' TAN TYE CHEK (Kulim-Bandar Bahru).
- „ TENGKU BESAR INDERA RAJA IBNI AL-MARHUM SULTAN IBRAHIM, D.K., P.M.N. (Ulu Kelantan).
- „ DATO' TEOH CHZE CHONG, D.P.M.J., J.P. (Segamat Selatan).
- „ ENCHE' TOO JOON HING (Telok Anson).
- „ PENGHULU FRANCIS UMPAU ANAK EMPAM (Sarawak).
- „ ENCHE' V. VEERAPPEN (Seberang Selatan).
- „ WAN ABDUL RAHMAN BIN DATU TUANKU BUJANG (Sarawak).
- „ WAN MUSTAPHA BIN HAJI ALI (Kelantan Hilir).
- „ WAN SULAIMAN BIN WAN TAM, P.J.K. (Kota Star Selatan).
- „ ENCHE' YAHYA BIN HAJI AHMAD (Bagan Datoh).
- „ ENCHE' YEH PAO TZE (Sabah).
- „ ENCHE' YEOH TAT BENG (Bruas).
- „ ENCHE' STEPHEN YONG KUET TZE (Sarawak).
- „ ENCHE' YONG WOO MING (Sitiawan).
- „ PUAN HAJJAH ZAIN BINTI SULAIMAN, J.M.N., P.I.S. (Pontian Selatan).
- „ TUAN HAJI ZAKARIA BIN HAJI MOHD. TAIB (Langat).
- „ ENCHE' ZULKIFLEE BIN MUHAMMAD (Bachok).

ABSENT :

- The Honourable the Minister without Portfolio, DATO' ONG YOKE LIN, P.M.N. (Ulu Selangor).
- „ ENCHE' ABDUL RAHIM ISHAK (Singapore).
- „ ENCHE' AHMAD BOESTAMAM (Setapak).
- „ ENCHE' CHAN SWEE HO (Ulu Kinta).
- „ ENCHE' CHAN YOON ONN (Kampar).
- „ ENCHE' CHIA THYE POH (Singapore).
- „ DATU GANIE GILONG, P.D.K., J.P. (Sabah).
- „ DR GOH KENG SWEE (Singapore).
- „ ENCHE' HO SEE BENG (Singapore).
- „ ENCHE' JEK YEUN THONG (Singapore).
- „ ENCHE' KHONG KOK YAT (Batu Gajah).
- „ ENCHE' KOW KEE SENG (Singapore).
- „ ENCHE' LEE KUAN YEW (Singapore).
- „ ENCHE' LEE SAN CHOON, K.M.N. (Kluang Utara).
- „ ENCHE' LEE SECK FUN (Tanjong Malim).
- „ ENCHE' AMADEUS MATHEW LEONG, A.D.K. (Sabah).

- The Honourable ENCHE' CHARLES LINANG (Sarawak).  
 " ENCHE' LING BENG SIEW (Sarawak).  
 " ENCHE' LIM JOO KONG, J.P. (Alor Star).  
 " ENCHE' LIM KEAN SIEW (Dato Kramat).  
 " ENCHE' LIM KIM SAN (Singapore).  
 " ENCHE' T. MAHIMA SINGH, J.P. (Port Dickson).  
 " ENCHE' MOHAMED DAHARI BIN HAJI MOHD. ALI  
 (Kuala Selangor).  
 " ORANG TUA MOHAMMAD DARA BIN LANGPAD (Sabah).  
 " ENCHE' PETER J. MOJUNTIN, A.D.K. (Sabah).  
 " ENCHE' ONG PANG BOON (Singapore).  
 " TUAN HAJI OTHMAN BIN ABDULLAH (Tanah Merah).  
 " ENCHE' OTHMAN BIN WOK (Singapore).  
 " ENCHE' QUEK KAI DONG, J.P. (Seremban Barat).  
 " ENCHE' S. RAJARATNAM (Singapore).  
 " DATU DONALD ALOYSIUS STEPHENS, P.D.K. (Sabah).  
 " ENCHE' TAN KEE GAK (Bandar Melaka).  
 " DR TOH CHIN CHYE (Singapore).  
 " WAN YAHYA BIN HAJI WAN MOHAMED, K.M.N. (Kemaman).  
 " ENCHE' WEE TOON BOON (Singapore).  
 " ENCHE' YONG NYUK LIN (Singapore).

## PRAYERS

(Mr Speaker *in the Chair*)

### SITTING OF THE HOUSE

#### (Motion)

**The Deputy Prime Minister (Tun Haji Abdul Razak):** Mr Speaker, Sir, I beg to move—

That notwithstanding the provision of Standing Order 12 (1), this House at its rising at 1.00 p.m. today shall stand suspended and shall resume at 2.30 p.m. and continue until the motion for the Second Reading of the Supply Bill 1964 has been seconded, whereupon it shall stand adjourned.

Sir, the purpose of this motion is purely to enable my colleague the Minister of Finance to make his Budget Speech at the usual time.

**The Minister of Finance (Enche' Tan Siew Sin):** Mr Speaker, Sir, I beg to second the motion.

Question put, and agreed to.

Resolved,

That notwithstanding the provision of Standing Order 12 (1), this House at its rising at 1.00 p.m. today shall stand suspended and shall resume at 2.30 p.m. and continue until the motion for the Second Reading of the Supply Bill 1964 has been seconded, whereupon it shall stand adjourned.

## ORAL ANSWERS TO QUESTIONS

### ROYAL MALAYSIAN NAVY—SHIP REPAIR AND COST

**1. Enche' V. David (Bungsar)** (*Under Standing Order 24 (2)*) asks the Minister of Defence to state whether one of the terms of acquisition of the ships for the Royal Malaysian Navy by the Government is that repairs shall be done by the British Admiralty.

**The Minister of Defence (Tun Haji Abdul Razak):** No, Sir, there are no such terms.

**2. Enche' V. David** (*Under Standing Order 24 (2)*) asks the Minister of Defence to state the amount of money paid to the British Admiralty for repairs to ships of the Royal Malaysian Navy for the years 1959, 1960, 1961, 1962 and 1963.

**Tun Haji Abdul Razak:** Sir, we have no dockyard of our own at the moment. We propose to start establishing one early in 1964. For small normal repairs we use the ordinary commercial firms, but where the work is too technical for commercial firms to

undertake we have our ships repaired at the British Naval Dockyard. From 1959 to 1963 we paid the following amount:

Year	Amount
1959 ... ..	\$235,738
1960 ... ..	288,347
1961 ... ..	219,256
1962 ... ..	127,812
1963 (up to 31st October)	282,610

**Enche' Abdul Aziz bin Ishak (Kuala Langat):** Will the Minister of Defence say whether the dockyard will be ready in 1964, or will the work on the dockyard begin in 1964?

**Tun Haji Abdul Razak:** The work will begin in 1964. It will take a couple of years to get the dockyard ready.

### ROYAL MALAYSIAN NAVY— EXPATRIATE OFFICERS AND RANKS

3. **Enche' V. David** (*Under Standing Order 24 (2)*) asks the Minister of Defence to state the number of expatriate officers and their ranks in the Royal Malaysian Navy.

**Tun Haji Abdul Razak:** Sir, the number of seconded officers and their ranks in the Royal Malaysian Navy are as follows:

Commodore ...	1 (Australian)
Captain ...	1 (British)
Commander ...	3 (British)
	1 (Australian)
	1 (New Zealander)
Lt Commander	11 (British)
	4 (Australian)
Lieutenant ...	11 (British)
	1 (Australian)
	2 (New Zealander)
Sub-Lieutenant	4 (British)

As against this, we have 82 Malaysian officers.

**Enche' Abdul Aziz bin Ishak:** Are there no officers from the non-white Commonwealth countries?

**Tun Haji Abdul Razak:** No, Sir, not at the moment.

**Enche' Abdul Aziz bin Ishak:** Why not, Sir?

**Tun Haji Abdul Razak:** We make requests for seconded officers to countries which are in a position to provide us with these officers, and the Honourable Member for Kuala Langat knew when he was in the Cabinet that we approached all Commonwealth countries for assistance, particularly in defence, and naturally we accept officers from those countries which can help us.

**Enche' Abdul Aziz bin Ishak:** That was not entirely correct, because the policy of the Alliance Government was to give preference to the white Commonwealth countries rather than the non-white. That is why I am on this side of the House now.

**Tun Haji Abdul Razak:** Sir, the trouble is that the Honourable Member is either misinformed, or he is twisting his facts.

**Enche' V. David:** Can the Minister clarify whether any formal request has been made to India?

**Tun Haji Abdul Razak:** I have said, Sir, that we always make requests to countries which are in a position to give us assistance.

**Enche' V. David:** Can the Minister specifically state what are the countries to which he has made such requests?

**Tun Haji Abdul Razak:** I said that we have made requests to countries which are in a position to give us this assistance. I am not in a position to state these countries.

**Enche' Zulkiflee bin Muhammad (Bachok):** Tuan Yang di-Pertua, berbanding dengan bilangan yang disebutkan oleh Yang Berhormat Timbalan Perdana Menteri tadi ada lebih 80 pegawai<sup>2</sup> anak negeri ini. Boleh-kah saya mendapat tahu taraf<sup>2</sup> pegawai itu yang paling tinggi, dan bagaimana rancangan Kerajaan mempertingkatkan lagi taraf itu?

**Tun Haji Abdul Razak:** Tuan Yang di-Pertua, saya tidak dapat hendak memberi ditel sekarang, saya berkehendakkan notis. Akan tetapi, saya boleh terangkan bahawa Kerajaan mengambil langkah bagi melatehkan pegawai<sup>2</sup> itu daripada satu masa ka-satu masa.

**Enche' Abdul Aziz bin Ishak:** Tuan Speaker, ada-kah sasaran atau target bagi memenohi chita<sup>2</sup> itu?

**Tun Haji Abdul Razak:** Tuan Yang di-Pertua, ada.

**Enche' Zulkiflee bin Muhammad:** Tuan Yang di-Pertua, walau pun Yang Berhormat Menteri berkehendakan notis dalam perkara ini, boleh jadi yang banyak<sup>2</sup>, tetapi boleh-kah Yang Berhormat Menteri menerangkan satu pangkat yang tertinggi sa-kali yang di-dapat dan di-chapai oleh anak negeri ini dalam ketenteraan negeri ini?

**Tun Haji Abdul Razak:** Sekarang, Tuan Yang di-Pertua, ada beberapa pegawai<sup>2</sup> anak negeri ini yang menjadi *commander* kapal<sup>2</sup> perang kita.

#### LOCAL SHOE INDUSTRY— EFFECT OF FOREIGN SHOE IMPORT

4. **Enche' V. David** asks the Minister of Commerce and Industry whether he is aware that local shoe industries are being affected by unrestricted import of foreign shoes, and if so, would he state the nature of action taken by the Government.

**The Minister of Commerce and Industry (Dr Lim Swee Aun):** Mr Speaker, Sir, our exports of footwear have always been higher than our imports. According to the following trade statistics Malaya's imports of footwear have fallen while her exports have increased: in 1961 we imported 107,118 dozen pairs of shoes valued at \$5.1 million, and in 1962 these imports have dropped to 97,505 dozen pairs valued at \$4.5 million; on the other hand, in 1961 our exports of shoes amounted to 323,543 dozen pairs valued at \$5.4 million, and in 1962 the exports have increased to 412,419 dozen pairs valued at \$6.3 million. I am, therefore, not aware that the local industries are affected by unrestricted import of foreign shoes.

**Enche' V. David:** Mr Speaker, Sir, the Minister has stated a different picture entirely. My question specifically states that whether imports of shoes have affected the local industry.

To my knowledge, it has. And, I also understand that the Shoe Manufacturers' Association has made representation to the Ministry of Commerce and Industry. Sir, can the Government answer whether it is a position to further restrict the import of shoes, when those shoes imported can be locally manufactured?

**Dr Lim Swee Aun:** Sir, as I have pointed out just now, the question posed is whether local shoe industries are affected by unrestricted imports, but there is no unrestricted import, or that imports are reducing.

**Enche' V. David:** When the same type of shoes imported can be manufactured in this country, is the Government prepared to abandon the import of such shoes, which could be manufactured here?

**Dr Lim Swee Aun:** Sir, ours is a free enterprise, therefore there is no question of quota restriction.

**Enche' V. David:** Mr Speaker, Sir, that means your free enterprise can be permitted to destroy local industry?

**Dr Lim Swee Aun:** Not necessarily, Sir, because if there is a case they can always appear before the Tariff Advisory Board and ask for tariff protection.

**Enche' V. David:** Is it not true that by deliberately allowing these shoes to be imported into this country local industries are being destroyed indirectly?

**Dr Lim Swee Aun:** No.

#### BANK OF CHINA—PERMISSION TO OPERATE IN KUALA LUMPUR

5. **Enche' V. David** asks the Minister of Finance to state whether the Government would consider permitting the Bank of China to operate in Kuala Lumpur since there is already a branch in Singapore.

**The Minister of Finance (Enche' Tan Siew Sin):** No.

**Enche' V. David:** May I know the reason, Sir?

**Enche' Tan Siew Sin:** Section 4 (c) of the Banking Ordinance, 1958 prohibits the issue of a licence to carry

on banking business in the States of Malaya to any company in respect of which the Government is satisfied that 50 per cent or more of its issued and paid-up capital is owned by or on behalf of a foreign Government or by an agency of such a Government, or that the majority of the members of the Board controlling the bank are appointed by or on behalf of such a Government or agency. The Bank of China comes under the provision of this Section and is, therefore, precluded from being allowed to operate in Kuala Lumpur.

**Enche' V. David:** Sir, is the Minister aware that the same Bank is operating in Singapore? After the establishment of Malaysia is it not fair that this privilege be extended also to the Bank to operate in the Federation?

**Enche' Tan Siew Sin:** The present position of the Bank in Singapore is that it is licensed to carry on banking business in that State under the Singapore Banking Ordinance. When the Federation Banking Ordinance, 1958 is extended to Singapore, Sabah and Sarawak, it is the intention of the Government to make appropriate provisions to allow all banks operating under the existing banking legislation of these States to continue to carry on banking business in their respective places of business.

#### INDUSTRIES WITH SOUTH AFRICAN CAPITAL—MALAYA

6. **Enche' V. David** asks the Minister of Commerce and Industry to state how many industries are operating in Malaya with South African capital.

**Dr Lim Swee Aun:** Mr Speaker, Sir, there are no pioneer industries operating in Malaya with South African capital. As regards non-pioneer industries, however, investigations carried out so far have revealed that there is no South African capital in these industries.

**Enche' V. David:** Mr Speaker, Sir, may I know from the Honourable Minister where does the capital of the Rothman Company come from?

**Dr Lim Swee Aun:** The capital of the Rothman Company comes from Rothmans, London.

**Enche' V. David:** Is it not indirectly from South Africa?

**Dr Lim Swee Aun:** Not that I am aware of.

**Enche' V. David:** Well, to make yourself aware, will you investigate into it?

**Dr Lim Swee Aun:** The figure shows that it is from Rothmans, London.

**Mr Speaker:** Order! Order! I cannot allow two Members speaking at the same time. (*To Enche' V. David*) When you finish your question, sit down and wait for the answer. (*Laughter*). Well, he is giving an answer now, so you better sit down.

**Dr Lim Swee Aun:** The answer is that Rothmans, Malaya, derives its capital from Rothmans, London.

**Enche' V. David:** Mr Speaker, Sir, the Minister said he is not aware that the Rothman Company has South African capital. Will he make an effort to investigate and ascertain the views whether indirectly South African capital come through London?

**Dr Lim Swee Aun:** Sir, he did not ask me for the indirect implication. He asked me whether or not there was South African capital and I have made investigations and Rothmans, Malaya told me definitely that their capital came from Rothmans, London.

**Enche' V. David:** Mr Speaker, Sir, I like to know whether, directly or indirectly, the South African capital is involved in the Rothman Company or not.

**Dr Lim Swee Aun:** I am not aware.

**Enche' V. David:** If the Honourable Minister is not aware, will he investigate into that?

**Dr Lim Swee Aun:** I have investigated. (*Laughter*).

**Enche' V. David:** Mr Speaker, Sir, the Honourable Minister is giving contradicting answers: he said he was not aware; he said he had investigated the matter; and then he said the answer

is "No". He was not aware, and yesterday he had answered "No". Well, I would like to have a clear answer from the Honourable Minister whether he has investigated; and if he has not investigated, and if he is not aware of the situation, let him at least investigate and find out whether there is any South African capital imposed in the Rothmans.

**Dr Lim Swee Ann:** As I have said again and again, I have investigated from Rothmans, Malaya as to where their capital came from, and they categorically stated that it came from Rothmans, London. There is no South African capital, and he will not accept that for an answer.

## BILLS

### THE COURTS OF JUDICATURE

#### BILL

##### Committee

Bill committed to a Committee of the whole House.

House immediately resolved itself into a Committee on the Bill.

Bill considered in Committee.

(Mr Speaker *in the Chair*)

*Clause 1* ordered to stand part of the Bill.

*Clause 2*—

**The Assistant Minister of Rural Development (Sarawak) (Enche' Abdul-Rahman bin Ya'kub):** Mr Chairman, Sir, there is a slight amendment to Clause 2. When the Bill was first drafted, it was expected that it would come before the House some time in November, so that it would be in time to receive Royal Assent before the end of the year. As things have gone now, it is not perhaps possible to obtain Royal Assent until perhaps next month. Therefore, I beg to move that Clause 2 be amended—the phraseology in Clause 2 be substituted by that submitted to the Clerk which reads:

"Commence-  
ment. 2. Save as otherwise in this Act expressly provided, the provisions of this Act shall come into force on such date as the Yang

di-Pertuan Agong may by notification in the *Gazette* appoint."

Question put, and agreed to.

*Clause 2*, as amended, ordered to stand part of the Bill.

*Clauses 3 to 10* inclusive ordered to stand part of the Bill.

*Clauses 11 to 20*—

**Enche' Tan Phock Kin (Tanjong):**

Mr Chairman, Sir, I would like to seek some clarification from the Honourable Assistant Minister with regard to the statement on Clause 14 (3) and (4). In introducing the Bill, the Honourable the Assistant Minister stated in no uncertain terms that it is the intention of the Government not to change the present position with regard to practising advocates in the States of Sarawak and Borneo; and arising from a statement made by my Honourable friend from Sarawak, with regard to the position of practitioners in the two States, the Honourable the Assistant Minister replied that he was not sure, with regard to the statement made by the Honourable Member from Sarawak, as to whether a practitioner in Sarawak at the present moment can also practise in Borneo, and he went on to assure this House that should that be the case, he is quite prepared to consider amendment in a year or so. May I point out to the Honourable the Assistant Minister that this is a very important provision of the Bill, because on this particular clause the income of a practitioner depends? A practitioner now derives his income from both Sarawak and Borneo, and with the passage of this Bill he will not be able to practise in the two territories. I believe that this is a very important measure, and I feel that the Minister must be sure before introducing this Bill. There is a lapse of two days since he made a statement in this House, and I wonder whether he has already ascertained the facts from the officials concerned. If so, and if the position put forward by the Honourable Member from Sarawak is true, will he consider making appropriate amendments to the Bill now? If not, I do not know what to say, but perhaps he can consider postponing consideration of the Bill for a day or

so, to enable him to make the necessary clarification.

**Wan Mustapha bin Haji Ali (Kelantan Hilir):** Mr Chairman, Sir, I am afraid I have to refer again to Clause 15. No doubt I spoke on Clause 15 last Saturday raising certain queries, and also gave my comments and observations; in fact, I made certain recommendations in respect of this clause. It was most regretting that the Honourable the Assistant Minister, who introduced this Bill, did not reply to my observations or queries categorically. All he did was to give comments. I am saying that the Assistant Minister was trying to evade the issue.

Sir, on Clause 15, if the Honourable Assistant Minister had listened carefully to what I said last Saturday, he would have appreciated that I was quite concerned about Clause 15 in regard to proceedings *in camera*. I was not, in particular, concerned about Clause 15, sub-section (1), because it was quite obvious, and everybody knows that "The place in which any Court is held for the purpose of trying any cause or matter, civil or criminal, shall be deemed an open and public Court . . .". It is quite obvious that the place which is declared as a Court is an open Court and the public has got the right to attend such hearing. My point was not concerned as to whether it was a public Court, but it was in respect of the proviso after Clause 15. There it is stated:

"Provided that the Court shall have power to hear any matter or proceeding or any part thereof *in camera* if the Court is satisfied that it is expedient in the interests of justice, public safety, public security or propriety, or for other sufficient reason so to do."

I was concerned on the two issues. In other words, the Court could order the public to get out of the public Court, for which they have the right to hear; and on any of the last two grounds "or propriety, or for other sufficient reason so to do", if the judges thought it fit for sufficient reason, then they can, in fact, ask the public to go out—and that power is very wide.

Sir, I was concerned because the power is so wide. I was not trying to

insult the judges as what the Honourable Assistant Minister was trying to say—he stated that we must trust the judges. Of course we do trust the judges. I am a lawyer, I am practising, and if I do not trust the judges, I won't practise in this country. It is most unfortunate, as far as I am aware, that the Assistant Minister is not a practising lawyer: he does not know the difficulties we lawyers have in Court. If the law is not certain, and there is uncertainty, then there is injustice.

In the course of my profession, I have found it quite difficult when the law is uncertain. In fact, if the law is not flexible, if it is certain, there is a definite issue, then we are helping the judges. I am sure, Mr Chairman, Sir, that by making the law so uncertain, indefinite, we are not helping the judges. On the phrase, "propriety, or for other sufficient reason" a judge is confronted with the issue as to whether he is going to clear the public out of the Court or not, and he has not got a yardstick to guide him to decide.

For instance, Sir, let us take the case of an offence under the Road Traffic Ordinance. There, if a man is convicted for a motoring offence—say, inconsiderate driving or negligent driving—the law says that once he is convicted his licence must be endorsed unless for special reason, then in which case the magistrate can omit to endorse the licence. Here, Sir, the special reason is for the purpose of the Legislature, when it introduced the law, to give some discretion to the Court in respect of endorsing a licence or cancelling it. That man can carry on his profession of a taxi driver, until it was decided by the Court of Appeal, if the magistrate was not sure what are the sufficient reasons—and there are instances where the Court did not enter an endorsement on the licence. Despite the fact the reason given was special reason—for instance, like inconvenience, hardship are special reasons—later on this was ruled and this was brought to the Court of Appeal, where it was decided that that was not one of the reasons. So it becomes law. In other words, we are giving a loophole in this

Bill to the judges to decide themselves later on what are the "propriety or other sufficient reasons". It might take time and if anybody take care to appeal, does it mean the law will be hanging and undecided? Until such time it might take years; it might take ten years; or it might take such time until our Assistant Minister may not be living in this world.

It is most unfortunate that the House is not represented by a Minister of Justice as it was at one time once. If I remember correctly, when the late Minister of Justice was in this House, there was a query from this side of the House and the reply given was right to the issue with dignity and courtesy. But, unfortunately, the Assistant Minister was not in the House, because he was not an elected Member and, as far as I know, he is not an elected Member even now. It is unfortunate that there is no Minister of Justice in the Government even to this moment.

**Tun Haji Abdul Razak:** Sir, on a point of explanation, the Prime Minister is the Minister of Justice at present.

**Wan Mustapha bin Haji Ali:** Thank you. Sir, we had a separate Minister of Justice at that time. Now, we do not have a separate Minister of Justice, and we know very well that the Prime Minister is quite a busy man and he just delegates to somebody who is not responsible.

HONOURABLE MEMBERS: No!

**Mr Chairman:** I do not think that has anything to do with this Clause at all!

**Wan Mustapha bin Haji Ali:** Sir, another point from the reply given by the Government is that this Clause is rather in conformity with the existing law. If it is in conformity with the existing law, why do you take the trouble of putting this Bill then?

Sir, I remember that last Saturday I did comment on the sub-clause (2) of Clause 15, because this sub-clause is directed against the Press, against the reporters. With your permission, Sir, I would read it again because you,

Mr Chairman, were not present on that day:

"15. (2) A Court may at any time order that no person shall publish the name, address or photograph of any witness in any matter or proceeding or any part thereof tried or held or to be tried or held before it, or any evidence or any other thing likely to lead to the identification of any such witness; and any person who acts in contravention of any such order shall be liable to imprisonment for a term not exceeding three years or to a fine not exceeding five thousand dollars, or to both such imprisonment and fine."

I stated in regard to this sub-clause that if this is passed, then any judge or a judicial officer can order any reporter not to publish the names of any witnesses and then we have no freedom of of the Press. I did comment about the conviction, and I personally believe that the period of three years is very harsh. But the Assistant Minister did not reply to that. I say that a reporter may inadvertently publish the name of a certain witness in a trial and then he can be sentenced to three years' imprisonment.

Sir, I will deal with Clause 46 when we come to that stage later.

**Enche' Peter Lo Su Yin (Sabah):** Mr Chairman, Sir, I am concerned with Clause 14 of the Bill on which the first speaker commented and asked for an amendment in terms of allowing thereby Sarawak advocates to practise in Sarawak and Sabah as those who are practising in Sarawak. As I understand the position, Clause 14 speaks of enrolment of advocates. It is not necessary, therefore, to seek any amendment to this Clause because, as it stands, the Bill preserves the very essence or the *status quo* of the practice in Sabah and Sarawak. That is to say, if an advocate is already enrolled in Sarawak, he is automatically entitled to practise in Sabah and an advocate who is enrolled in Sabah is likewise entitled to practise in Sarawak. This is so, and there is no question of making any amendment to this Clause.

As regards alterations to the Bill to permit advocates from other Malaysian States to practise in Sabah or Sarawak, that I fear is a matter which can only be done with the consent of the State

Legislatures. That is, in fact, one of the safeguards provided in the Inter-Governmental Committee Report. I think the Honourable Assistant Minister will agree with me.

**Enche' Stephen Yong Kuet Tze (Sarawak):** Mr Speaker, Sir, unfortunately I was not here when clause 14 was debated. I think the principle that the first speaker wished to put forward to this House was that there is only one High Court in Borneo and therefore there is no necessity for this provision where persons enrolled in one State—say, in Sarawak—which is under the same Court of Borneo, will have to get themselves enrolled in Sabah which is also under the same Court of Borneo. I think if some amendment were made to it which would in fact preserve the *status quo*, that is to say, combining the two sub-clauses (3) and (4), that would meet the situation that we now have.

There is one enquiry which I would like to make, Mr Speaker, Sir, of the Assistant Minister. It is on rules of court under clause 16. Naturally, the Court must have power to make rules and since this Bill, if passed, does not come into effect until some later date, therefore, the rule making power will not arise until this Bill has been passed. Now I wonder whether the Assistant Minister is aware that at the moment the rules of court in Sabah and in Sarawak have already been changed recently by Order-in-Council or by the rules contained in the Courts Ordinance and one wonders whether the rules now prevailing, that is to say the rules now adopted by the Court in Sabah and Sarawak, are really the rules obtaining in the High Court in Malaya. Unless one clarifies this position one may find oneself rather confused by this, because there are cases happening, particularly in out-stations in Sarawak, where there are no court registry, people naturally used the old rules, but were told that those old rules would not apply because since November this year the new rules, that is the Malayan High Court rules apply. I think at least in one case because of this a claim in Court was caught by limitation period.

So, it is rather important to clarify as to whether or not the rules being changed in November would be covered by clause 16. The point I wish to make here, Sir, is that although there may be powers given to the court to make rules, unless the rules are made no rules would be in existence. So I think it is important that at the same time as the Act coming into force rules of court should be made under the Act immediately. That is to say, rules should now be prepared so that one would not find the situation of having the Act—the power—but without the rules.

**Enche' Abdul-Rahman bin Ya'kub:** Mr Chairman, Sir, first with respect to the observation made by the Honourable Member for Tanjong regarding the *status quo* in Sarawak, I have already ascertained the true position in Sarawak and in Sabah. Yesterday I discussed the matter with my Honourable and learned friend Mr Peter Lo, who has spoken just now, on the position in Sabah and I also discussed the matter with the Acting Deputy Registrar of the High Court in Sarawak (I think he is called Assistant Registrar now). The position in Sarawak is that an advocate is entitled to practice there if he is enrolled as an advocate in Sarawak. The same provisions apply in Sabah. In many cases, if not all, the advocates of Sabah are also enrolled as advocates in Sarawak and there is no difficulty in getting enrolment in that respect. So it is therefore really not necessary to combine, as my Honourable friend from Sarawak Mr Stephen Yong suggested, sub-clauses (3) and (4) of clause 14. The position is that unless an advocate is enrolled as an advocate in Sarawak, he cannot practice in Sarawak, and similar provisions apply in Sabah. Therefore, the present clause is sufficient.

With respect of clause 15, Mr Chairman, Sir, I really do not want to reply to some unnecessary remarks made by the Honourable Member for Kelantan Hilir. I would like, however, to remind him again the provisions of section 101 of the Courts Ordinance, 1948. Section 15 (1) is really taken

from that. I will read the proviso to section 101 of the Courts Ordinance, 1948. It says—

“Provided that the Court of Appeal, the High Court and any President of the Sessions Court or First Class Magistrate shall have power to hear any matter or proceeding or any part thereof in camera if in the opinion of such Court, President or Magistrate it is expedient in the interests of justice or propriety or for other sufficient reason so to do.”

If one reads the proviso to clause 15 of the Bill, Sir, the same wordings appear there. Again I would say that there are many things in law which are not clear, things like “in the interests of the public”. What constitutes the interests of the public? It depends on the circumstances of the case. Therefore, we must leave it to the Courts to decide. Human beings are not perfect. They cannot always be 100 per cent precise.

With respect to the observation by my Honourable friend regarding the Bill not having been presented by the Minister of Justice and the unfortunate thing that I was not here years ago, obviously I could not be here even if I had wanted to. But one point I would like to make clear, Mr Chairman, Sir, is that I am as much an elected member of the Dewan Ra'ayat as any member from Sarawak and Sabah is (*Applause*). And I am as much an elected member of this Dewan as the member for Kelantan Hilir is.

Regarding the imprisonment mentioned in sub-clause (2) of clause 15 of the Bill, Mr Chairman, Sir, that is the maximum punishment which can be awarded. It does not mean that in all cases the Court will impose three years' imprisonment. We must allow the Court to have a certain amount of latitude. If the case is a grave one, the Court may consider it in the interests of justice to impose the maximum punishment. But only in very exceptional cases will the Court do so. So, again, we must leave some latitude to the Court to impose the punishment.

As regards his observation regarding the freedom of the Press, clause 15 (2) does not seek to curtail the freedom of the Press in any way. Surely my Honourable friend from Kelantan

Hilir has heard of that famous case in England—Dr Adam's case. I am not a practising barrister now, but I did hear of that case, as a result of which, a Commission was set up to study the problem whether or not it was necessary in certain cases to exclude members of the public from the Court. And it was highly recommended that in certain cases, for example, the case of a rape, matters believed by the Court to be so prejudicial to the public if they are disclosed, the Court will normally exclude members of the public. And many other instances can be quoted.

Regarding clause 16 of the Bill, it is a clause, as is clear from the wordings, which gives the power to a Committee set up under the Bill to make rules for the purposes mentioned in that Bill. I must admit I am not aware that the rules which were in operation several months ago in Sarawak and Sabah have already been amended for appeal or altered in any other way by Orders-in-Council. In any case, if by Orders-in-Council my friend from Sarawak meant the Orders-in-Council made under the former Courts of Judicature for Sarawak, Sabah and Brunei, then those Orders do not apply. But if they had not been changed, if they are still in operation, clause 16 of the Bill does not in any way seek to affect it until the rules are amended. The Clause gives power to the Rules Committee to make rules and I can say at this stage that it is, of course, in the interests of the practitioners, of the courts and everybody concerned that all the rules relating to the High Court and the Federal Court should be uniform. One can only do that after having studied all the various provisions in Sabah, in Sarawak, in Malaya and in Singapore. Therefore, we must leave it to the Rules Committee to work out all the details; it is not possible for this House to go into the various details. Any representation which the Honourable Member or members of practising advocates in Sarawak would like to put forward to the Government with respect to these rules would be very welcome. They could submit their representation to the Rules Committee.

*Clauses 11 to 20 inclusive* ordered to stand part of the Bill.

*Clauses 21 to 40 inclusive* ordered to stand part of the Bill.

*Clauses 41 to 45 inclusive* ordered to stand part of the Bill.

*Clause 46—*

**Wan Mustapha bin Haji Ali:** Mr Chairman, Sir, I was referring to Clause 46 the other day and I had hoped that the Honourable Assistant Minister could enlighten me. However, according to the reply given by the Honourable Assistant Minister, he stated that if I were to refer to the Explanatory Statement then the whole thing would be quite clear. Well, of course, I did see the Explanatory Statement before I spoke last Saturday, and with your permission I would like to read:

“Clauses 45-49 deal with the original jurisdiction of the Court and are consequential on the Malaysia Act except Clause 46 which is based on the corresponding section of the Government of India Act, 1935.”—

it is stated here Clauses 45 to 49 except Clause 46, which is based on the corresponding section of the Government of India Act, 1935—and it

“provides that in any action between States or between the Federation and a State the Court shall not pronounce any judgment other than a declaratory judgment.”

I was referring to Clause 46, because I was concerned that when there is a dispute between a State and the Central Government, or between the Central Government and a State, whoever is the plaintiff, then the Federal Court cannot pronounce a judgment—well, I mean, that if a case were taken to the Federal Court and there is a dispute, for instance, between the Kelantan Government and the Federation Government, and the Federal Court cannot pronounce judgment, to which Court then are we to take it? I am not accusing the Central Government, but my interpretation of this is that this precludes the Federal Court from pronouncing judgment as a result of that case—and by passing this Clause, will it not take away the power

of the judges to pronounce judgment in the normal way? That is what I would like the Assistant Minister to explain.

**Enche' Abdul-Rahman bin Ya'kub (Sarawak):** Mr Chairman, Sir, I thought I had already explained this sufficiently on Saturday last—Clause 46 of the Bill. I will not say I did see it, but I would say that I did see the Explanatory Statement in the Bill. I am really surprised that a learned and practising advocate could interpret Clause 46 as an attempt to preclude a Court from pronouncing a judgment. Sir, Clause 46 seeks to do nothing of that sort. What is a declaratory judgment? When the Court makes a declaratory judgment, it is pronouncing a judgment.

In fact, as my Honourable and learned friend for Kelantan Hilir must be aware under so many Acts, in actions against or by the Government, the Court will not make an order, for example, for specific performance, i.e. will not force the Government to do a thing, but will make a declaratory judgment, and then it is left to the Government to carry out the judgment. It must be presumed that the Government of the country will abide by the decision of the court. I need only refer him again to the Government Proceedings Act of this country; I need only refer him again to the Crown Proceedings Act, 1947, of the United Kingdom; I need only refer him to the Crown Proceedings Ordinance, of Sarawak, and various other Acts which contain the same provisions, that is, that in actions by a private citizen against the Government, the Court is only allowed to pronounce a declaratory judgment—it is a pronouncement. I regret very much that he has alluded to the question of the Kelantan Government versus the Federation Government.

Sir, I would like to make it clear to this House that this Clause was not introduced in the Bill for the purpose, either expressly or as implied by the Honourable and learned Member for Kelantan Hilir, of influencing the Court against the Kelantan Government in the action between the Kelantan Government and the Federation Government.

**Mr Chairman:** I thought we had debated on the policy on the second reading of the Bill on Saturday last: unfortunately, I was not here. It seems to me that this debate on the clause is coming under the policy of the Bill itself. I would ask the Honourable Member to confine himself to the Clause rather than the policy of the Bill itself, because that has been debated on Saturday during the second reading of the Bill.

**Wan Mustapha bin Haji Ali:** Mr Chairman, Sir, having heard what the Honourable Assistant Minister said just now—he says that there are separate Crown Proceedings Acts—I would like to refer him to Clause 4 of this Bill which says:

“In the event of inconsistency or conflict between the provisions of this Act and the provisions of any other written law other than the Constitution in force at the commencement of this Act, the provisions of this Act shall prevail.”

Once we pass this Bill and Clause 46 is passed, and if I were the advocate for the losing defendant I would say, “Your Lordship cannot pronounce judgment against my client”—whether I am acting for the Federal Government or State Government—and I would read to him word for word Clause 36:

“The Federal Court in the exercise of its original jurisdiction under Article 128 (1) (b) of the Constitution in respect of a dispute between States or between the Federation and any State shall not pronounce any judgment other than a declaratory judgment.”

Then, where would the judge be? The judge will then quote another law to pronounce judgment and I would then quote Clause 4 to stop him which reads:

“In the event of inconsistency or conflict . . . . the provisions of this Act shall prevail.”

Where would the law be? Law could not be enforced.

**Enche' Abdul-Rahman bin Ya'kub:** Will the Honourable and learned Member state the conflict between that provision and the provision of the Government Proceedings Act with respect to judgment . . . .

**Wan Mustapha bin Haji Ali:** It is not conflict . . . .

**Mr Chairman:** I cannot tolerate two Members standing and talking at the same time. I have warned Members again and again that Members should not stand at the same time.

**Wan Mustapha bin Haji Ali:** I will repeat it. Clause 4 clearly says that when there is a conflict between this Bill and any other written law except the Constitution, then this Bill prevails. When this Bill prevails, then the Crown Proceedings Act, or whatever Act you have in the past will be of no use: and Clause 46 says that the judges cannot pronounce judgment except declaratory judgment. And I am sure that my Honourable and learned friend, the Assistant Minister, is aware that a declaratory judgment is not consequential: I mean the judges never pass a judgment; it is just a declaratory judgment just like he would pronounce in a matrimonial case that the marriage is null and void. (*Laughter*). My Honourable friend is laughing. I am just quoting an example. This is a serious matter, Mr Chairman, Sir, and I am not standing here to waste the time of the House.

**Mr Chairman:** Please proceed.

**The Assistant Minister of Commerce and Industry (Tuan Haji Abdul Khalid bin Awang Osman):** I am laughing because he keeps on repeating “matrimony” and quoting it as an example.

**Mr Chairman:** Please proceed.

**Wan Mustapha bin Haji Ali:** Sir, by having this Clause 46, it means that the Federal Court cannot pronounce judgment; and if it cannot pronounce judgment, then the case will be pending. I am sure my Honourable and learned friend would be able to enlighten this House that there is a vast difference between a judgment and a declaratory judgment. A declaratory judgment means that the judgment would be without effect.

**The Minister of Transport (Dato' Haji Sardon bin Haji Jubir):** Mr Chairman, Sir, in reply to my learned friend from Kelantan Hilir, I would like to say that we have discussed on policy last Saturday. Sir, you let him talk on matter of policy, but now we are on Clause 46. He did mention just now

that he did see and he did read, but I am afraid that he did not read the last sentence of paragraph 8 on page 33 of the Explanatory Statement, which says clearly "This is in conformity with the existing laws relating to proceedings against Government". The law which is going to be enacted is the same as the procedure in existence now, Sir. I think he is a bit worried because of the judgment awarded against his client—the declaratory judgment of the Federation Court recently. But there is an appeal and you have already ruled that out. I think that is *sub judice*. A declaratory judgment is a judgment, but you cannot force the Government to stop the establishment of Malaysia being formed. You cannot get the order of the Court to stop the Government functioning and carry out its responsibilities towards the public. I think my learned friend should understand that there is nothing that this new legislation is taking out from the existing practice of the court of justice.

**Enche' Abdul-Rahman bin Ya'kub:** Mr Chairman, Sir, if I appear to waste a bit of time clarifying this point, please bear with me for a moment. My Honourable friend from Kelantan Hilir mentioned about Clause 4—reading it, of course, together with Clause 46 of the Bill. He must have in mind the question of declaratory judgment. In his view, it may be in conflict with the Government Proceedings Act, but I have asked him to state in what way Clause 46 will be in conflict with the Government Proceedings Act with respect specifically to the question of declaratory judgment. I would like to make it clear now that under the Government Proceedings Act, a private citizen in an action against either the State Government or the Federal Government, cannot obtain a judgment for, e.g., specific performance—in other words, by obtaining that sort of judgment, the Court can force the Government to perform a certain act. But what the Court can do is that it will make a declaratory judgment either for or against the Government. If it is in favour of the Government, then the losing party will have to follow the Court's order. Similarly, if the judgment

is in favour of a private citizen, it must be presumed that the Government of the country, any democratic country, will abide by the order of Court. So, really, there is no conflict between Clause 4 of the Bill, read together with Clause 46 of the Bill, and the existing legislation in Malaya, Singapore, Sarawak and Sabah. Fortunately, he mentioned that if he was an advocate for a "losing" defendant—not a "winning" defendant—he would have objected to certain things. He quoted as an example matrimonial cases, but can any Honourable Member in this House quote an example where one government can marry another government. (*Laughter*).

*Clauses 41 to 50 inclusive ordered to stand part of the Bill.*

*Clauses 51 to 60 inclusive ordered to stand part of the Bill.*

*Clauses 61 to 70—*

**Wan Mustapha bin Haji Ali:** Mr Chairman, Sir, I would like to ask a question of the Honourable Assistant Minister in respect of Clause 61—I am just wondering whether this will be superfluous, because this is provided under the normal procedure. For instance, under the Criminal Procedure Code, the judges in the Lower Court or even the High Court could ask for additional evidence. So, I think it is not necessary to have Clause 61.

**Enche' Abdul-Rahman bin Ya'kub (Sarawak):** Mr Chairman, Sir, this is provided for in other provisions, in other legislations. But even if it is superfluous, there is no harm in having that Clause in the Act. It is much easier for a practising lawyer to find it, if there is provision in the Judicature Act. Then he can rely either on that provision, or on other provisions.

*Clauses 61 to 70 inclusive ordered to stand part of the Bill.*

*Clauses 71 to 82 inclusive ordered to stand part of the Bill.*

*First Schedule ordered to stand part of the Bill.*

*Second Schedule ordered to stand part of the Bill.*

Bill reported with amendment: read the third time and passed.

## THE ADVOCATES AND SOLICITORS (AMENDMENT) BILL

### Second Reading

**The Assistant Minister of the Interior (Enche' Cheah Theam Swee):** Mr Speaker, Sir, I beg to move that a Bill intituled "an Act to amend the Advocates and Solicitors Ordinance, 1947" be read a second time.

Sir, this Bill seeks to amend subsection (2) of section 25 of the Advocates and Solicitors Ordinance, 1947, in order to provide that an Advocate and Solicitor shall not be issued with a certificate authorising him to practise in the Federation unless he has satisfied the Registrar that he or any other Advocate and Solicitor by whom he is employed has complied with the provisions of the Ordinance or of any rules made thereunder, relating to the keeping of accounts.

Failure to comply with the provisions of the Ordinance or with any of the provisions of the rules made thereunder will result in a refusal to issue a certificate to the applicant. Sir, I have mentioned "Federation", but, in fact, this Bill will apply only in the States of Malaya. It does not apply to Singapore, Sabah and Sarawak. I would also like to inform the House that the Bar Council of the States of Malaya has been fully consulted and it has no objections to this Bill.

Sir, I beg to move.

**The Minister of Health (Enche' Abdul Rahman bin Haji Talib):** Sir, I beg to second the motion.

Question put, and agreed to.

Bill accordingly read a second time and committed to a Committee of the whole House.

House immediately resolved itself into a Committee on the Bill.

Bill considered in Committee.

(Mr Speaker *in the Chair*)

Clauses 1 and 2 ordered to stand part of the Bill.

Bill reported without amendment: read the third time and passed.

## THE LOCAL AUTHORITIES (CONDITIONS OF SERVICE) BILL

### Second Reading

**Enche' Cheah Theam Swee:** Mr Speaker, Sir, I beg to move that a Bill intituled "an Act to regulate the conditions of service of officers and servants of local authorities and to provide for a provident fund or funds for such officers and servants" be read a second time.

Sir, pursuing the desirability of ensuring uniformity of law and policy in matters relating to local government, the Government considers it essential that conditions of service of officers and servants of local authorities should, in so far as it is possible, be made uniform. For example, there should be similar qualifications for appointment, salary scales and discipline of local government officers throughout the country.

This piece of legislation falls within the scope of Clause 4 of Article 76 of the Constitution, and I would like further to inform the House that the terms of this Bill have, in accordance with Article 95A of the Constitution, been discussed in the National Council for Local Government and agreed to by the Council.

Clause 5 (1) empowers the Minister to establish a provident fund or funds for the benefit of officers and servants of local authorities. Sir, in conformity with the principle that the local authorities should enjoy maximum autonomy wherever possible, this Bill, other than providing a uniform practice, does not encroach upon the powers and duties of local authorities.

Sir, I beg to move.

**Tuan Haji Abdul Khalid bin Awang Osman:** Sir, I beg to second the motion.

**Enche' V. Veerappen (Seberang Selatan):** Mr Speaker, Sir, I wish to make a few observations on this Bill.

First of all, I would like to welcome the move to provide uniformity for the staff and servants of the local authorities. However, I am afraid that the objective which the Government sets out to do in this Bill may not be

achieved unless consideration is given to whether the States would implement this Bill and as to whether the local authorities have the funds to do so. I am saying this, because attempts have been made in the past to assist local authorities to have some form of uniformity in the matter of Government contributions and so forth. But they have failed and as a result you will find that some local authorities are almost bankrupt.

Clause 4 (2) (b) of this Bill says that regulations may provide for the scales of salaries, fees and allowances and so forth. How can the local authorities pay the salaries and so forth that are set out in the regulations which the Minister might make if the local authorities cannot find the funds to do so, as I said just now? At one time the State Governments used to give grants for assisting local authorities to run their services and pay for their services. But some time in 1954 a Committee considered this question and decided on certain lines and that is that these grants should be progressively reduced until 1962 and that no grants were to be paid after 1962.

Sir, the grants which were paid by the State Governments were a substantial portion of the expenditure of these local authorities. In some cases they were as much as 50 per cent. When these grants were reduced, certain grants known as "grants in lieu of rates" were substituted therefor and the State Governments as well as the Federal Government paid rates just like any dwellers in the local authority areas having houses or buildings. However, these grants are very, very small and they are hardly enough to run these local authorities. Furthermore, it was also decided that a special grant for services like lighting, scavenging and so forth calculated on a certain Malacca formula was to be paid. But this I believe has never been paid, or if at all paid, paid very irregularly. As such, we have the position of the Bentong Town Council which has been, I would say, bullied by the State Government, in that it had to pay for the water supply for the town which it was not necessary for

the Council to pay; it was not a Council service, it was a service of the State—water supply naturally is—but the Council had to spend as much as 10 per cent of its budget on it, so much so that it is now completely bankrupt and it may not be able to carry on until the end of the year. As such, the provisions of this Bill may not be implemented by the local authorities concerned. In fact, in most countries of the world the local authorities are assisted by grants from the Central Government, and I wonder whether the Government should not consider giving grants to these local authorities.

The second point I would like to touch on is under Clause 5, which provides for a provident fund scheme. However, the provision under sub-clause (7) of Clause 5, whereby a local authority could forfeit all or any part of a person's contribution to the fund if an officer is dismissed from the service of the local authority for fraud, or dishonesty, or misconduct, which involves pecuniary loss to the local authority, or retires in consequence of such fraud and so on, is too harsh. A person who commits such an offence would naturally be subject to the law, that is, under the criminal law of the country and he is answerable in court. But for the local authority to forfeit the whole or any part of his savings which were deducted from his salary—i.e. not the Council's contribution but his personal contribution—is, I think, too harsh and I would like the Government to consider whether it would amend it by adding at the end of the sub-clause "to deduct such amount as to recover the pecuniary loss to the local authority only"—any loss that might be incurred by the authority might be recovered from his contribution, because he is also answerable in court.

There is one further point I would like to say and, that is, Clause 5 (1) (b) provides for the setting up of joint provident fund schemes among two or three local authorities. Now, we know that several local authorities need the services of technical officers, such as, engineers, health officers, valuation

officers, building inspectors and so forth. But these local authorities, mainly the small ones, are not able to employ such officers. However, these are very essential officers if the local authorities are to carry out their work efficiently and perform the functions which are required of such authorities. I would, therefore, ask the Government to consider also whether such joint services could be provided and whether legislation could be made for several local authorities to join together and employ such officers as health officers, valuation officers and so forth, who would be of great assistance to the local authorities.

**Mr Speaker:** I think it is the best time to suspend the sitting.

*Sitting suspended for 15 minutes at 11.27 a.m.*

*Sitting resumed at 11.40 a.m.*

(Mr Speaker in the Chair)

*Debate resumed.*

**Enche' Mohamed Yusof bin Mahmud (Temerloh):** Tuan Yang di-Pertua, saya bangun menyokong Bill yang ada di-hadapan saya ini, ia-itu Bill berkenaan dengan chara hendak mengatorkan supaya Majlis<sup>2</sup> Tempatan, Pegawai<sup>2</sup> dan kaki-tangan di-seluruh tanah ayer dalam perkara gaji dan chara<sup>2</sup> bekerja. Dalam perkara ini, saya bangun oleh sebab telah di-sentuh oleh Ahli Yang Berhormat yang baharu berchakap tadi ia-itu kata-nya Majlis Tempatan Bentong telah menjadi bengkrap oleh sebab Kerajaan negeri Pahang kata-nya, di-sini saya menafikan perkara itu. Yang saya tahu Majlis Tempatan Bentong telah dua kali di-kelolakan oleh Barisan Socialist maka oleh sebab kelalaian mereka untuk mengelolakan Majlis Tempatan itu-lah Majlis itu menjadi bengkrap. Mereka mengadakan perbelanjaan tidak sa-imbang dengan pendapatan. Saya tahu, dalam negeri Pahang di-mana<sup>2</sup> Majlis Tempatan yang di-kelolakan oleh Barisan Socialist selalunya bengkrap. Sebab di-Bentong ini pada masa dahulu-nya pun telah di-kelolakan oleh Perikatan tetapi kedudukan-nya tidak-lah sa-burok sa-bagaimana yang ada sekarang sa-telah

dua kali Barisan Socialist memerintah. Sebab-nya dia membelanjakan wang tempatan tidak sa-imbang dengan pendapatan pada hal pendapatan boleh di-dapati banyak lagi. Kerana dia takut hendak menuntut segala pendapatan daripada pengundi<sup>2</sup>-nya maka di-biarkan-lah pendapatan itu belipat kali ganda boleh di-katakan sa-orang pengundi itu ada beratus<sup>2</sup> ringgit berutang dengan Majlis Tempatan ini. Oleh sebab mereka yang bertanggung-jawab tidak berani hendak mengutip hutang<sup>2</sup> itu maka segala kesalahan kekurangan wang ini di-pulangkan kepada negeri Pahang. Jadi ini-lah penjelasan saya, sebab saya tahu perkara ini bukan-lah kerana Majlis Tempatan Bentong itu bengkrap disebabkan Kerajaan negeri Pahang tetapi kerana perbuatan ahli<sup>2</sup> daripada Barisan Socialist yang memerintah dan mengawal Majlis Tempatan Bentong itu sendiri, sekian-lah.

**Tuan Haji Ahmad bin Saaid (Seberang Utara):** Tuan Yang di-Pertua, saya bangun untuk menyokong usul bagi meluluskan Rang Undang<sup>2</sup> ini. Saya ucapkan sa-tinggi<sup>2</sup> tahniah kepada Menteri yang berkenaan yang telah pun mengambil langkah untuk mengadakan undang<sup>2</sup> ini untuk mengemaskan pentadbiran Majlis<sup>2</sup> Tempatan. Di-samping itu, Tuan Yang di-Pertua, saya ingin menarek perhatian Yang Berhormat Menteri Dalam Negeri mengenai perlaksanaan Rang Undang<sup>2</sup> ini. Dalam pengalaman saya ada beberapa banyak kerumitan yang telah berlaku yang saya harap Yang Berhormat Menteri Dalam Negeri ini pada masa hendak mengadakan peratoran<sup>2</sup> bagi melaksanakan Rang Undang<sup>2</sup> ini mendapatkan pandangan<sup>2</sup> daripada wakil<sup>2</sup> daripada Majlis<sup>2</sup> Tempatan supaya dapat-lah di-buat peratoran<sup>2</sup> yang boleh di-laksanakan oleh Majlis<sup>2</sup> Tempatan, kerana dalam ta'arif Majlis<sup>2</sup> Tempatan ini termasuk-lah Majlis<sup>2</sup> Bandar Raya, Majlis Bandaran, Majlis Daerah, Majlis Tempatan dan keadaan sekarang ini jikalau di-bandingkan sangat-lah berlainan. Ada sa-tengah-nya menguasai penuh berkenaan dengan kewangan dan pentadbiran, ada sa-tengah-nya pula saperti Majlis Municipal, Pengerusi-nya ia-lah Datok

Bandar (Mayor) yang di-lantek di-antara Ahli<sup>2</sup> yang di-pilih. Ada sa-tengah-nya pula seperti Majlis Daerah. Pengerusi-nya ia-lah Tuan Pegawai Daerah sendiri, dan Majlis Daerah Negeri Pulau Pinang pula Pengerusi-nya di-lantek oleh Majlis sendiri di-antara Ahli<sup>2</sup> yang di-pilih. Majlis Bandaran pula, Pengerusi-nya ia-lah Tuan Pegawai Daerah sendiri, dan dengan ini kalau hendak di-laksanakan dengan sempurna-nya tentu-lah ta' dapat di-jalankan. Dari itu, dengan ada-nya Rang Undang<sup>2</sup> ini, saya harap Yang Berhormat Menteri Dalam Negeri dapat memerhatikan berkenaan dengan pentadbiran Majlis<sup>2</sup> itu.

Yang kedua mengenai kaki-tangan Majlis. Ada Majlis<sup>2</sup> Daerah yang ada di-dalam Persekutuan Tanah Melayu ini, kaki<sup>2</sup>-tangan-nya yang berkhidmat itu datang-nya daripada General Clerical Service, State Clerical Service, Council employees, dan juga ada di-antara-nya pula kaki-tangan temporary atau sementara. Jadi, kebolehan mereka ini ada-lah berlainan. Sa-kira-nya tidak di-adakan satu peratoran yang tetap chara<sup>2</sup> hendak menerima mereka<sup>2</sup> ini masok berkhidmat, tentu-lah susah hendak memuaskan hati kaki-tangan yang berkhidmat dalam Majlis<sup>2</sup> itu. Yang mustahak-nya, Tuan Yang di-Pertua, ia-lah mengenai pemereksaan sa-bagaimana yang kita selalu menghadapi kesulitan dalam perkara ini. Manakala sa-sorang itu sudah masok berkhidmat dalam Majlis satu tahun mithal-nya, atau dua tahun, maka di-kehendaki kaki-tangan itu masok peperiksaan yang pertama, tetapi yang menjadi kesukaran ia-lah tidak ada tempat yang dia hendak masok peperiksaan, atau hendak masok temuduga sa-bagai menduga kebolehan-nya. Saya harap Yang Berhormat Menteri Dalam Negeri tolong-lah mengambil perhatian dalam perkara ini supaya dapat membuat peratoran untuk memberi peperiksaan yang sama kepada tiap<sup>2</sup> kaki-tangan Majlis<sup>2</sup> yang mereka itu berkhidmat.

Yang ketiga, Tuan Yang di-Pertua, ia-lah mengenai kewangan bagi Majlis<sup>2</sup> itu. Ada sa-tengah<sup>2</sup> Majlis mampu melaksanakan pentadbiran Majlis itu

dengan chukup wang-nya sendiri, tetapi ada sa-tengah-nya pula Majlis itu tidak mampu hendak membayar gaji mithal-nya dan juga sukar hendak menjalankan urusan pentadbiran Majlis itu. Jadi, saya harap kepada Yang Berhormat Menteri Dalam Negeri supaya mengeshorkan kepada Kerajaan<sup>2</sup> Negeri bagi memberi tambahan kepada Majlis<sup>2</sup> yang kekurangan wang.

Yang keempat, Tuan Yang di-Pertua, ia-lah mengenai undang<sup>2</sup> kecil bagi Majlis<sup>2</sup>. Kalau kita lihat berkenaan dengan peratoran<sup>2</sup> tetap pun di-antara satu Majlis dengan satu Majlis yang lain ada-lah berlainan, oleh itu saya berharap kepada Yang Berhormat Menteri Dalam Negeri supaya dapat buat satu undang<sup>2</sup> yang boleh di-samakan pada keselurohan-nya bagi Majlis<sup>2</sup> yang ada di-dalam Persekutuan Malaysia ini.

Tuan Yang di-Pertua, pada pendapat saya untok hendak mengemaskan chara<sup>2</sup> pentadbiran bagi Majlis<sup>2</sup> itu, molek-lah Menteri yang berkenaan adakan satu Badan Surohanjaya Majlis<sup>2</sup> Tempatan sa-bagaimana yang ada dalam negeri<sup>2</sup> lain yang di-namakan Local Council Service Commission. Maka dengan ada-nya undang<sup>2</sup> yang sa-macham ini dapat-lah segala urusan<sup>2</sup> mengenai Majlis<sup>2</sup> ini di-kekolokan, atau di-kawal oleh badan ini, dan pentadbiran itu dapat di-lichin dan di-sempurnakan. Ada satu perkara lagi ia-lah mengenai penasihat kepada Majlis<sup>2</sup> Tempatan. Dalam undang<sup>2</sup> yang ada sekarang ini, undang<sup>2</sup> Municipal, Majlis Tempatan, ada-lah di-nasihatkan oleh Tuan Pegawai Kanan Kerja Raya, Tuan Pegawai Kesihatan dan juga Tuan Pegawai Peranchang Bandaran. Jadi, di-sini kadang<sup>2</sup>-nya ada beberapa kesulitan yang ta' dapat kita bekerjasama dengan baik. Oleh yang demikian, di-harap-lah kepada Yang Berhormat Menteri Dalam Negeri supaya dapat membuat satu peratoran yang dapat bekerjasama dengan rapat dan baik di-antara penasihat<sup>2</sup> itu, dan boleh-lah Majlis<sup>2</sup> ini menjalankan kewajipan-nya bagi mentadbirkan Majlis itu dengan sempurna-nya.

Pada akhir-nya, Tuan Yang di-Pertua, saya berharap manakala Rang

Undang<sup>2</sup> ini di-luluskan, manakala hendak di-adakan peratoran<sup>2</sup>, saya harap mendapat perhatian atau pun pandangan daripada wakil<sup>2</sup> Majlis supaya dapat-lah Yang Berhormat Menteri Dalam Negeri mengkaji dan dengan yang demikian dapat-lah dilaksanakan dengan sempurna-nya. Sekian-lah, Tuan Yang di-Pertua.

**Enche' Tan Phock Kin:** Mr Speaker, Sir, I shall be very grateful if the Honourable the Assistant Minister of the Interior can give clarifications to the various points which I propose to bring up with regard to this Bill. As my Honourable friend from Seberang Selatan just said, as far as the Bill proposes to ensure uniformity in the laws of local governments pertaining to employment and conditions of services of officers, we must say that the objectives are laudable. But at the same time I must point out to the Honourable Assistant Minister concerned that there are a great many practical difficulties confronting him in utilising these powers to make such rules. It must be realised that there are various local government authorities in this country and they have been developed in various ways, each motivated by its own ideas of right and wrong and each providing different conditions of employment and different qualifications for officers with regard to the different type of jobs. So bringing about uniformity is indeed a most difficult job on the part of the Minister concerned. He will have to take into consideration the fact that people in the same category of work are paid different salaries—some are paid more and some are paid less. I must point out that a joint consultative committee of all the municipalities has been formed many months ago, and one of the functions of this joint consultative committee is to find common grounds of agreement with regard to service matters—employment, salary scales and other matters. In the course of discussions, various practical difficulties were faced by the people concerned, because as we are no doubt aware the financial position of our municipalities differs; and even if the financial position does not differ, the decision to increase the salary of a particular grade of workers, for

example, depends to a great extent on the ideological view points of the local authority. If a particular local authority is inclined to be more sympathetic to the working class, it is only natural that the salary schemes and conditions of service of that particular local authority will be inclined to be much better than in the case of a local authority which is not dedicated to such a cause. So, Sir, the Minister will have a great deal of difficulty trying to reconcile matters. I wonder whether in making such a reconciliation he will have to take into consideration the best conditions of service and the best salary scheme to be incorporated into his rules so that nobody will suffer. For example, if a clerk in one of the municipalities is getting a salary scale or conditions of service better than all the other local authorities, then in making rules for uniformity the objective should be to improve the conditions of service and the salary schemes of all the other local authorities. Whether that is practical as far as the other authorities are concerned is a problem for the Minister and also a problem for the local authorities concerned. So with the passage of this Bill obviously we must get an assurance from the Minister as to whether it is his intention to do that, or whether his intention is merely to provide uniformity because of his concern that certain more progressive local authorities are paying too generous a salary to their employees, or are giving too good conditions of service, so much so that as far as the other authorities are concerned, which are perhaps under the control of another body of political opinion, it may be used politically against them. So, Mr Speaker, Sir, it is my hope that the Minister concerned will give a very clear clarification on that.

On the question of qualifications, some municipalities, being very practical, have already decided that as far as qualifications for certain posts in the municipality are concerned, they would accept graduates from Chinese, Malay and Tamil schools for employment in such positions as hawkers' inspectors which require a knowledge

of the local languages, and I think graduates from the Malay, Chinese and Tamil schools are the most appropriate people for such positions. But in the other municipalities there is no such provision. In fact, I think most of the municipalities, with the exception of the City Council of Penang, adhere strictly to the old colonial qualifications in insisting that every employee must have a School Certificate, without any amendment to provide for the fact that Malay has become the national language and they must be proficient in the Malay language, or any other amendment of that nature to keep the local authorities in line with the progress that we have made since independence. However, Sir, those are points which I hope the Minister will consider.

On the question of fees, salary scales and matters like that, some municipalities are more liberal than the others and I must point out that as far as the calibre of employees that the municipalities can get, it is dependent a great deal on the scale of salaries they can afford to pay.

So, for the purposes of uniformity certain problems will arise. I do not know what the Minister has in mind with regard to this particular problem—whether, as I have mentioned before, he will adhere to the highest salary scale as the common factor for every municipality. But there again there will be practical problems. Can the other authorities afford it? If the other authorities cannot afford it, how can we have uniformity unless uniformity is taking an average? And if an average is taken, a few other problems arise. The first problem is, is it fair to existing officers? Secondly, if the Minister is going to overcome this problem by saying that it will affect only new employees, even on that amendment we must question him as to whether with this amendment he can get the same quality of employees for the various services. Examples of this sort of thing happening in the Central Government is testimony to the urgency of this problem. The fact that the Central Government is unable to get sufficient doctors and accountants

is because they do not pay salary scales that will attract people with such qualifications. Those are problems which I think the Minister concerned must face. I do not know whether the Minister has considered all these problems seriously. If he has, he should enlighten us as to what he intends to do, because very often we see Ministers introducing Bills to this House putting forward certain proposals in principle and yet they had no idea as to how they were going to implement them. I hope the Assistant Minister concerned is not in that category. I hope that he is in a position to enlighten this House as to his plans of implementing this particular Bill which is a very important Bill, because if the Government is unable to carry out the objectives enunciated in the Bill there is no point in passing the Bill. The Bill should only be passed if the Government is able to implement it; and to be able to implement it the Government must have plans; and they must tell this House how it is going to overcome all these problems. Similarly with the provident fund.

We support the principle, the idea of having a common provident fund, but here we must consider that the new scheme must in no way be inferior to the present provident fund scheme that is going on in all the various municipalities, and I hope that the Honourable Assistant Minister will have something to tell us when he winds up the debate.

**Enche' Geh Chong Keat (Penang Utara):** Sir, we, especially Members here who are also members of some local councils, welcome this Bill, especially in respect of the point in regard to the provision of provident fund for officers and staff. Sir, speaking on the terms and conditions regulating services and salaries of staff and servants in the local councils, I wish to seek some clarification from the Honourable Minister, who moved this Bill, as to whether the General Orders and the General Financial Orders apply to the local councils. As far as I know, some of the local councils have moved resolutions to adopt the

General Orders and the General Financial Orders; some did not and they more or less apply the General Orders and the General Financial Orders, where applicable, with a certain amount of flexibility.

Speaking on the conditions of service of officers in the local councils, I would like to say that they have got quite a lot of difficulties in respect of engaging officers. I hope a provision will be made here for the setting up of a Public Services Commission for employing officers for the local councils. As it is, most of the local authorities find it difficult to approach the State Government to employ officers above a certain category—say, with a salary of \$300 per month. Under the existing Municipal regulations, such appointments require the confirmation of the State Government. Even though the local councils have taken the necessary steps and complied with the procedures for employing officers as secretaries and engineers, they encounter delay at the State Government level, as a Public Services Commission has to be set up to employ such officers. As an example, where I come from—the State of Penang—the Rural District Council of Penang Island had made the necessary arrangements and procedures to approach the State Government for engaging a Secretary, but even then we find it difficult to get the Penang State Services Commission to interview candidates for us—and this we understand because it is a separate unit and a separate Services Commission must be set up.

Sir, in the local councils, the conditions of service of officers is really a very critical subject. We have there several classifications of staff—we have the General Clerical Service, the State Service and local council employees and above all we have technical advisers who are being seconded to the local councils. Now, the problem usually arises from seconded advisers to the numerous local councils. Disciplinary actions under the General Orders apply only to the local council staff, but not technical advisers, who are State

employees in the form of engineers, town planners, as well as medical and health officers. In the case of the latter officers, we have the good ones, we have the unco-operative ones, and it will be a problem for local councils to tackle these unco-operative ones. Sir, we have one officer in the Penang Island Local Council, who looks after the Planning Section. Plans before being submitted to the local councils must go through the State Engineering Department and then they go through a process; after a week, a month or two, those plans are sent back. Now, we have the problem of co-ordination between the executive engineers and the local councils, and these executive engineers in turn have got to co-ordinate with the State Engineer, resulting in plans being delayed for two or three months, sometimes longer. We wondered why such delay should happen, and we traced the cause to the executive engineer, who is a bit worried, or a bit cautious, about approving the plans as he had to submit them in turn to the State Engineer—and this State Engineer looks after the taking over the roads and conditions of the roads, and he also stipulates that unless these conform to the specifications to the *Jurutera Kerja Raya*, those roads would not be taken over, even though they are made up—that is the flexible point where the State Engineer overrides the local council even though the council approves the plan, as the State Engineer is not prepared to take over.

Sir, the problem of the State Engineer in the State of Penang is really sometimes quite embarrassing. Road plans that have not been approved by the local councils, or have not been submitted to the local councils, have been approved by the State Engineer without the knowledge of the local councils, who are the local authorities governing or approving the plans for houses and for roads in the housing schemes.

Sir, according to this Bill, the section only provides for the exercising of disciplinary control over officers in certain local councils. There is no control over seconded technical

advisers. So, in this respect I wish the Minister would make provision for a certain form of control by the local councils over the officers seconded, otherwise it may be a case of local councils approving plans with the State Engineer, or the technical advisers, refusing to sign the plans, or the State Engineer refusing to recommend to the State Government to take over the roads, when a local council has approved it according to the relevant section of the Local Council Ordinance by-laws—in other words, some plans have been approved by two technical advisers, the roads or the plans have to be approved to save further embarrassment to some local councils. I hope the Minister will make the necessary provision in this Bill as far as the control over the technical advisers is concerned.

Sir, the Bill has indicated the provision of a provident fund for the employees which my Council, that is the Penang Island Council, has been working on it for a long time and is now awaiting approval. However, there is one point which I would like to bring to the attention of the Honourable Minister, and that is with regard to medical facilities. In the Local Councils, even though the budgets have been approved and provisions made to look after the employees, such as providing for a provident fund, the money could not be expended due to the fact that the Council has not got the permission to spend its money on medical facilities. Some Councils have been embarrassed and some chairmen, too, have been embarrassed. When labour staff have to be employed, they have to be sent for medical examination under their terms of employment, and under their terms of employment again they could not go to outside medical practitioners for examination but through Government source, i.e. the General Hospital. Embarrassment is also caused to Councils when Chief Medical Officers refused to examine the new employees because of outstanding bills. Some senior officials—the Secretary, Assistant Secretary, or the Chief Clerk—are scared to sign the medical examination slips requesting for medical examinations, because they

have been made to understand by the officers of the State, that if such payments are not reimbursed by the Local Authorities, the officers signing the slips would have to make good the payments. So, in supporting this Bill for the benefit of the employees, I hope the conditions which have been recommended by the Local Authorities would be facilitated by the Minister, as he has moved this Bill. Thank you, Sir.

**Enche' D. R. Seenivasagam (Ipoh):** Mr Speaker, Sir, whilst uniformity of service and conditions of service in local authorities is a desirable one, this Bill must be seriously considered before; and any of the provisions, enabling provisions to be made to regulate terms of service and other attendant matters, must be very, very carefully thought out and planned. If this is not so done, there is no doubt that upheaval will be caused in the local authority level.

Mr Speaker, Sir, local authorities in this country are largely divided into Municipalities, Town Councils, Town Boards and Rural District Councils. Sir, I would like to refer to the Explanatory Statement which speaks of uniformity and says this—the fourth line in the Explanatory Statement:

“It is considered desirable that, with a view to ensuring such uniformity, the conditions of service of officers and servants of local authorities should, insofar as it is possible to do so, be made uniform, so that, for example, the qualifications, etc . . .”

Mr Speaker, Sir, if it is the intention of the Bill only to do so, so far as it is possible to do so, then it is a desirable Bill. Now, Mr Speaker, Sir, how is that to be done? For example, there is now in existence a Municipal Consultative Committee consisting of representatives from all Municipalities in the Federation. That Committee has been trying very hard to get some degree of uniformity on the question of salary scales alone, and even that has not been possible due to the different financial implications of each Municipality. Similarly, I suppose in Town Councils the same problem does arise, because finance is the important point in regard to the uniformity of service. And again, another point of very great

importance is that it would not be possible to implement this without consultation with the local authorities in the Federation and with any union that exists within the Municipalities and the other local authorities, which are vitally concerned with salary scales and terms of service. Therefore, my suggestion, on this Bill, is that the Minister responsible should, when making these regulations, make it a very definite point to get consultation, with ample time for such consultation, with all local authorities in the Federation, and with all unions representing monthly-paid staff and daily-paid staff within local authorities. If you do not do that, then most certainly there is going to be very serious repercussion not only on the administrators of local authorities, but on the employees themselves, because there is a great degree of variance now in local authority terms of service—and even consultative committees and the very small number of committees have not been able to get uniformity on that one point alone. Therefore, Mr Speaker, Sir, my appeal is that no provision should be implemented without thorough consultation with local authorities.

Mr Speaker, Sir, then, again, you have the question of salary scales. It must be so implemented that the present salary scales are not affected to the detriment of any employee of a local authority. Similarly, with regard to qualifications, each local authority is an entity of its own, and conditions and circumstances are different. Therefore, I am glad to see that the Explanatory Note says only "insofar as it is possible to do so."

Mr Speaker, Sir, then, you have another category of officers known as contract officers. Is it the intention of this Bill to interfere with whatever contractual obligations entered into by local authorities with these contract officers? Perhaps, the Honourable the Assistant Minister can tell us. Is it the intention of this Bill to interfere with contract officers of Municipalities and local authorities?

Then, what is the position going to be with regard to seconded officers

from State Governments or Federal Departments, who are seconded to local authorities, paid by local authorities, but only as seconded officers? Are any regulations to be made to govern their continued service with the local authorities; or is it the intention that those seconded officers should be removed from local authorities, or is it the intention that seconded officers should be given the alternative choice of becoming direct employees of local authorities, or reverting back to their original employment with either the State or the Federal level? These are matters with which we seek clarification.

**Enche' Stephen Yong Kuet Tze:** Mr Speaker, Sir, although this Bill does not apply to Sarawak and Sabah, there is a point of general public interest which I think I ought to mention. I refer, Sir, to Clause 5—provision for provident fund.

Mr Speaker, Sir, I think the intention for the setting up of the provident fund is clear, and that is, to give the officer something to fall back on when he retires, and also for his dependants. It is obvious—I think that is the intention—that funds due to him cannot be assigned or attached by anybody. However, I observe that the officer can by will will away the money that is due to him; and I think there are no lacking of cases of middle-aged married men who suddenly took fancy to some young thing and willed away to their new objects of affection. I think there should be a provision, if the intention of the Bill is to be carried into effect, that is to say, for purpose of providing for the dependants of the officers, to the effect that he cannot will away all this money. I say so, Sir, because I do know that in other Western countries one cannot will away all his properties; and if he does so, one-third of it must remain with his dependants or his widow. Therefore, I think when we have a provision for a provident fund looking after the retired officer and his dependants, the proper thing here would be for the insertion of a provision where, if he were to make a will, no more than two-thirds could be willed away from his dependants and his widow.

**Enche' Cheah Theam Swee:** Mr Speaker, Sir, I am glad to note that in all corners of this House there is this desire for uniformity in the case of local governments.

As we all know, Sir, the local authorities have grown and developed all this while in their own directions. Perhaps, it might be suitable to quote a very old Chinese saying which says, "if you want to start a journey of a thousand miles, you have to start it by one single step." I fully realise the difficulties that lie ahead if we sit down to work out the regulations that we have to make under this Bill, and I only hope that those local authorities concerned would give us the fullest co-operation when we get down to work out the details of the regulations which we are going to make under this Bill.

Well, Sir, the Honourable Member for Tanjong has said that he hopes that we should be able to tell him the plan that we envisage now as to the making of the regulations under this Bill. Sir, as I have said, we have got to start at some point, and it is only after the passage of this Bill that we can get started. I would like to assure the House and all the local authorities concerned, or that might be concerned, that the Government would give them the fullest consultations possible, consultations to the very maximum. We fully realise the complexities that are involved in this question of making regulations with regard to conditions of service, salary scales, etc. I sincerely hope that that co-operation from the local authorities—whether they are controlled by the Alliance or by any other Opposition Parties—would be forthcoming.

As the Honourable Member for Ipoh has pointed out, this Bill seeks to provide uniformity in so far as it is possible to do so.

The Honourable Member for Tanjong did raise some very legitimate points, and I fully agree with him that it would be a cause for upheaval if, in the making of the regulations and in the provisions of uniformity, instead of scaling up the salary scales, we might

tend to scale down salary scales. We are aware that the Consultative Committees of the Municipalities of Kuala Lumpur, the Federal Capital, and Ipoh and of the City Councils of Penang and Malacca have been working at great pains but they have still been unable to come to a definite form of salary scales with regard to the various groups of employees. We fully realise this and I would like to assure the authorities that there is no intention whatsoever on the part of the Government to interfere with the *status quo* at the moment of the existing salary scales that prevail and if at all there happens to be any interference, it would be only after agreement with the Local Authorities concerned. However, the Local Authorities themselves might think it worthwhile that a change should be made.

With regard to seconded officers from the State Governments to local authorities, this would be a matter which, I think, cannot be said to fall within this Bill at the moment, and it will take some form of examination before we come to a decision as to whether or not seconded officers from the State Governments to local authorities can fall under the absolute control of the local authority or in what form the conditions of service should be regulated. I assure the House that we can look into this and we can consult the State Governments by way of the National Council for Local Governments.

The Member from Penang raised the question of, perhaps, setting up of a Public Services Commission with regard to the employees in the local authorities. Sir, I have been looking into this question of a Services Commission which might eventually—I do not know how long it will take—come out in the form of the Local Authority Services Commission such as, perhaps, those in countries like India. I think this will take quite some time before we can really come to this stage and it all depends on how we can get about with the beginning of this Bill. Of course, that would be the most desirable objective and if we can all work together, then not in the too

distant a future we can graduate to a state of affairs whereby we can work under the system.

The Honourable Member for Seberang Selatan raised the question of the forfeiture of a contributor's contributions to the provident fund under Clause 5 (7). The provision therein gives absolute discretion, no doubt, to the local authorities to forfeit the contributions of the member so dismissed, but it also provides that the local authority can forfeit any part thereof, not necessarily the full amount. In our desire for maintaining a high degree of autonomy, I think it would be desirable to leave it to the discretion of the local authorities whether or not they should forfeit the whole or part of this contribution. I think it would be a wise thing, Mr Speaker, Sir, to leave it at that at the moment until we come to perhaps a further stage. I hope the Honourable Member for Seberang Selatan would agree with me and if any undue abuse on the part of local authorities is created by this provision, then we can look into the question of a further amendment.

Sir, I think the whole thing really boils down to the question that in the framing up of the rules and regulations there must be full consultations. Well, I do not know the full views of the Local Authorities, especially the views of those councils that are controlled by parties in the Opposition and I would be glad to get an assurance that they would give us the maximum co-operation. With regard to the question of provident fund, I can assure the House that in establishing the provident fund, either jointly or singularly by local authorities, there is no intention to create conditions which are inferior to that of the provident fund existing at the moment. It is the intention also to consult the authorities concerned and also the Employees Provident Fund Board.

An Honourable Member from Sarawak, Mr Stephen Yong, raised a question under Clause 5 (4) with regard to the control of a person's desire to let away his monies in the provident fund. Sir, in my own mind it is doubtful whether or not it would be desirable

to control a person's desire to make whatever will that he chooses to make. But, nevertheless, I quite see the point of view of the Honourable Member from Sarawak, Mr Stephen Yong, in that there might be employees of local authorities who because of certain circumstances do not eventually provide for their own actual dependants. But that is a question more of morals rather than a thing which legislation can control. However, we would bear this in mind and if it need be we will make the necessary amendments. However, as I have said, I doubt whether it would be a desirable thing unless we can be fully convinced of the need.

Sir, I can think of no other points that need any further clarification, and before I sit down I would like to assure the House and especially the parties that control the local authorities that in this particular instance we give them the fullest possible assurance that there will be full consultations all round.

Question put, and agreed to.

Bill accordingly read a second time and committed to a Committee of the whole House.

House immediately resolved itself into a Committee on the Bill.

Bill considered in Committee.

(Mr Speaker in the Chair)

*Clauses 1 to 3 inclusive ordered to stand part of the Bill.*

*Clauses 4 to 6—*

**Enche' V. Veerappen:** Mr Chairman, Sir, in my observations as to the difficulties of implementing Clause 4, I gave as an example in good faith the financial position of the Bentong Town Council and I do not know why that matter should have stung the Member for Temerloh. Maybe it was because he is from Temerloh, and he took the occasion to accuse the Socialist Front of negligence. Therefore, permit me, Sir, to say a few words on this.

Mr Chairman, Sir, the Bentong Town Council became a fully elected Council, I think, in 1961 and it is only a few months ago that the Socialist Front took control of it. The Socialist Front was accused of negligence, but

I just now said that the State Government bullied the Bentong Town Council. Now I would like to accuse the State Government of negligence and I would prove that there was negligence and I am sure the Auditor-General would bear me out when I say this because, Mr Chairman, Sir, prior to 1961 before it became a fully elected council the Bentong Town Council had a surplus of \$115,000. But at the time . . . .

**Enche' Cheah Theam Swee:** May I know from the Honourable Member on what clause he is speaking? I find it difficult to follow, Sir.

**Mr Chairman:** The Bill before the House is the Local Authorities (Conditions of Service) Act. What is most important is the "conditions of service". I would like Honourable Members to confine to that subject—that is, on the conditions of service.

**Enche' V. Veerappen:** I am quite aware of what I am doing and that is why I asked your indulgence and the indulgence of this House. I also would like to prove that these conditions can never be implemented until and unless the financial positions of these councils are improved.

**Mr Chairman:** I must warn you again.

**Enche' V. Veerappen:** I am just quoting the Bentong Town Council to give as an example.

**Mr Chairman:** I must warn you again that we have already debated the principle of the Bill. We are now in Committee. Will you confine to the clause?

**Enche' V. Veerappen:** Mr Chairman, Sir, as you will see, Clause 4 (2) (b) provides for the scales of the salaries, fees and allowances. Salaries, fees and allowances can only be paid from funds, and I am going to talk of funds.

Sir, I am going to take the Bentong Town Council as an example, if you will permit me. The Bentong Town Council, Mr Chairman, Sir, had a surplus of \$115,000 before it became fully elected, but for some reason or other, the previous Chairman, who

happened to be the District Officer, realising, or the nominated Council realising, that this was going to pass into an elected Council it went on a spending spree. In 1959 they budgeted for a deficit of \$60,000 and again in 1960 they had another deficit of \$60,000 when there was a balance of only \$55,000. These budgets are supposed to be examined by the State Government and approved by the State Government, but they were never examined but approved. The State Government approved a budget that was a deficit budget and if they had to incur all the expenses, then they would not have the money—that was in 1960. The Council became elected in 1961, and it was only in 1963 that the Socialist Front took over, and only in 1963 was there a balanced budget for the first time in nine years.

**Mr Chairman:** Is it going to be a very long example?

**Enche' V. Veerappen:** Well, I think that is quite sufficient to prove my point. (*Laughter*).

**Enche' Tan Phock Kin:** Mr Chairman, Sir, the Honourable Assistant Minister, in the course of his reply, has given full emphasis to a very important aspect with regard to Clause 4 in that in determining to regulate the conditions of service, he will have consultations with the local authorities. Those, Sir, are the words expressed in this House, and I am sure that every Minister concerned will incorporate intention into a Bill. It is very well to say that this is the intention of the Government in passing this particular Bill, but I think that we in the Opposition and the people of this country, are entitled to a more positive assurance, and a more positive assurance can only be found by incorporating the intention of the Minister concerned into the body of this Bill. So, I would like to ask the Minister concerned whether he would consider moving an amendment to the Bill by incorporating in Clause 4 (1) that, "The Minister, after consultation with local authorities and trade unions of local authorities, and with the approval of the Treasury . . . .", because by

having this incorporated, local authorities and trade unions of local authorities will be assured by law that they will be consulted. This is a very reasonable proposition motivated by the desire of the Minister himself, and I do not see any reason why the Minister cannot agree to it. Should the Minister under very extraordinary circumstances not agree to this, then I feel he owes an explanation to this House as to why he cannot agree to a proposition which comes from himself.

**Enche' Cheah Theam Swee:** Mr Chairman, Sir, with regard to the point raised by the Honourable Member for Seberang Selatan, saying that it is not possible to implement the provisions of Clause 4 unless local authorities are in a financial position to do so, I do not think anybody can disagree with him in so far as the financial position to enable local authorities to pay their employees is concerned. But, again, I would like to point out that we can only ensure this uniformity wherever possible, and as far as possible. If councils that are run by the Socialist Front are in no financial position to bring themselves into uniformity, perhaps, they can be declared, or they need not be declared, to come under the provisions of this Bill. However it is the intention of the Government to find ways and means, and to examine the possibility of bringing local authorities into a position whereby they can adopt this uniformity.

With regard to the suggestion from the Honourable Member for Tanjong, I would like to say that in our view the Government's assurance in this House would be sufficient assurance; and if the Government assures that there will be maximum consultation, there will be maximum consultation. I would like to remind the House that this is the Alliance Government. Now, he seems to think that if we refuse to accept the suggestion to include that assurance in the Bill, it would be due to extraordinary circumstances. Sir, I would like to say that it is under ordinary circumstances that we see no reason to have this provision for consultation with local authorities and unions in the Bill. Our assurance, I

feel, for this part of the House running right up to the other side of the House, would be sufficient.

*Clauses 4 to 6 inclusive ordered to stand part of the Bill.*

Bill reported without amendment; read the third time and passed.

*House resumed.*

**Mr Speaker:** The sitting is suspended till 2.30 p.m.

*Sitting suspended at 1 p.m.*

*Sitting resumed at 2.30 p.m.*

## THE SUPPLY (1964) BILL

### Second Reading

**The Minister of Finance (Enche' Tan Siew Sin):** Mr Speaker, Sir, I beg to move that a Bill intituled "An Act to apply a sum out of the Consolidated Fund to the service of the year 1964 and to appropriate such sum for certain purposes" be read a second time.

Although I have had the honour of presenting four Budgets of this Government already, this Budget has the special distinction of being the first Malaysian Budget. The establishment of Malaysia is a momentous political achievement and its impact will be felt in all spheres of our national life. That it will have far-reaching implications in the financial and economic fields is clear. One result has been the decision to establish a Malaysian common market about which I shall have more to say later. Its implications on the form and content of the Central Government Budget can be seen from the Estimates before you today. The modifications to the relatively uniform financial arrangements between the Central Government and the former Malayan States, made in order to accommodate the circumstances and requirements of the new States, are reflected in the Estimates, and I will elaborate on this point at a later stage.

The absolute size of the Federal Budget has, of course, been increased significantly. It is perhaps sufficient to reiterate here the importance of the Federal Budget as the Government's major instrument for forging coherent financial and economic policies. It

remains, of course, a major responsibility of the Central Government to ensure that national problems will be met and resolved in accordance with the overall interests of the nation as a whole.

On the occasion of this first Malaysian Budget, let me repeat that the financial and economic problems facing our newly formed nation are basically those of a country attempting to accelerate its economic development to meet the aspirations of its people for better living conditions in the face of a rapidly rising population. Our aim must be to promote rapid and enduring growth with stability. In this task our problems are made more difficult by the decline in the price of rubber, which is by far our most important export commodity, and hence the dominating factor in our calculations on this subject. The establishment of Malaysia provides opportunities as well as challenges. Malaysia means the creation of a larger economy which is more diversified economically, and which has greater resources and potential for growth. For a time, the administrative problems of transition, of clarifying in detail Federal and State roles and responsibilities, of harmonising policies and procedures, and of ensuring co-ordination, assume great proportions. With foresight, goodwill and co-operation from all, we must now turn to work to translate the economic promise that is implicit in the establishment of Malaysia into concrete terms of greater development for the whole nation.

It is regrettable that immediately, though we must still hope, temporarily, our new nation is faced with the problems arising from Indonesia's policy of "confrontation". One aspect of this problem is the need for this nation to increase sharply its defence expenditure. The other aspect of this problem is the general effect of the trade embargo imposed by the Government of Indonesia. There can be little doubt that the effects of economic "confrontation" on Indonesia itself, and particularly on Sumatra, are extremely serious, and relatively, far more disruptive than its effects on Malaysia. I will refer later to its impact, which

is confined to particular activities and areas of Malaysia. For the present, I need only affirm the Government's determination to meet the problems created and reduce to the utmost its adverse consequences.

In these opening remarks, I wish formally to place on record the Government's appreciation of the financial assistance extended by the British Government on the formation of Malaysia. The British Government agreed to provide £15 million in capital aid for defence (including £0.5 million representing defence buildings and installations to be transferred to the Government of Malaysia), and to bear the cost of raising, maintaining and training two new battalions in the Borneo States up to the end of 1965 by which time they should be ready for active duty. There is also provision for a review of the situation before the end of 1965. Assistance is also extended under new secondment terms for British Service personnel employed in the Malaysian Forces.

In the field of economic development the British Government had agreed to grant £2 million a year for five years for the development of the two Borneo States, and had extended the period during which the Singapore Government might draw a loan of £5 million and the balance of grants totalling £0.78 million all of which had already been offered. It may also be noted that the British Government had agreed to pay the total cost of compensation for expatriate officers in Sarawak and Sabah, whereas in the case of other territories gaining independence, it had, in the past, agreed to meet up to only half of this cost. While Malaysia's needs will not have been fully met by the assistance which I have enumerated, and it will be necessary for us to turn to other sources, our appreciation lies in the knowledge that the substantial assistance extended by the British Government, and which will be available in these first few crucial years of Malaysia, will help the Government not only to finance the expanded defence programme that has become necessary, but also to finance the accelerated development programmes

for the Borneo States, and thus ease the financial strain that faces this nation in the next few years when the price of rubber is expected to decline further.

With these introductory remarks, allow me now to follow my previous practice, and present, to begin with, a brief survey of economic conditions in the major industrial countries, since conditions in these countries have a significant bearing on our economy.

In the United States, the economy performed better in 1963 than had been expected in mid-1962. The recession forecast for late-1962 did not materialise. On the contrary, real gross national product rose 3½ per cent during the first three quarters of the year compared with the corresponding period of 1962. While many indicators point to a continuing rise in the level of U.S. economic activity, the major economic problems of the previous two years remain troublesome—unemployment, the overall rate of economic growth and the balance of payments deficit. It is now hoped that the legislation on tax reduction and the various balance of payments measures introduced in 1963 by the Administration will succeed both in correcting the U.S. imbalance in its international accounts and accelerating economic growth sufficiently to reduce the level of unemployment.

Economic activity in Britain has also been rising this year compared with 1962, but as in the U.S., the performance thus far still gives no firm assurance that the problem of an unsatisfactory rate of growth has been solved. The most recent quarterly data on industrial activity, employment, foreign trade and other aspects of this subject, suggest that the economy may now be travelling on the road to non-inflationary expansion. On the European Continent and in Japan the level of economic activity remained high, indeed, so high in some members of the EEC as to point to disturbing signs of inflation and the beginnings of restrictive policies to prevent serious disequilibrium. In short, economic activity in the major industrial nations has generally remained at a high level; some countries have seen the beginnings

of renewed advance though somewhat clouded by problems of international liquidity and some pressure on prices. In the U.S., the U.K. and other countries, rising industrial activity and automobile production have been the main features of renewed growth.

As can be expected under these circumstances, world consumption of rubber has risen during 1963. In the first six months, world rubber consumption was 4.5 per cent greater than consumption in the first half of 1962. However, as a result of the continued encroachment of synthetic rubber in the distribution of demand, consumption of natural remained static, and the entire increase in total rubber consumption was supplied by synthetics. At the same time, prices of both natural and synthetic have been declining.

This year has seen a continuation of the decline that began in 1960 when the price averaged \$1.08 per lb. From an average of 80 cents in January, the price steadily declined, reaching a low of 62 cents in September. The price has recovered since then, thanks partly to the Indonesian policy of "confrontation"! For the first nine months of this year, the average price was 74 cents, somewhat better than the estimate of 70 cents on which the Budget was based. The average for the whole year will no doubt be lower and closer to the 70 cents mark. Of particular significance this year were new cuts in synthetic prices and the elimination of the premium of natural over synthetic. While this continued drop in price reduces our export earnings and affects Government revenue, it need not be an entirely unmixed evil if we take a long-term view.

While total world demand for natural and synthetic rubber has risen and will continue to rise over the long term, world productive capacity has risen even faster and is now far in excess of demand. The experts believe that this supply/demand imbalance may be corrected by the early 1970's. In the meantime we must expect a continuation of the downward pressure on prices. Under conditions of excess supply, prices will continue to fall until enough productive capacity has

been made unprofitable to eliminate the excess substantially. This pressure affects both natural and synthetic producers and no one can foresee with any certainty at what level the market will be in equilibrium because of the influence of a number of factors, some of them imponderable—such as the rate of increase in Eastern European synthetic production, further advances in natural and synthetic technology, new investment in synthetic capacity in the free world or the effects of Government policies of some major producers on their ability to deliver supplies to the world market.

In a free market, the price decline is the means whereby the relatively inefficient producers of both natural and synthetic will be forced to withdraw from the market in order to bring supply and demand into equilibrium. In this painful process it is the most efficient, low-cost producers who will end up operating at full capacity and with the biggest share of the market. There can be little doubt that compared with the synthetic industry and other natural producers, Malaysia is the most efficient, low-cost producer of rubber in the world. Thus we must continue to pursue our policy of replanting and increasing productivity vigorously, and at the same time accelerate and expand the pace and scope respectively of our research activities. It would be well for us to urge countries contemplating further investment in synthetic capacity to reconsider the wisdom of their plans in the light of the increasing competitiveness of Malaysian natural rubber. The Government is also sending rubber trade missions abroad, including the European Communist countries, which are substantial users of natural rubber, as part of our measures to counter the sales campaign of the synthetic rubber manufacturers.

It is always difficult to estimate with any degree of assurance what next year's average rubber price will be. If Indonesian supply is reduced for any lengthy period, we might expect prices to remain at present levels rather than fall to the lower levels reached in September. For budgetary purposes, we

are using a figure of 60 cents per lb for the 1964 Estimates.

The preliminary figure for rubber production in the States of Malaya during the first nine months of 1963 was 571,000 tons as compared with 547,000 tons during the corresponding period of 1962, an increase of 24,000 tons or 4.4 per cent. The estimated net exports for 1963 used for budgeting purposes last year was 760,000 tons and it is likely that this figure will be achieved if not exceeded. Rubber production in 1964 is estimated at around 800,000 tons, compared with an estimate of 770,000 tons for this year and an actual output of 750,000 tons for 1962.

To some extent the effects of the fall in rubber prices have been mitigated by the improved market for tin. The average Singapore price for the first nine months of 1963 was slightly more than \$445 per picul with the average price for the 5 months from May to September exceeding \$455 per picul. The indications are that the price for the last quarter of this year will average \$475 per picul. On this assumption the average price for 1963 could well be slightly more than \$450 per picul, against a figure of \$400 on which the budget was based.

The U.S. Stockpile Tin Disposal Programme continues to be a dominant factor in the international tin market. Though changes and modifications have been made and presumably will be made to the programme in future, much of the uncertainty in the market which the programme previously generated has been dispelled. Events of the recent past indicate that this stockpile disposal programme need not unduly disrupt the market. Statistics also show a falling trend in free world production for 1963 and this trend is likely to continue for some years ahead. In the circumstances there is therefore every reason to hope that the price of tin will continue to hold at around \$475 per picul, if not higher, in 1964. Malayan production for the first nine months of 1963 amounted to 45,300 tons and the total for the whole year is now expected to reach 60,000 tons against the 56,000 tons originally estimated. This estimate

was later revised to 59,000 tons, which is the figure supplied to the International Tin Council. This increased rate of production, particularly that in the gravel pump section of the industry, has been stimulated by the firmness of the price of tin. Given the present price, the current rate of production should be at least maintained in 1964.

Despite the deterioration in our terms of trade, 1963 is turning out to be a year of high and increasing domestic activity. On the basis of the available indicators the signs unmistakably point to higher levels of output. Malayan electricity consumption by industrial and commercial users (excluding tin and other mines) rose by 17 per cent from 120.6 million to 141.0 million kilowatt hours (KWH) in the first 8 months of 1963 as compared with the corresponding period of last year. The comparable figures for Singapore showed an increase of only 4 per cent, from 218.3 million to 227.1 million KWH. During the first six months of 1963, Malayan imports of machinery and of transport equipment rose 6 per cent and 5 per cent respectively, while cement production in the first three quarters of the year rose by nearly 11 per cent over the corresponding period of 1962. I have already referred to the increased output of rubber and tin. Contrary to earlier expectations that reduced activity in the Japanese steel industry would depress this year's sales of iron ore, exports were \$10 million higher in the first nine months of 1963 compared with the corresponding period of 1962. Production in the first three quarters of the year was up by more than 1.6 million tons compared with the first nine months of 1962. Present indications are that economic conditions and the foreign exchange position in Japan in 1964 will be such that shipments to that country, which takes 99 per cent of our total production, will at least equal, if not exceed the 7 million tons expected to be shipped this year.

Honourable Members will recall that last year I expressed some concern over the level of investment in the private sector. It appeared then that private investment would fall short of the

Second Five-Year Plan target of \$2,900 million by at least \$400 million. I am happy to be able to say that the outlook now appears much more favourable. The Statistics Department has recently re-examined the estimates for 1960 and revised its figure for that year upwards, i.e. from \$442 million to \$567 million. In view of the sharp increases in public investment between 1960 and 1963, and the continuing growth of population and production, it is likely that private investment has since been averaging at the rate of at least \$580 million per annum. At this rate, the private sector may well exceed the \$2,900 million target set for the period of the Second Five-Year Plan.

Good progress has been made this year in the pioneer industry sector. Fourteen new pioneer certificates were issued in the first 9 months of 1963 compared with sixteen issued during 1962. The capital called up by pioneer firms during the first 9 months amounted to \$65 million which was 4 times the amount called up during the whole of 1962. However, the additional number of jobs created by pioneer firms in the same period was only 1,000 compared with 2,200 for 1962 reflecting the highly capital intensive nature of some of the enterprises started this year. Industries which began production this year are now turning out a variety of manufactured goods, including chemicals, plastics, petroleum products, metalware and glassware.

The amount of currency in circulation in Malaysia and Brunei followed the normal pattern by reaching a seasonal peak of \$1,296.7 million in January and February of 1963 as a result of the various early year festivals, and thereafter showing a slight drop till about June. At the end of September, 1963, the amount in circulation was \$1,263 million, which was 6 per cent higher than the level reached at the end of September, 1962. The upward trend of commercial bank deposits and advances recorded in previous years also continued in 1963. Total deposits for the Malaysian territories rose from \$2,275 million at the end of 1962 to \$2,420 million at the end of July, 1963. In line with the trend of deposits and the

needs of a developing economy, total bank credit, including the financing of trade bills, increased from \$1,780 million to \$1,990 million during the same period. These indicators point to a healthy growth in production, construction, investment and the general level of economic activity, aided by a considerable boost from the Government's public development expenditures.

The rising pace of economic activity in 1963 is also reflected in the latest estimates of the Gross Domestic Product of the former Federation of Malaya. It is likely that Gross Domestic Product at constant 1959 prices may approximate \$6,000 million in 1963. This would represent an increase of about \$330 million, or 5.8 per cent over the estimated Gross Domestic Product for 1962 at constant 1959 prices. A 5.8 per cent rate of growth compares favourably with the 3.9 per cent increase achieved in 1962 and 5.1 per cent in 1961.

The importance of the decline in the price of rubber may be gauged from the reflection that had the price of rubber remained unchanged at its 1959 level, Gross Domestic Product would have been over \$300 million higher in 1961 and over \$400 million higher in 1962 than it actually turned out to be. The deterioration in the terms of trade coupled with the 3 per cent increase in population per annum has caused "real" *per capita* national product between 1955 and 1963 to decline slightly. The continuing deterioration in our terms of trade brought about by the fall in the price of rubber is one of the central facts of life for Malaysia. The brunt of this structural decline in the price of natural rubber is being felt now and will be increasingly felt in the next few years. Although the production of rubber is rising, the major increases in production as a result of replanting will not take place until the second half of this decade. In assessing the prospects for growth of the national income, it is necessary to bear in mind that it will take time before some of the fruits of the Development Plan can be fully realised.

It is worth noting that the recorded 20 per cent deterioration in our terms

of trade since 1960 refers to the so-called "commodity" terms of trade which is a simple ratio of export to import prices. This kind of measurement does not reflect the fact that in 1963 we are producing a ton of rubber with less effort and at lower cost than was possible in 1960. As the efficiency and output of our labour, land and capital are increasing with every passing month, the same effort produces greater volume for export, tending to counter-balance the fall in export prices per unit. If we had an adequate measure of the terms of trade reflecting the quantum of imports we can buy per unit of effort required to produce our exports, the picture would be much less unfavourable. All this is merely another way of expressing the results of our replanting programme and re-emphasizing the need to carry it forward vigorously.

The price of rising domestic activity in the face of sluggish export growth has been a deterioration of our external accounts. Since 1960 the favourable balance on merchandise account (valuing imports *c.i.f.*) for the former Federation has declined from \$773 million in 1960 to \$394 million in 1961 and \$173 million in 1962. In the first nine months of this year, exports rose less than 4 per cent and imports rose 5 per cent compared with the corresponding period of last year. The trade surplus for this period was \$156 million, down \$38 million compared with 1962. The adverse movement in the terms of trade and the effect of higher imports, as a result of development expenditure, has led to a major swing in our balance of payments also. Thus, in 1960 the current account favourable balance amounted to \$308 million. This was sharply reduced to \$15 million in 1961. In 1962, a large deficit of \$203 million appeared. For 1963 the balance will remain in deficit at about the same level as that for last year, that is, slightly over \$200 million. In 1962 the balance of payments deficit on current account was offset by a net inflow of funds from abroad, and there was very little change in the foreign exchange reserve position. It is likely that the reserves will be moderately affected in 1963.

The current account deficit is likely to be slightly larger in 1964.

In recent years Singapore has had a deficit on its merchandise account. While Singapore's invisible earnings are substantial, these are normally insufficient to meet its merchandise deficit. As in the case of Malaya, Singapore's deficit in the recent past has been financed largely by an inflow of long-term private capital. Sarawak and Sabah have in recent years had a small favourable balance on merchandise account. However, it is believed that their invisible payments are larger than their invisible receipts, resulting in small deficits on current account. No statistical data are available for the construction of a capital account.

Rough estimates of the balance of payments for Malaysia indicate that it had a deficit on current account with the rest of the world of approximately \$350 million in 1962. For 1963, it is estimated that the deficit will be of the order of \$400 million. The decline in prices of the primary products of Malaysia, the loss of earnings from the Indonesian trade and larger imports on account of the respective development programmes will be the principal causes of the larger deficit.

It is difficult at this stage to give any reliable estimate of the balance of payments for 1964, not only because of the difficulty of forecasting with any degree of accuracy the prices of our main export products but also because of the likely effects of political factors on our earnings from trade and our expenditure on defence. It can however be expected that the current account deficit will be larger than that for 1963.

In my Budget speech in December, 1961, I said that Malaysia would provide the solution to one of our most important problems, namely our currency arrangements. It was envisaged that Malaysia would cover all the five territories which are parties to the present Currency Agreement. The decision of Brunei not to join Malaysia has somewhat complicated an otherwise simple replacement of the Currency Board by Bank Negara, Malaysia, as the sole currency issuing authority for

the country which would have enabled Bank Negara to become a central bank in every sense of the word and, in particular, to perform effectively one of its most important functions of being a lender of last resort.

It is the policy of the Government that Bank Negara should become the currency issuing authority of the country as soon as possible. With Brunei outside Malaysia, however, it is necessary to negotiate with the Brunei Government regarding the taking over of the assets and liabilities of the Currency Board by Bank Negara if the complicated and drawn-out process of liquidation of the Currency Board in accordance with the provisions of the Currency Agreement is to be avoided. We are of course willing to extend our full co-operation and assistance to Brunei if it wishes to use, in place of the present currency issued by the Board, the Malaysian currency to be issued by Bank Negara which would in such circumstances be prepared to consider providing any services required by the Brunei Government. I hope that the negotiations will be successfully concluded with mutually beneficial results.

During this year there has been a desirable expansion of banking services and activities. With the addition of the States of Singapore, Sarawak and Sabah there are now 42 banks with 346 banking offices operating in the country compared with 41 banks and 308 banking offices at the end of 1962. Most of the new banking offices were opened in various parts of Malaya and Singapore.

Constitutionally, banking is a subject on the Federal List except in Singapore where it is a concurrent subject. However, it is the intention of the Central Government to extend both the Central Bank of Malaysia Ordinance and the Banking Ordinance to cover all the territories of Malaysia at an early date. This will bring the regulation and supervision of banking business throughout the country under a single authority as it cannot be denied that this consummation is desirable. The extension of the jurisdiction of Bank Negara throughout the country will enable it

to play its proper role of promoting economic growth through the maintenance of monetary stability and a healthy financial climate.

The Bank has already established a branch in Singapore for the purpose of handling a number of accounts arising out of the provisions of the Malaysia Agreement. The branch will provide complete central banking facilities early in 1964 when alterations to its premises are completed. Preliminary enquiries have also been made with a view to establishing branches in Sarawak and Sabah at the appropriate time.

Stock Exchanges function in both Singapore and Kuala Lumpur. The Stock Exchange in Kuala Lumpur had its beginnings in 1959 when a number of share brokers with the encouragement of the Central Bank met for the first time in the Bank's Clearing House to conduct their afternoon calls to mark prices. By 1962, the Stock Exchange had established a proper trading room with a public gallery and a direct telephone link with the Singapore Stock Exchange, a facility which enables the best "bid" and "offered" prices to be posted almost simultaneously on the trading boards in both centres.

During 1963, the Stock Exchange continued to make steady progress. With the admission of new members and hence keener competition among the brokers, a better service to the public can be expected. The establishment of branch registers in this country by companies incorporated in the United Kingdom, but whose main operations are in Malaysia, has facilitated transfers of shares of these companies.

Encouraged by the success of the new share and debenture issues in 1962, domestic companies are turning increasingly to this method of raising additional capital for themselves. They are beginning to realise that for the development of large industrial and other enterprises the public company form of organisation with wide participation by the investing public is more appropriate than that limited to immediate members of the family and close friends. While this is most encouraging,

we have to guard against unscrupulous persons who may capitalise on the enthusiasm of these small and new investors by issuing shares for doubtful enterprises. In view of this and in order to bring about a more orderly flotation of shares and debentures in the market, the Government is considering the enactment of suitable legislation for the protection of depositors with, and investors in, companies. Current listing requirements of the Stock Exchanges are also being examined. In this connection I would like to emphasize the need for careful scrutiny by the Stock Exchanges themselves before stocks are listed, and also the need for critical appraisal by the home Press. While the oversubscription of new issues that have so far come on the market indicates to some degree the availability of considerable amounts of domestic capital for investment, it also emphasises the speculative element among many such investors today.

With more commercial banks becoming accustomed to holding Treasury Bills in their portfolios and to rediscounting them with the Central Bank when the need arises, the beginnings of a money market are taking shape. The issue of 2-year and 5-year maturities of Government loans to meet the needs of banks and institutional investors should help towards this development by increasing the availability and range of Government paper on the market. A significant development is that a discount house proposes to operate in both Kuala Lumpur and Singapore. This should further stimulate the development of a Malaysian money market and trading in Government securities.

It may be appropriate at this point to say a few words on the economic effects of the cessation of trade with Indonesia to which I have referred in my opening remarks. I need not labour the point that Indonesia is the major loser in this policy. As the hiatus in their main export channels lead to a piling up of their unprocessed and ungraded export commodities, the internal prices of these commodities are falling as they become unsaleable within the country itself. Their imports,

in consequence, are disrupted and prices of essentials, including rice, soar to new record levels. Dwindling export receipts lead to further payments difficulties and additional import and exchange restrictions.

At the same time, it must be conceded that confrontation has had its adverse effects on our economy, too. It has been estimated that a complete stoppage of trade for a full year may lead to a direct reduction in Malaysian income of the order of \$250 million. This is about equivalent to the reduction in export receipts to Malaysia if the price of rubber were to drop by about 13 cents a pound. The Malaysian economy has of course absorbed much greater shocks in the past when the prices of its main export commodities fell sharply. While it is clear that the maximum impact of the severance of trade with Indonesia in the aggregate cannot directly reduce total Malaysian national income by more than a small percentage, it is also clear that the impact is concentrated in a few places and in a few activities where the effects have been felt rather sharply. Secondly, its impact on employment is particularly pronounced. It has been estimated that Indonesian trade confrontation may have by now directly reduced employment in Malaysia by about 10,000.

As might be expected, the entrepot trade of Singapore has been the worst hit. On a smaller scale, the entrepot trade of Penang is similarly affected. Singapore used to import from Indonesia mainly rubber, petroleum, copra, coffee and spices, which were then remilled, processed or graded largely for re-export to other countries. At the same time, Singapore re-exported to Indonesia textiles, rice and a large variety of manufactured goods. Penang's trade with Indonesia was of a similar nature though she also imported tin ore for smelting. The impact on the other Malayan States is limited to those factories remilling Indonesian rubber in Province Wellesley and South Johore. We should also note the effect on the fishing industry of the increased amount of piracy in the Straits of Malacca. In Sarawak, the major

adverse effect is the reduction of over-land imports of Indonesian rubber, though this trade had already been affected in any case by the earlier border troubles. Although Sarawak imported petroleum products from the Shell refineries in Indonesian Borneo, there should be no difficulty in obtaining supplies from other sources. The effect on Sabah can be expected to be marginal. Fortunately for us, Malaysia does not depend on Indonesia for its imported consumer goods, apart from petrol, and this can easily be obtained elsewhere. As a result, the effect on Malaysian cost of living has been small. It has been limited to some increases in certain areas in the prices of vegetables and fish.

How long this severance of trade relations will continue will clearly depend on political developments. The impact of the rupture will also depend on whether the Indonesian authorities have the means as well as the will to prevent all smuggling and indirect trade whereby goods are consigned initially to a third country. In assessing the impact, it should be noted that to some extent, traders and factories do not rely solely on trade or supplies from Indonesia, and they should, in varying degrees, be able to find other sources of supply including Malaysian ones, and adjust their activities accordingly. The Singapore Government has already worked out a scheme to give temporary relief to some of the workers affected. The Central Government is considering similar relief measures for workers affected in Penang. With regard to the fishing industry, the Government is already taking all measures possible to provide adequate protection for our fishermen against Indonesian pirates.

While the Government is conscious that it will be necessary, in some cases, to alleviate the plight of those who have suffered and are suffering from Indonesia's policy of economic confrontation, it is equally conscious that it should not lose sight of the long-term implications. This episode has proved, if further proof is needed, that the entrepot trade of Singapore and Penang is highly vulnerable to external pressures which

are beyond our control, and if this break were to continue for any length of time, there could well be major and permanent shifts in our pattern of trade with Indonesia. Prudence dictates that we should take these possibilities into account in our long-term planning, and in this context, the proposal to establish a Malaysian common market is highly relevant.

To revert to our review of the domestic economic scene, we may conclude that 1963 would have been a satisfactory year but for the decline in the price of rubber. Physical production of rubber, rice, tin and iron-ore, and other indicators such as electricity consumption and construction activity show increases. The decline in the price of rubber, however, depresses income received. The level of domestic activity has been well sustained by the rising current account and development expenditure in the public sector, and by some increase in private industrial and other developmental activity of a non-industrial nature like replanting and new planting of perennial crops.

The prospect for 1964 is likely to be similar to that for 1963 except for a more severe strain on the balance of payments. Output of the main primary commodities such as rubber, tin and palm oil, and a few other commodities like pineapples and timber can be expected to show increases. The 1964 rice harvest on the other hand may be below this year's output due to the poor rainfall pattern in some parts of the country. Private sector investment, including industrial development activities, should also increase. Depending on political developments, the effects of the Indonesian trade confrontation will make themselves increasingly felt. The price of rubber is expected to show a further decline. The level of domestic activity will continue to be supported by increased public sector expenditure, arising from increased defence and internal security expenditure, and the decision to forge ahead with the Malayan development programme as well as to accelerate development expenditure in the Borneo States, in addition to what may be regarded as the normal growth of combined public

authority expenditures in the whole of Malaysia. The deficit on the balance of payments will be large and will have to be met partly by drawing on the foreign exchange reserves of the country and partly by borrowing. To some extent, this was envisaged in the Malayan Development Plan.

Let us now turn to the accounts of the Federal Government. Last year I forecast that it seemed likely that revenue for 1962 would be of the order of \$1,070 million. I am happy to state that the actual figure reached was \$1,097 million, which was \$16 million above the previous all time record achieved in 1961 (*Applause*). Ordinary budget expenditure in 1962 amounted to \$1,072 million so that there was a surplus of \$25 million on the Ordinary Budget (*Applause*), or a surplus on current account of \$145 million if we exclude the \$120 million contribution to the Development Fund which was included in ordinary budget expenditure. Development expenditure, which in 1961 was \$264 million, rose in 1962 to \$415 million, and allowing for the transfer of \$120 million from revenue to the Development Fund the total of ordinary and capital expenditure in 1962 amounted to \$1,367 million.

There was thus an overall deficit for 1962 of \$270 million which is reduced to \$268 million when allowance is made for a \$2 million receipt credited direct to the Development Fund. This compares with an overall deficit of \$69 million in 1961, and an overall surplus of \$98 million for 1960. During 1962 gross borrowing totalled \$186 million. Since net receipts from various trust accounts amounted to \$30 million, the Central Government's reserves were reduced by \$52 million during that year.

It is perhaps not out of place here to compare the position between 1960 and 1962. In 1962, budget revenue was \$28 million or 3% higher than in 1960. Current account expenditure, i.e., ordinary budget expenditure excluding contributions to statutory funds, had risen by \$122 million or 15% between these years. Even more striking is the increase in development expenditure which had increased by 194% to \$415 million in 1962. As the rise in

revenue had not kept pace with the rise in expenditure, Federal reserves which had increased during the three-year period ended 31st December, 1961, began to decline in 1962.

For 1963, it seems likely that revenue will reach a new record of \$1,136 million (*Applause*). Except for an amount estimated at \$6 million which is receivable from Singapore in respect of the period from Malaysia Day to the end of the year, this total is directly comparable with the 1962 figure, since it includes no other additional revenue as a result of Malaysia. This figure is \$114 million above the original printed Estimates for the year, and \$39 million above the actual receipts for 1962. There is a drop of \$11 million in the yield from export duty on rubber as against 1962, but an increase of \$6 million in that from tin due to fluctuations in the prices of these commodities. The yield from rubber will exceed the original estimate by \$10 million while that from tin will probably be \$15 million above the original estimate. The estimate is that receipts from income tax will exceed \$230 million as against an original estimate of \$189 million and as against actual receipts of \$237 million for 1962. It is interesting to note that the 1962 yield for this tax exceeded that for 1961 by \$5 million, and represents the highest annual collection to date.

Receipts from the Currency Surplus Fund distribution in 1963 at \$40 million are nearly \$9 million above those for 1962 and as against an estimate of \$32 million.

Ordinary expenditure for 1963 is expected to reach \$1,273 million as against the figure of \$1,088 million originally authorised in the Budget, and \$1,393 million if the four Supplementary Supply Bills are included. On present indications, there should be a deficit of \$137 million on the Ordinary Budget for 1963. If allowance is made for transfers of \$200 million to the Development Fund and \$23 million to other statutory funds, there would be a surplus of \$86 million on current account. This is \$59 million less than the comparable figure of \$145 million for 1962.

It is expected that development expenditure in 1963 will reach a total in the region of \$450 million as compared with \$415 million in 1962 and \$264 million in 1961. The forecast made in Command Paper No. 44 of 1962 was that actual expenditure on development in 1963 would be approximately the same as in 1962, that is to say, between \$400-\$420 million. The forecast would probably have proved correct had it not been for the extra expenditure required on Defence and Internal Security in connection with Malaysia which is likely to exceed \$30 million.

Turning now to the future, we have before us Expenditure Estimates providing not only for Malaya but for the new States of Singapore, Sarawak and Sabah and the total figures are therefore much higher than any I have previously laid before the House. The Estimates for 1964 are tabled in two volumes, one covering expenditure for Malaya, and the other, expenditure for the 3 new States of Malaysia. The total of the Estimates for the whole of Malaysia amounts to about \$1,470 million. The total for Volume I alone is \$1,254 million of which \$71 million is attributable to centrally incurred expenditure on account of Malaysia. The balance of \$1,183 million represents as nearly as it is possible to calculate the provision comparable to that included in the Estimates for the old Federation of Malaya in previous years. This figure of \$1,183 million is \$95 million more than the original Estimates for 1963. The 1964 revenue from Malaya at existing rates of taxation is estimated at \$1,118 million so that the current account deficit attributable to Malaya is \$64.6 million. If we bear in mind that the expenditure figure includes a contribution of \$50 million to the Development Fund, \$15 million to the Contingencies Fund, and \$0.3 million to other statutory funds, none of which are properly current account charges, there will actually be a surplus of just under \$1 million on the Malayan account.

As regards the new States, I should first mention that as a result of the Malaysia Agreement, the constitutional

arrangements for the sharing of revenue and expenditure between the Central Government and the States are different in each case. In Singapore a number of Departments which in the rest of Malaysia are Federal remain the responsibility of the State Government. Under Annex J to the Malaysia Agreement, all revenue derived from Singapore which, under the terms of the Constitution, is Federal revenue is paid into a Joint Fund held in Bank Negara from which 60 per cent goes to Singapore and 40 per cent to the Federal Government. This arrangement lasts until the end of 1964 after which it will be subject to review.

In the case of Sarawak, the arrangement of Federal and State responsibilities is, with a few minor exceptions, similar to that applicable to the States of Malaya. However, in recognition of the need of the Sarawak Departments to catch up with those of the rest of the States of Malaysia and of the comparatively small amount of revenue which can be expected from that State until its development has reached a more advanced stage, there are special arrangements for grants to be paid by the Federal Government in aid of the State Budget.

In the case of Sabah, the main difference in the financial arrangements as compared with the States of Malaya is that for a period of five years medical and health services are the responsibility of the State Government and thus fall to be paid for by the State. In consideration of this, 30 per cent of net Customs revenue derived from Sabah is to be paid over to the State. In order to provide a growth element in State revenue, Sabah is also to receive each year a grant equal to 40 per cent of any increase in Federal revenue derived from Sabah and not assigned to the State over the Federal revenue which would have accrued in 1963 if the Malaysia Act had been in force in that year. The sum payable would be calculated on the basis of actual revenue received in each year. Both Sarawak and Sabah have assumed responsibility for their Road Transport Departments, and the cost of these Departments is reimbursed to

them by the Federal Government. The full particulars of the grants payable to Sabah and Sarawak can be found under Head C. 11 in Volume II of the Expenditure Estimates.

Leaving aside these special grants and other services such as pensions and Judges' salaries which are charged on the Consolidated Fund, the expenditure on Federal services in Singapore, Sarawak and Sabah is in each case less than the revenue to be received from the State concerned. The 40 per cent share of Federal revenues receivable from Singapore amounts to \$117 million, while expenditure on Federal supply services in Singapore amounts to \$78 million, leaving a surplus of \$39 million. Revenue from Sarawak is estimated to amount to \$56 million, while expenditure on supply services in Sarawak amounts to \$53 million, leaving a surplus of \$3 million. Revenue from Sabah is in the region of \$52 million while expenditure on supply services in Sabah amounts to \$42 million, leaving a surplus of nearly \$10 million. These surpluses of revenue over supply expenditure add up to \$52 million. Against this, however, must be set the figure of \$43 million covering the charged expenditure on Judges' salaries, statutory grants and pensions to which I have already referred. There is, therefore, about \$9 million derived from these States which are available to help meet the cost of the extra centrally incurred expenditure attributable to Malaysia.

The position on current account for Malaysia shows an expenditure of \$1,470 million against revenue of \$1,343 million giving a deficit of \$127 million. As I have already stated, however, the expenditure total includes a contribution of \$50 million to the Development Fund and \$15 million to the Contingencies Fund. If this amount of \$65 million is subtracted, the current account deficit emerges at \$61 million on the basis of the budgeted figures. Following the trend of the expenditure accounts over the last few years, other than 1963, which owing to the requirements of Malaysia has been abnormal, it is likely that actual

expenditure on current account including the normal amount of Supplementary Estimates during the year, will fall short of the original total estimate by about 2%, or \$30 million. If this experience is repeated in 1964, the results on the present estimates of revenue will be an actual current account deficit of no more than \$31 million, and in the context of the size of the figures with which we are working, this can be regarded as practically a balanced Budget.

The principal increases and reductions in expenditure as regards the Estimates for Malaya are set out in paragraphs 8, 9 and 10 of the Treasury Memorandum tabled as Command Paper No. 51 of 1963. Paragraph 10 of the Command Paper deals with items which can be described as additional centrally incurred expenditure largely attributable to Malaysia. The increases for the Heads referred to are partly due to Malaysia and partly to the requirements of Malaya. The figure of \$70.6 million which is given on the front of Volume I of the Expenditure Estimates represents the sum of those elements of expenditure under these Heads which are attributable to Malaysia.

The largest increase is on the Estimates for the Ministry of Defence, which have risen by \$64 million or 69% over the 1963 budget provision. This is of course due to the defence requirements of Malaysia and, in the context of confrontation, it is obviously unavoidable. Armed forces are very expensive to maintain, and unless their expansion is carefully controlled they can easily run away with a very large share of the national budget. Nothing would please some of our neighbours more than to see the wealth of Malaysia drained away in defence expenditure in the manner that has become familiar to themselves. We have no intention of allowing this; nevertheless the Government is determined to see that Malaysia is securely defended and will not hesitate to provide the money necessary for this purpose.

The provision for the Ministry of Education for 1964 is \$256.5 million, which is \$26.5 million higher than the

amount originally provided for 1963. This represents a rise of 11½%. It will be remembered that in my speech last year, I stated that the Education Estimates had been pruned rigorously to bring them down to the figure of \$230 million which was then provided and that it might be necessary during the course of 1963 to come to the House for a supplement. A supplement of \$14 million has in fact been included in the Fourth Supplementary Estimates for 1963. Taking this into account the increase in the Estimates for 1964 is only \$12.5 million over the total appropriation of \$244 million for 1963. This is a rise of 5.1% as against the increase of 11.7% in the total appropriation for 1963 when compared with an actual expenditure of \$218.5 million in 1962. The continuing increase is mainly due to expenditure on grants-in-aid to primary schools in order to keep up with the continually rising enrolment figures. Vast though the sums required are, there is no doubt that money spent on education is an investment in the future prosperity and happiness of our country and somehow or other the money to meet it has to be found. I might perhaps reveal at this point that the percentage increase in the expenditure on education in Sabah in the first year of Malaysia is no less than 29.7% while that for Sarawak is 17.6%.

Expenditure on the Royal Malaysia Police in Malaya has increased by almost \$14 million, a 16% rise over last year's budget estimate to a total of \$101.6 million. Expenditure on the Police in Singapore has risen by \$8.8 million, in Sabah by \$3.1 million, and in Sarawak by \$4.5 million. The Sarawak figure represents an increase of 92.4% over the expenditure on the Constabulary in that State for 1963. This is a measure of the vigorous steps taken by the Malaysian Government to deal with the security situation caused by confrontation and Communist subversion.

One feature of the Estimates which is always a source of concern is the rate of increase in the provision for Personal Emoluments. In the Estimates for Malaya, the 1964 provision is in the region of \$345 million compared

with the figure of \$299 million estimated for 1963. The provision is thus \$46 million more than that for the current year, an increase of something over 15%. The actual expenditure on Personal Emoluments in 1962 was \$268 million while that in 1961 was \$256 million and that in 1960 was \$223 million. Assuming that there will be some shortfall in actual expenditure for 1964 owing to unfilled vacancies, the increase in expenditure will nevertheless be of the order of 50% over the 1960 figure. A large part of this increase is due to the build-up of the strength of the Armed Forces and of the Police in the context of Malaysia. Further increases are a direct result of the expenditure provided for in the Five-Year Development Plan, which naturally calls for more staff to construct the new projects and to maintain them when they are completed.

In addition a considerable part of the rise is due to increases in salaries resulting from Whitley Council negotiations. On the basis of the offers so far made this year, these negotiations will be responsible for adding nearly \$21.1 million to the annual salary bill, including that paid by the Malayan Railway Administration. Government officers and members of the public may sometimes wonder why the Government appears to be so reluctant to increase salaries when pressed to do so by staff organisations. A sum of \$345 million out of a total recurrent expenditure of \$1,254 million for Malaya alone is a very large proportion to spend on Personal Emoluments, and it is clear that the rate of increase of this expenditure is much greater than the rate at which the revenue rises. While the Government naturally wishes all its employees to receive a fair return for the valuable services which they perform, there is nevertheless an obligation to make sure that the salary bill does not increase at such a rate as to impose a grievous burden on the general public who must provide the revenue from which the salaries are paid.

During 1963 there has been no major change in Government policy regarding the issue of loans. Loans have been issued in forms which offer the choice

of 2, 5 or 16 to 18 years maturities. In 1962 the total amount of domestic loans issued was \$195 million and in 1963 the amount issued to date total \$175,500,000. The Government has decided to discontinue the issue of Treasury deposit receipts as Treasury bills and short term loans provided preferable forms of Government securities. As a result the amount of Treasury deposit receipts in issue has declined from \$102.7 million at the beginning of 1963 to \$56.2 million at the end of September, whereas the volume of Treasury bills in issue has increased from \$109.3 million to \$148.7 million during this period. During the same period, the amount of 2 years loans outstanding increased from \$15.0 million to \$49.5 million.

As I have stated earlier in my speech, the adverse trend in our balance of payments makes it most desirable for Malaysia to increase the volume of its foreign borrowing. Furthermore, such borrowing will increase the resources available for financing development expenditure which can otherwise only be financed by curtailing current consumption. I am glad to say that despite the uncertainties arising from political change and the hostility of our neighbour, Indonesia, our reputation for sound finance has enabled us to obtain a satisfactory amount of foreign loans (*Applause*).

Since Merdeka the Federation of Malaya had not raised any foreign loan through a public issue in the world's financial markets until July this year when it floated a £5 million pilot loan in the London market. This loan operation, which was undertaken by Bank Negara as the Agent for the Government, was a complete success, with the loan being oversubscribed within one minute of the opening of the list. This most gratifying result of our first overseas loan since independence clearly demonstrates the faith and confidence foreign investors have in our country (*Applause*). Our successful floatation of the pilot loan in London helps to make us known to investors and opens the way for future loans in the London market. It will also make it easier for us to

approach other overseas capital markets.

During my recent visit to the United States to attend the IMF/IBRD Annual Meetings, the Governor of Bank Negara and I explored the possibilities of our Government raising loans in the New York market. I am pleased to say that our talks with investment bankers there have been very encouraging and I have every reason to hope that it will be possible for us to raise M\$30 to \$45 million in the New York market at a suitable time. For this purpose, and as a first step, we have appointed Messrs Kuhn, Loeb & Company, a well-known firm of investment bankers in New York, as our sole agent in the United States.

In addition, the Central Electricity Board has obtained a loan from the World Bank of US\$51.9 million (M\$159 million) to finance the second stage of the Cameron Highlands hydro-electric project, the construction of a steam station at Prai and related transmission lines. This loan will finance the foreign exchange cost of this essential development of our power supplies. The World Bank has also granted a loan of US\$8 million (M\$24 million) to Malayan Industrial Development Finance Ltd, and the International Finance Corporation has agreed to invest US\$833,000 (M\$2.5 million) in the ordinary shares of the Company of which 60 per cent has been paid up. This loan and investment has enabled the reorganisation of the Company which I described in my Budget speech last year to be carried out and I am confident that this Company now has adequate resources to enable it to make an effective contribution towards the financing of industrial development in Malaysia. These two loans are guaranteed by the Federal Government and constitute a contingent liability on the Consolidated Fund, but as the liability is contingent only it is not reflected in the Estimates of Charges on Account of Public Debt.

The Kreditanstalt Fur Wiederaufbau of the Federal Republic of Germany has also agreed to make a loan of Deutsche Marks 21 million to finance the foreign exchange cost of the new

deepwater wharves at Butterworth. The relevant loan and project agreements have already been signed. It should be noted that the loan is untied and the principal contracts will be awarded on the basis of international tenders, the only restriction being that goods and services to be procured from loan funds may not be purchased from Communist countries.

The loan is for a period of 20 years and will bear interest at 3 per cent per annum which, as Honourable Members will note, is well below normal market rates for this type of loan. I am sure the House will wish me on its behalf and on behalf of the Government to place on record our deep appreciation of this generous gesture of the Government of the Federal Republic of Germany. (*Applause*).

As Honourable Members will appreciate, the Estimates are based on the position ruling at the time of preparation and, therefore, the actual charges on account of public debt are always greater than the amount estimated, as new loans are raised throughout the year. The following comparison is based on the original estimates for 1963 and the estimates for 1964. Charges on Account of Public Debt have increased from \$121 million to \$153.3 million, that is by \$32.3 million. This sharp increase is mainly due to the provision of \$15.6 million for the repayment of the \$20 million 4½ per cent 1964 loan, but I am hopeful that it will prove possible to refinance this loan. The balance of the increase is due to the additional interest charges and sinking fund appropriations on new loans which have been raised and which total \$20.4 million, this increase being partially offset by a decline of \$4 million in the interest payable on Treasury deposit receipts, the reason for which I have already explained.

As I mentioned last year, the Malaysian Government re-lends substantial amounts to the States and statutory authorities. At the end of September, 1963, loans outstanding amounted to \$405.7 million, and it is estimated that in 1964 repayments of principal will amount to \$3.6 million and interest payments to \$14.2 million, so that

excluding the sum of \$15.6 million shown for the repayment of the \$20 million  $4\frac{1}{2}$  per cent 1964 loan the nett expenditure on account of the public debt is \$119.9 million, that is 8.9 per cent of the estimated revenue.

The public debt charges are not at an imprudently high level and it should be noted that the charges payable in foreign exchange are modest. It is relevant to note in this context that a steady rise in the public debt is a natural result of the progress made under the Second Five-Year Plan. In fact, the projection made by the planners themselves provided for the cost of the servicing of the public debt to rise to a figure of \$175 million by 1965. Nevertheless, Honourable Members will be aware that the level is not only rising absolutely but more significantly in relation to revenue. I feel obliged, therefore, to repeat my warning last year that continued increases in the level of debt can only be justified if the loans are spent primarily on economic projects which will increase the wealth of Malaysia.

As a result of the establishment of Malaysia the Malaysian Government has become responsible for that part of the State debt of Sabah which has been expended on the creation of assets which become Federal, for instance on the assets of the Postal and Telecommunications Departments. It is estimated that the amount involved will be \$4,888,979. The estimated annual charges amount to \$342,229, thus increasing the net charges to \$120.2 million, which is still about 8.9 per cent of estimated revenue.

Ownership of the house in which one lives affords great personal satisfaction and a sense of security, and the policy of this Government is to encourage the construction of houses for owner occupation. As Honourable Members are aware the Government has made substantial funds available in the Development Programme for financing the construction of low cost housing and has assisted in the provision of finance for housing loans not only by investing in the equity of the Malaya Borneo Building Society but also by enabling the Society to borrow long

term from the Employees Provident Fund. The E.P.F. has also lent funds to Borneo Housing Development Ltd so as to assist towards an expanded loan programme in the Borneo States. Furthermore, in 1963 the Government gave substantial additional encouragement to intending home purchasers by exempting from income tax the nett annual value of a house occupied by the owner.

An effective programme of house construction has three main requirements—finance, suitable sites and an efficient construction industry. In Malaysia both land and housing are a State responsibility. Co-operation between the Central and State Governments is therefore essential if progress is to be made.

Housing can be divided into two main categories, that is medium cost housing and low cost housing. As regards medium cost housing it is the Government's policy to leave the implementation of schemes and the construction of houses to private enterprise, but to assist by expanding the volume of finance available for this purpose. At my request Bank Negara is examining ways and means of increasing the volume of commercial bank lending for home ownership, and I hope it will be possible to announce the details of the scheme in the near future. I have also agreed to an accelerated lending programme by the Malaya Borneo Building Society and although I would prefer to see the Society obtain funds in the open market, I am prepared to authorise further loans by the Employees Provident Fund in order to enable the Society to maintain its present rate of interest on mortgage loans.

In Kuala Lumpur there is an urgent need to provide houses for the servants of the Federal Capital Commission and Government servants. The Commissioner has suitable land available and I have therefore authorised a loan of \$10 million to the Commissioner to finance the first stage of a home construction scheme.

Low cost housing is only practicable if both land and finance are provided cheaply. For its part the Central

Government has provided and will continue to provide loans at very low rates of interest for the construction of low cost housing, and I urge all State Governments to assist in an expansion of the programme by providing suitable sites at cheap rates, despite the financial sacrifice involved. Nevertheless, the Central Government's ability to provide cheap money is not limitless and I suggest that all State Governments and local authorities should give consideration to providing some of the finance required from the rates, thus ensuring that all property owners assist in this aspect of urban improvement. There is a large need for rehousing in Kuala Lumpur and in order to assist in overcoming this problem I have agreed that the Commissioner may issue a public loan of \$20 million to finance a programme of construction of low cost flats and I hope that there will be a good response from the public to this issue.

As Honourable Members will be aware, separate Customs legislation exists in the States of Malaya, Singapore, Sarawak and Sabah. Our ultimate aim must be a common Malaysian import tariff and free movement of goods within Malaysia, but this objective will take time to achieve. As a first step, it is proposed that Sarawak and Sabah shall adopt the trade classification and tariff code now in force in the States of Malaya with effect from 1st January, 1964. I wish to stress, however, that although this will involve a complete change in the tariff code applicable in these two States, it is not our intention that the duty rates should be completely harmonised with those ruling in the States of Malaya with effect from 1st January, 1964. As was agreed in the Inter-Governmental Committee Report, the harmonisation of the tariffs now prevailing in the States of Sarawak and Sabah with that applicable in the States of Malaya will be accomplished in graduated stages.

It will also be necessary to make some amendments to the trade classification and tariff code now applicable in the States of Malaya in order to meet the particular requirements of the Borneo States and I shall be intro-

ducing a Customs Duties (Amendment) Order to give effect to these alterations with effect from 1st January, 1964. The alterations are, however, only of a technical nature and do not effect significant changes in the rates of duty payable. The adoption of a common trade classification and tariff code throughout the States of Malaysia is an indispensable preliminary step to the implementation of our policy of industrial promotion by the judicious use of protective tariffs. In due course uniform Customs legislation applicable throughout Malaysia will be introduced, but this will be a lengthy process and it may well be necessary to introduce interim legislation to facilitate the movement of goods between the various parts of Malaysia, prior to the establishment of a common Malaysian import tariff.

Honourable Members will wish to know what progress has been made in the plan to establish a Malaysian common market on which such great store has been laid. The Government is still looking for a suitable person to assume the duties of Chairman of the Tariff Advisory Board. An offer has been made to a candidate considered to be suitable and it is hoped that the quest will be completed in the near future. With the nomination of the Singapore Government of one of the three Deputy Chairmen and the appointment of a panel of part-time members, the Board should be complete and ready to begin its task.

The House will recall that in 1960 I stated that it was our intention to extend the coverage of the Employees Provident Fund Ordinance so as eventually to bring all employed persons under the umbrella of this valuable social measure and, as a first stage, I announced last year that we proposed to extend the scheme to employers employing three or more persons. This was implemented in April, 1963 and, in the coming year we propose to amend the Schedule to the Ordinance further to provide that *all* employers shall be required to pay contributions however few employees they may have.

It has also been represented to me that some protection should be given

to domestic servants, and there are many employers of such servants who would like to provide protection for them if the law could permit them to do so. There is an aspect of domestic service which, after consideration, we feel would make the compulsory inclusion of all these employees in the E.P.F. difficult. In this country, it is sometimes the practice for the more fortunate members of the community to provide homes, maintenance and pocket money for their less fortunate relatives in return for household services. To define the precise limits of such employment would involve personal enquiries which could be unwelcome to both parties.

In these circumstances we have decided to introduce legislation to permit domestic servants to have contributions paid in respect of them provided that the domestic servant, at the commencement of employment, informs his employer and the E.P.F. Board that this is his wish. The employer will then be required to pay his contributions as well. It is hoped to work out special arrangements to reduce the formalities and form-filling by employers of domestic servants to a minimum. It may, however, be found from actual experience that the difficulties of treating domestic servants in the same way as all other employees for this purpose are not as great as expected. In such case, it will still be possible to amend this legislation subsequently and make it compulsory for such employees and their employers to contribute to the Fund. It is, therefore, expected that, by the end of 1964, all employees will have the benefit of E.P.F. coverage. (*Applause*).

In this connection I am sure the House will be pleased to hear that, at its meeting on 10th December, 1963, the E.P.F. Board, having paid a rate of interest of 4 per cent for the last three years, which is the highest rate paid by any national provident fund, has found it possible to declare a rate of 5 per cent for the current year. (*Applause*).

Before I turn to my specific proposals for income tax changes, Honourable Members may wish me to say a

few words on the general subject of Malaysian income tax law.

At present there are four separate Income Tax Ordinances: one each in the States of Malaya, Singapore, Sarawak and Sabah. These Ordinances all differ one from the other. Some of these differences are small, some are fundamental. The aim is to produce one unified Malaysian Income Tax Act as soon as possible but Honourable Members will appreciate that some considerable time must elapse before this can be done having regard to the dissimilarities I have mentioned and to the transitional problems which will be thrown up. The production of such unified legislation does not, of course, imply the immediate introduction of identical reliefs and rates of tax throughout the whole of Malaysia. I have very much in mind the assurances conveyed to Sarawak and Sabah in paragraph 24 of the 1962 Inter-Governmental Committee Report.

In the meantime, study has been given to the possibility of extending to Malaysia as a whole the system of combined income assessments which at present operates as between the States of Malaya and Singapore. It has been decided that such an extension is not practicable. A certain measure of simplification has however been devised for companies resident in Malaysia. The existing scheme of combined income assessments will be retained as between the States of Malaya and Singapore for all taxpayers resident in these territories, but, subject to that, the income of a Malaysian company will be taxed only in the territory from which it is derived and not again in the territory of the company's residence even though remitted there. The necessary legislation will be introduced to give effect to this simplification.

I turn now to my specific proposals for income tax changes all of which will have effect for assessment year 1964.

I propose to amend the Malayan Income Tax Ordinance so as to increase the rate of tax payable by non-resident persons from 30% to 40%. Companies in the States of Malaya deduct tax at

40% from all dividends which they pay. With a non-resident tax rate of 30%, it has been necessary to repay 10% of the tax deducted from all such dividends paid to a non-resident individual in whichever country of the world he resides. These repayments will now cease. The position will then be that the dividend tax and the non-resident's tax will be in balance throughout Malaysia.

At the same time, the rate of tax payable by trustees and executors in the States of Malaya and in Sabah will similarly be increased from 30% to 40% which is the rate levied in Singapore. Not all trust income will, of course, effectively be liable to tax at 40%. The Ordinances already provide that the charge on the trustee may be abated on any share of trust income to which a beneficiary is entitled, or alternatively, that the beneficiary may be allowed a set-off for the tax paid on his share of the trust income.

These relief provisions will remain in force and no beneficiary of a trust estate will, because of the change, be faced with a greater tax bill than he now pays on the share of the trust income to which he is entitled. The widow, for example, whose only income is a share of trust income so small that she now receives it without paying any tax will not be affected at all by the increase in the trustee rate of tax.

As regards non-resident individuals, under the present law they can claim a very substantial reduction of their tax bills in the States of Malaya, Singapore and Sabah if they are British subjects or British protected persons. As a result of this, Malaysia is committed to repaying tax to the citizens of any Commonwealth country, whether or not that Commonwealth country grants reciprocal relief to Malaysian citizens. I propose to terminate this one-sided arrangement. In future, the only individuals who will be entitled to this special relief will be:

- (a) non-resident citizens of Malaysia;
- (b) residents of other countries with whom we have concluded Double Taxation Agreements which provide reciprocal treatment to Malaysian residents;

(c) non-resident pensioners of Government, the Railway Administration and such other bodies as I may approve; and

(d) individuals resident in Malaysia who have income arising in certain of the Malaysian territories other than the territory in which they reside.

It is perhaps necessary to say a special word about the pensioners to whom I propose to extend this special non-resident relief. Excluding pensioners resident in Britain who are already entitled to relief under our Double Taxation Agreement with that country, there are some 6,000 Government pensioners living in other parts of the world, for example India and Australia, who, if special provision were not made for them, would at once be taxed at 40% on their pensions. These pensioners, because of the service they have rendered to this country, have a special claim on our consideration. I have therefore decided that they should enjoy a measure of relief from the full rigour of the non-resident tax rate of 40%.

The taxation in Malaysia of the profits of non-resident shipowners and air transport operators is anomalous and in need of overhaul. At the moment, if the country from which the non-resident carries on his business of shipping or air transport, exempts British shipping or air transport profits, we are obliged to give a corresponding exemption in Sabah and Sarawak without ourselves enjoying any reciprocal advantage. In Singapore a somewhat similar automatic exemption is provided. The time has now come to remove these exemptions which are clearly inconsistent with the independent status of Malaysia.

I therefore propose to amend the Ordinances of those three States and to provide that in future exemption of non-resident shipping and air transport profits will be accorded only under Double Taxation Agreements entered into by Malaysia. This will bring all Malaysian Income Tax Ordinances into line, for, Honourable Members will recall, the kind of change I have just outlined was made effective in the States

of Malaya by section 6 of the Income Tax Act, 1962.

The combined yield from the increase of non-resident rate and trustee's and executor's rate to 40% in the States of Malaya and the withdrawal of proportionate reliefs from non-resident individuals in the States of Malaya, Singapore and Sabah is expected to bring in an additional \$2½ million a year. The withdrawal of tax exemption from non-resident shipping and air transport in Singapore, Sarawak and Sabah is estimated to yield an additional \$2 million, but this figure is highly conjectural because there is little reliable and first-hand evidence on which to base a firm calculation.

Honourable Members will recall that in the early part of this year, by section 2 of the Income Tax Act, 1963, exemption from income tax was provided for one residence owned and occupied by any taxpayer in the States of Malaya. I now feel that a similar exemption should be provided for one residence owned and occupied by taxpayers in Singapore and in Sabah. In Sarawak, of course, such an exemption is unnecessary since under the Sarawak Ordinance no charge is imposed on a residence occupied by its owner.

In the course of the debate on the 1963 Bill it was suggested by one Honourable Member that there should be a ceiling to this exemption so that it provided encouragement for house ownership by the man of modest means without gratuitously reducing the tax bill of the very rich. This suggestion has not been lost sight of and statistics are being compiled of the effect of introducing such a ceiling. Although the proposal may well have some merit, it is not free from the possibility of inequity. This is so because there has recently been a revaluation of properties in Kuala Lumpur which has, broadly speaking, resulted in a large increase in the value of Kuala Lumpur properties compared with those in the rest of Malaysia. It would therefore follow that it would be impossible to achieve equality of tax relief as between the owners of identical houses in Kuala Lumpur and elsewhere. Since the additional revenue to be expected from

imposing any such ceiling would not in any event be large, I am not at the moment convinced that its advantages would offset the type of inequality to which I have just referred, but as I have said, this matter is still under active study.

I am making a number of adjustments to the Customs Tariff in the States of Malaya of which all, with one exception, are for the purpose of harmonising the rates of duty between Malaya and Singapore. As Honourable Members will be aware, the duty on petrol has already been increased in Singapore from \$1.20 to \$1.30 a gallon. This will also serve the purpose of harmonising the tax rates.

I will first mention the one item which is not directly concerned with the harmonisation of Malaysian tariff rates. I propose to levy a duty of \$2 a gallon on turpentine spirits, wood tar (naphtha) and composite solvents and thinners. These are all items which are used in the paint industry and are at present not subject to duty. They are largely interchangeable with methyl alcohol and methanol which are already dutiable at the rate of \$2 a gallon. It is reasonable that all these materials for paint making should be subject to the same duty, so that manufacturers are not tempted to turn from one to the other in order to avoid making their proper contribution to Government revenue. The yield from this duty is expected to be \$1.67 million in a full year. I should add that all figures of expected yields or expected reductions in revenue are, unless an intimation to the contrary is given, those expected to take place in a full year.

As regards the harmonisation items, the first one involves the abolition of the import duty of \$20 a ton on crude natural rubber in various forms. One result of this imposition which was first introduced in November, 1959, purely as a revenue measure, is that while rubber entering Singapore and Penang Island is free of duty, similar rubber entering the Principal Customs Area is subject to this additional burden even though such rubber is brought in for the purpose of remilling

and re-export. The cost of this concession is estimated at \$360,000.

The duty on sparkling wines not exceeding 42 per cent of proof spirit is at present \$40 a gallon at the full rate and \$30 at the preferential rate for wines imported from the Commonwealth. I propose to raise these rates to \$44 and \$34 a gallon respectively which are the rates at present in force in Singapore. This is estimated to result in a revenue increase of \$10,000.

The rate on brandy in bottles not exceeding 81 per cent proof spirit is at present \$56 a gallon full and \$49.75 a gallon preferential. This will be raised to \$60 a gallon for the full rate and \$53.75 a gallon for the preferential rate. The Singapore rates are \$60 and \$54 respectively. The difference of 25 cents in the preferential rate for Malaya and that for Singapore has been retained to preserve the difference which exists at present between their respective full and preferential rates. The yield from this increase is expected to be \$60,000.

Gin in bottles not exceeding 81 per cent proof spirit is at present dutiable at \$37.50 a gallon whatever the source of origin. This will be raised to \$49.50 a gallon, yielding an increased revenue of \$200,000. There is a corresponding increase in the duty on gin imported other than in bottles but, as no such gin is imported at present, this is unlikely to yield anything.

The duty on rum will be similarly increased from \$37.50 a gallon to \$49.50 a gallon bringing an increased revenue of \$100,000. Rum other than in bottles is at present dutiable at \$52.50 a proof gallon and this will be increased to \$63.50. Very little rum is imported other than in bottles, and it is not expected that the yield will be more than \$100 in a year.

Whisky in bottles not exceeding 81 per cent proof spirit is at present dutiable at \$56 a gallon and this will be increased to \$60 a gallon, giving a yield of \$100,000.

Cigars, cheroots and snuff (*laughter*) are at present dutiable at \$11 a pound at the full rate and \$10 a pound at the preferential rate. These rates will be

raised to \$16 and \$15 a pound respectively, giving an increased yield of \$50,000.

As I have already stated, the purpose of these changes is to harmonise the tariff in Malaya with that prevailing in Singapore. The effect of the changes is small and is not likely to affect anyone's pocket very seriously. (*Laughter*).

Together with the increase in the duty on petrol in Singapore, which will raise a further \$1,300,000 a year, the net result of the Customs duty changes for Malaysia will be an increased yield of \$3,130,000. If we add to this the yield from the proposed income tax changes totalling \$4½ million, the effect of the revenue proposals as a whole is to increase the estimated revenue for 1964 by nearly \$8 million.

Honourable Members will now want to know what duty changes are proposed for Sarawak and Sabah. In the case of Sarawak revenue duties were increased in December, 1962, and again in May this year, and the differences between the rates in force in Malaya and in Sarawak are at present not large. These increases are expected to bring in additional revenue of the order of \$9 million a year. In the case of Sabah, revenue duties were increased in May, 1963, and this exercise was expected, at that time, to yield an extra \$800,000. It will, therefore, be seen that even before Malaysia Day, these two States had, on their own, taken steps to narrow the gap between the Malayan tariff on the one hand and their tariffs on the other. For technical reasons, it would not have been possible at present, pending the assumption of power by me under the Sarawak and Sabah Customs legislation through Modification Orders affecting that legislation, for me as Federal Minister of Finance to make duty changes today which would affect these two States. We have, therefore, decided that such duty changes will be made when these Modification Orders are in force, and in any case not earlier than 1st January, 1964. I need hardly add that this rather anomalous position will not

obtain again, for by next year the position will have been rectified.

The Development Estimates which have already been presented to this House provide for a total Federal expenditure for Malaysia of \$722 million. Of this, \$629 million is for Malaya, including about \$106 million for centrally incurred expenditure attributable to Malaysia, \$14 million for Singapore, \$57 million for Sarawak and somewhat over \$21 million for Sabah. Receipts credited directly to the Development Fund amount to \$93 million, which is made up of a \$60 million grant from the British Government for capital expenditure on Malaysian defence, a \$17.1 million grant from the British Government for the development of the Borneo States, a \$13.5 million reimbursement for Federal development expenditure in Singapore in accordance with the Malaysia Agreement, and \$2.4 million in respect of repayment of loans issued from the Development Fund in previous years. Subtracting this from the total of \$722 million appropriated in the Development Estimates, we obtain a deficit of \$629 million to be met by transfers from the Revenue Account and by borrowing. If we add the figure of \$53.7 million already given as a deficit on current account, after taking into account nearly \$8 million expected to be received as a result of the new revenue proposals, the overall deficit on the budgeted figures of revenue and expenditure will amount to something like \$682 million. I have stated that following usual trends we could expect a \$30 million shortfall on ordinary expenditure. Similarly, experience shows that there is likely to be roughly a 20 per cent shortfall during the year on the estimates of development expenditure resulting from unavoidable delays in implementing some of the projects. This would reduce the deficit on development account by \$141 million. A realistic estimate of the overall deficit would therefore be \$511 million. Of this deficit, we expect to meet \$226 million by borrowing and the remaining \$285 million by drawing down our reserves.

Honourable Members will wish to know at this point to what extent the extra expenditure commitments which I have described affect the financial position of the Federation as forecast in the Second Five-Year Plan. I am happy to be able to say that, according to current calculations, the state of the Federal reserves and the burden of the national debt will be no worse at the end of 1965 than was forecast by the planners at the beginning of the Plan period. (*Applause*). This fortunate state of affairs is due to Federal revenues having turned out, in spite of the lower rubber price, to be a little more buoyant than expected and to the generous offers of grants from Britain for capital expenditure on Malaysian defence and on the development of the Borneo States, and of loans for the latter purpose from Singapore. In the Second Five-Year Plan, it was forecast that by the end of the five-year period we should have consumed, taking into account net disbursements from trust funds, \$400 million from the reserve balances which we had been able to accumulate during the last few years. This was on the basis that \$200 million was to be made available from the Currency Fund for investment in domestic development. On the same assumption, we shall still not need to call upon more than \$400 million of our reserve balances during the period of the Plan, and this in spite of the fact that the expenditure under that Plan is not being reduced, but rather increased. So much for all the efforts of certain persons across the water to shake the economic foundations of Malaysia by confrontation.

What I have just said refers to the period of the Second Five-Year Plan, which ends in 1965. We have now made a start on the preparation of a Plan for the period 1966-1970 which would have been the Third Five-Year Plan for Malaya and will now be the first Malaysian Plan. There is no doubt that the extra defence commitments we have had to undertake will cast a shadow over the plans for that period, and we shall again have to seek the assistance of our friends and of the financial markets of the world in raising the funds necessary to carry on

economic development and social progress at the rate which Malaysians have come to expect as their due. I am confident that the Government, with the assistance of the Governments of all our States, both old and new, will be able to surmount all those problems in the same manner in which it is manifestly surmounting the problems of the present momentous period.

It will be clear from the picture which has emerged in the course of my speech as a result of the facts and figures which have been given, that although our economy is bouyant and growing, it will have to grow faster if we are to achieve our object of providing more and better social services for a population which is increasing rapidly as well. The Central Government has done and will do everything possible to promote this very desirable objective by every means in its power. In one respect, however, it is completely dependent on the support and co-operation of the State Governments, and this is in the matter of land alienation. I have referred to this matter in previous budget speeches and I make no apology for referring to it again, because unless new land is readily made available to private enterprise on reasonable terms for increasing the area under cultivation, whether it be for rubber, oil palm or other crops, or for prospecting and eventual mining if prospecting proves promising, or for factory and plant sites, or for new urban housing one of the most vital ingredients for increasing the size of the economic cake would be missing. As I have said already, not only will there be more of us in the future, we shall want bigger slices of the cake. The only solution therefore is to increase its size. There is simply no other alternative.

The Federal Government readily appreciates the concern of the State Governments that first preference in this matter should go to the landless and to the small man, but there should be enough in this country to satisfy the needs both of the small man and of the large investor. It is ironical that in a country in which three-quarters of the total land area is still under virgin jungle, and in this context I have

excluded the Borneo States, which are even emptier land is still our most scarce commodity. It is admittedly a precious commodity, but its value can only be realised if it is utilised and not hoarded. We have now reached the stage where domestic capital has to go overseas in order to find employment because of the inability of their owners to secure land for agricultural development, and this at a time when the Central Government has made it clear that it welcomes increased investment in the private sector of the economy. It cannot be emphasised too often that it is not possible for the Government by itself to achieve an adequate rate of economic growth if only because it does not possess resources of the magnitude required. The efforts of the Government must be supplemented by private enterprise which alone can achieve the required rate of investment in the private sector, without which the efforts of the Government itself will come to nought. The remedy unfortunately does not lie with the Central Government, and I hope therefore that the State Governments concerned will be able to take a broad and long-term view and in this way not only help the Central Government, but help the people of this country and themselves.

Sir, the Alliance Party has ruled this country since independence was won more than six years ago. If we calculate from the date of the first general election in 1955, when the people of this country gave us a mandate in no uncertain terms, we have been in power for more than eight years. I still remember the pre-1955 election era when literally thousands upon thousands of school children were turned away from schools simply because there were not enough teachers and there were not enough classrooms to go round. We promised the people of this country then that if we were returned to power we would assure a place in school for every child of school-going age, whatever the cost may be, and even if we had to use attap sheds as classrooms. We were returned and we kept that promise. (*Applause*). In that year, the Central Government provided \$138 million for

education and health, two of the most vital prongs of our social services and this expenditure was equivalent to 20 per cent of total Federal recurrent expenditure. In 1964, expenditure on these two Heads will amount to about \$355 million and account for 30 per cent of the Ordinary Budget. In other words, there has been an increase of nearly 160 per cent. (*Applause*). We have progressed from a position where we could not even provide places for children who were prepared to pay to free primary education for all, but we are not stopping here. The Government has already announced that it intends to institute a "crash" programme so that those who have to leave school at the end of their primary course will be given adequate technical training of the right kind to fit them for the business of earning their livelihood in their adult years. (*Applause*).

In the field of health services, it is our firm intention to institute a sickness insurance scheme so that those breadwinners who are unlucky enough to be struck down by serious illness will not have to suffer an additional burden for themselves and their children in their hour of distress. In the field of development expenditure, the Federal Government invested only \$738 million during the whole period of the First Five-Year Plan from 1956-1960. In 1961 itself, the Federal Government invested \$141 million. Next year we have budgeted for a figure of \$629 million. The planned Federal Government development expenditure for the years 1961-1965 exclusive of what could properly be attributed to Malaysia will be of the

order of \$2,075 million or nearly three times greater than the comparable investment for the previous five-year period. (*Applause*). In the field of housing, it is our aim that as many people in this country as possible should, as rapidly as possible, have a house which they can call their own and thus make our goal of a property-owning democracy a living reality. We inherited from the British a reasonably healthy economy. We have in these years of power not only narrowed the gap between the "haves" and the "have-nots" in our society, we have achieved this without eroding the strength of our economy in any way. (*Applause*). We have achieved growth without inflation, a phenomenon which is rare in the past decade. We have not only promised, we have accomplished. (*Applause*). We have successfully scaled the heights of achievement but our aim is to ascend to higher peaks of endeavour. (*Applause*). That is the measure of our success, that is the magnitude of our achievement. We can today look back over those years and say with truthfulness and not a little pride, "No Government could have done better". (*Applause*).

Sir, I beg to move. (*Applause*).

**Tun Haji Abdul Razak:** Sir, I beg to second the motion.

**Mr Speaker:** Pursuant to the provisions of Standing Order 66 (2), the debate on the motion for the Second Reading of the Supply Bill (1964) will be adjourned to Thursday, 19th December, 1963.

*Adjourned at 4.30 p.m.*