

**Volume II**  
**No. 17**



**Wednesday**  
**17th November, 1965**

# **PARLIAMENTARY DEBATES**

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

**OFFICIAL REPORT**

**SECOND SESSION OF THE SECOND PARLIAMENT  
OF MALAYSIA**

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MALAYSIA  
**DEWAN RA'AYAT**  
(HOUSE OF REPRESENTATIVES)  
*Official Report*

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Second Session of the Second Dewan Ra'ayat

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*Wednesday, 17th November, 1965*

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

PRESENT:

- The Honourable Mr Speaker, DATO' CHIK MOHAMED YUSUF BIN SHEIKH ABDUL RAHMAN, S.P.M.P., J.P., Dato' Bendahara, Perak.
- „ the Prime Minister, Minister of External Affairs and Minister of Culture, Youth and Sports, Y.T.M. TUNKU ABDUL RAHMAN PUTRA AL-HAJ, K.O.M. (Kuala Kedah).
- „ the Deputy Prime Minister, Minister of Defence, Minister of National and Rural Development, TUN HAJI ABDUL RAZAK BIN DATO' HUSSAIN, S.M.N. (Pekan).
- „ the Minister of Home Affairs and Minister of Justice, 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 Education, ENCHE' MOHAMED KHIR JOHARI (Kedah Tengah).
- „ the Minister of Health, ENCHE' BAHAMAN BIN SAMSUDIN (Kuala Pilah).
- „ the Minister of Commerce and Industry, DR LIM SWEE AUN, J.P. (Larut Selatan).
- „ the Minister for Welfare Services, TUAN HAJI ABDUL HAMID KHAN BIN HAJI SAKHAWAT ALI KHAN, J.M.N., J.P. (Batang Padang).
- „ the Minister for Local Government and Housing, ENCHE' KHAW KAI-BOH, P.J.K. (Ulu Selangor).
- „ the Minister for Sarawak Affairs, DATO' TEMENGGONG JUGAH ANAK BARIENG, P.M.N., P.D.K. (Sarawak).
- „ the Minister of Labour, ENCHE' V. MANICKAVASAGAM, J.M.N., P.J.K. (Klang).
- „ the Minister of Information and Broadcasting, ENCHE' SENU BIN ABDUL RAHMAN (Kubang Pasu Barat).

- The Honourable the Minister of Lands and Mines, ENCHE' ABDUL RAHMAN BIN YA'KUB (Sarawak).
- „ the Assistant Minister of National and Rural Development, ENCHE' SULAIMAN BIN BULON (Bagan Datoh).
- „ the Assistant Minister of Culture, Youth and Sports, ENSKU MUHSEIN BIN ABDUL KADIR, J.M.N., S.M.T., P.J.K. (Trengganu Tengah).
- „ the Assistant Minister of Education, ENCHE' LEE SIOK YEW, A.M.N., P.J.K. (Sepang).
- „ the Assistant Minister of Finance, DR NG KAM POH, J.P. (Telok Anson).
- „ the Parliamentary Secretary to the Minister of Health, ENCHE' IBRAHIM BIN ABDUL RAHMAN (Seberang Tengah).
- „ the Parliamentary Secretary to the Minister of Labour, ENCHE' LEE SAN CHOON, K.M.N. (Segamat Selatan).
- „ the Parliamentary Secretary to the Minister of Finance, ENCHE' ALI BIN HAJI AHMAD (Pontian Selatan).
- „ the Parliamentary Secretary to the Deputy Prime Minister, ENCHE' CHEN WING SUM (Damansara).
- „ ENCHE' ABDUL GHANI BIN ISHAK, A.M.N. (Melaka Utara).
- „ ENCHE' ABDUL KARIM BIN ABU, A.M.N. (Melaka Selatan).
- „ WAN ABDUL KADIR BIN ISMAIL, P.P.T. (Kuala Trengganu Utara).
- „ WAN ABDUL RAHMAN BIN DATU TUANKU BUJANG (Sarawak).
- „ TUAN HAJI ABDUL RASHID BIN HAJI JAIS (Sabah).
- „ ENCHE' ABDUL RAZAK BIN HUSSIN (Lipis).
- „ ENCHE' ABDUL SAMAD BIN GUL AHMAD MIANJI (Pasir Mas Hulu).
- „ DATO' ABDULLAH BIN ABDULRAHMAN, Dato' Bijaya di-Raja (Kuala Trengganu Selatan).
- „ TUAN HAJI ABDULLAH BIN HAJI MOHD. SALLEH, A.M.N., S.M.J., P.I.S. (Segamat Utara).
- „ ENCHE' ABU BAKAR BIN HAMZAH (Bachok).
- „ TUAN HAJI AHMAD BIN ABDULLAH (Kelantan Hilir).
- „ ENCHE' AHMAD BIN ARSHAD, A.M.N. (Muar Utara).
- „ TUAN HAJI AHMAD BIN SAAID, J.P. (Seberang Utara).
- „ CHE' AJIBAH BINTI ABOL (Sarawak).
- „ DR AWANG BIN HASSAN, S.M.J. (Muar Selatan).
- „ ENCHE' AZIZ BIN ISHAK (Muar Dalam).
- „ ENCHE' JONATHAN BANGAU ANAK RENANG, A.B.S. (Sarawak).
- „ PENGARAH BANYANG ANAK JANTING, P.B.S. (Sarawak).
- „ ENCHE' CHAN CHONG WEN, A.M.N. (Kluang Selatan).
- „ ENCHE' CHAN SEONG YOON (Setapak).
- „ ENCHE' CHAN SIANG SUN (Bentong).
- „ ENCHE' CHIA CHIN SHIN, A.B.S. (Sarawak).
- „ ENCHE' FRANCIS CHIA NYUK TONG (Sabah).
- „ ENCHE' CHIN FOON (Ulu Kinta).
- „ ENCHE' D. A. DAGO ANAK RANDAN *alias* DAGOK ANAK RANDAN (Sarawak).

The Honourable ENCHE' C. V. DEVAN NAIR (Bungsar).

- „ ENCHE' EDWIN ANAK TANGKUN (Sarawak).
- „ TUAN SYED ESA BIN ALWEE, J.M.N., S.M.J., P.I.S.  
(Batu Pahat Dalam).
- „ DATIN HAJAH FATIMAH BINTI HAJI ABDUL MAJID  
(Johor Bahru Timor).
- „ 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).
- „ TUAN HAJI HAMZAH BIN ALANG, A.M.N., P.J.K. (Kapar).
- „ ENCHE' HANAFI BIN MOHD. YUNUS, A.M.N., J.P.  
(Kulim Utara).
- „ ENCHE' HANAFIAH BIN HUSSAIN, A.M.N. (Jelai).
- „ ENCHE' HARUN BIN ABDULLAH, A.M.N. (Baling).
- „ WAN HASSAN BIN WAN DAUD (Tumpat).
- „ ENCHE' STANLEY HO NGUN KHIU, A.D.K. (Sabah).
- „ ENCHE' HUSSEIN BIN TO' MUDA HASSAN, A.M.N. (Raub).
- „ DATO' HAJI HUSSEIN BIN MOHD. NOORDIN, D.P.M.P., A.M.N.,  
P.J.K. (Parit).
- „ ENCHE' HUSSEIN BIN SULAIMAN (Ulu Kelantan).
- „ TUAN HAJI HUSSAIN RAHIMI BIN HAJI SAMAN  
(Kota Bharu Hulu).
- „ ENCHE' IKHWAN ZAINI (Sarawak).
- „ ENCHE' ISMAIL BIN IDRIS (Penang Selatan).
- „ PENGHULU JINGGUT ANAK ATTAN, Q.M.C., A.B.S. (Sarawak).
- „ ENCHE' KADAM ANAK KIAI (Sarawak).
- „ ENCHE' THOMAS KANA (Sarawak).
- „ ENCHE' KHOO PENG LOONG (Sarawak).
- „ ENCHE' LEE SECK FUN (Tanjong Malim).
- „ ENCHE' AMADEUS MATHEW LEONG, A.D.K. (Sabah).
- „ DATO' LING BENG SIEW, P.N.B.S. (Sarawak).
- „ DR LIM CHONG EU (Tanjong).
- „ ENCHE' LIM KEAN SIEW (Dato' Kramat).
- „ ENCHE' LIM PEE HUNG, P.J.K. (Alor Setar).
- „ ENCHE' PETER LO SU YIN (Sabah).
- „ DR MAHATHIR BIN MOHAMMAD (Kota Setar Selatan).
- „ ENCHE' T. MAHIMA SINGH, J.P. (Port Dickson).
- „ ENCHE' JOSEPH DAVID MANJAJI (Sabah).
- „ DATO' DR HAJI MEGAT KHAS, D.P.M.P., J.P., P.J.K.  
(Kuala Kangsar).
- „ ENCHE' MOHD. ARIF SALLEH, A.D.K. (Sabah).
- „ ORANG TUA MOHAMMAD DARA BIN LANGPAD (Sabah).
- „ ENCHE' MOHD. DAUD BIN ABDUL SAMAD (Besut).
- „ ENCHE' MOHAMED IDRIS BIN MATSIL, J.M.N., P.J.K., J.P.  
(Jejebu—Jempol).



The Honourable ENCHE' MOHD. TAHIR BIN ABDUL MAJID, S.M.S., P.J.K.  
(Kuala Langat).

- „ ENCHE' MOHAMED YUSOF BIN MAHMUD, A.M.N. (Temerloh).
- „ WAN MOKHTAR BIN AHMAD (Kemaman).
- „ TUAN HAJI MOKHTAR BIN HAJI ISMAIL (Perlis Selatan).
- „ ENCHE' MUHAMMAD FAKHRUDDIN BIN HAJI ABDULLAH  
(Pasir Mas Hilir).
- „ TUAN HAJI MUHAMMAD SU'AUT BIN HAJI MUHD. TAHIR, A.B.S.  
(Sarawak).
- „ DATO' HAJI MUSTAPHA BIN HAJI ABDUL JABAR, D.P.M.S.,  
A.M.N., J.P. (Sabak Bernam).
- „ ENCHE' MUSTAPHA BIN AHMAD (Tanah Merah).
- „ DATO' NIK AHMAD KAMIL, D.K., S.P.M.K., S.J.M.K., P.M.N.,  
P.Y.G.P., Dato' Setia Raja (Kota Bharu Hilir).
- „ ENCHE' NG FAH YAM (Batu Gajah).
- „ ENCHE' ONG KEE HUI (Sarawak).
- „ TUAN HAJI OTHMAN BIN ABDULLAH (Hilir Perak).
- „ ENCHE' OTHMAN BIN ABDULLAH, A.M.N. (Perlis Utara).
- „ ENCHE' QUEK KAI DONG, J.P. (Seremban Timor).
- „ TUAN HAJI RAHMAT BIN HAJI DAUD, A.M.N.  
(Johor Bahru Barat).
- „ ENCHE' RAMLI BIN OMAR (Krian Darat).
- „ TUAN HAJI REDZA BIN HAJI MOHD. SAID, P.J.K., J.P.  
(Rembau—Tampin).
- „ RAJA ROME BIN RAJA MA'AMOR, P.J.K., J.P. (Kuala Selangor).
- „ ENCHE' SEAH TENG NGIAB, P.I.S. (Muar Pantai).
- „ ENCHE' D. R. SEENIVASAGAM (Ipoh).
- „ ENCHE' SIM BOON LIANG (Sarawak).
- „ ENCHE' SIOW LOONG HIN, P.J.K. (Seremban Barat).
- „ ENCHE' SNAWI BIN ISMAIL, P.J.K. (Seberang Selatan).
- „ ENCHE' SNG CHIN JOO (Sarawak).
- „ ENCHE' SOH AH TECK (Batu Pahat).
- „ ENCHE' SULEIMAN BIN ALI (Dungun).
- „ PENGIRAN TAHIR PETRA (Sabah).
- „ ENCHE' TAJUDDIN BIN ALI, P.J.K. (Larut Utara).
- „ ENCHE' TAI KUAN YANG (Kulim Bandar Baharu).
- „ ENCHE' TAMA WENG TINGGANG WAN (Sarawak).
- „ DR TAN CHEE KHOON (Batu).
- „ ENCHE' TAN CHENG BEE, J.P. (Bagan).
- „ ENCHE' TAN TOH HONG (Bukit Bintang).
- „ ENCHE' TAN TSAK YU (Sarawak).
- „ ENCHE' TIAH ENG BEE (Kluang Utara).
- „ ENCHE' TOH THEAM HOCK (Kampar).
- „ ENCHE' YEH PAO TZE (Sabah).
- „ ENCHE' YEOH TAT BENG (Bruas).
- „ ENCHE' STEPHEN YONG KUET TZE (Sarawak).
- „ TUAN HAJI ZAKARIA BIN HAJI MOHD. TAIB, P.J.K. (Langat).

## ABSENT:

- The Honourable the Minister of Agriculture and Co-operatives, TUAN HAJI MOHD. GHAZALI BIN HAJI JAWI (Ulu Perak).
- „ TUAN HAJI ABDUL KHALID BIN AWANG OSMAN, Assistant Minister (Kota Setar Utara).
- „ ENCHE' ABDUL RAHMAN BIN HAJI TALIB, P.J.K. (Kuantan).
- „ ENCHE' ABDUL RAUF BIN A. RAHMAN, K.M.N., P.J.K. (Krian Laut).
- „ Y.A.M. TUNKU ABDULLAH IBNI AL-MARHUM TUANKU ABDUL RAHMAN, P.P.T. (Rawang).
- „ O.K.K. DATU ALIUDDIN BIN DATU HARUN, P.D.K. (Sabah).
- „ ENCHE' S. FAZUL RAHMAN, A.D.K. (Sabah).
- „ DATU GANIE GILONG, P.D.K., J.P. (Sabah).
- „ DATO' SYED JA'AFAR BIN HASAN ALBAR, P.M.N. (Johor Tenggara).
- „ ENCHE' KAM WOON WAH, J.P. (Sitiawan).
- „ DATO' KHOO SIAK CHIEW, P.D.K. (Sabah).
- „ ENCHE' EDMUND LANGGU ANAK SAGA (Sarawak).
- „ DATO' MOHAMED ASRI BIN HAJI MUDA, P.M.K. (Pasir Puteh).
- „ ENCHE' MOHD. ZAHIR BIN HAJI ISMAIL, J.M.N. (Sungai Petani).
- „ ENCHE' SANDOM ANAK NYUAK (Sarawak).
- „ DATO' S. P. SEENIVASAGAM, D.P.M.P., P.M.P., J.P. (Menglembu).
- „ ENCHE' TAN KEE GAK (Bandar Melaka).

## PRAYERS

(Mr Speaker in the Chair)

ORAL ANSWERS TO  
QUESTIONSREDRESS FOR AN INJURED  
FEMALE WEEDER

**1. Enche' D. R. Seenivasagam (Ipoh)** (*under Standing Order 24 (2)*) asks the Minister of Labour to state what action he has taken or contemplates taking in order to secure redress for the unfortunate injured female weeder in whose case the arbitrator adversely ruled "that the accident did not arise out of the employment as the workman was not exposed to any occupational or special risks and that lightning could hit any person in an open field", as recorded in the Ministry's monthly report for August, 1965.

**The Minister of Labour (Enche' V. Manickavasagam):** Mr Speaker, Sir, my officer had, in fact, in his first enquiry into this accident, held that

the employer was liable to pay workmen's compensation to the family of the female tapper. However, as liability was disputed by the employer, the case had to be referred to the arbitrator. My Ministry itself is unable to take the matter any further, as the Workmen's Compensation Ordinance permits further appeals from the rulings of the arbitrator only on questions of law and not on questions of fact. I understand, however, Sir, that the National Union of Plantation Workers is pursuing the matter with a view to possibly taking action in a civil court.

PAMPHLETS AND HANDBOOKS,  
ETC., ON MALAYSIA

**2. Enche' D. R. Seenivasagam** (*under Standing Order 24 (2)*) asks the Minister of Information and Broadcasting to state:

- (a) the types of pamphlets and handbooks, etc., sent to Malaysian Embassies and High Commissions overseas for the purpose

of making Malaysia known to the people of those countries; and

- (b) how much expenditure had been incurred towards this end by his Ministry for the period from June last year to April this year.

**The Minister of Information and Broadcasting (Enche' Senu bin Abdul Rahman):** Mr Speaker, Sir, the answer is as follows:

- (a) The types of pamphlets and hand-books, etc. sent to Malaysian Embassies and High Commissions overseas for the purpose of making Malaysia known to the people of those countries consist of magazines, pamphlets, booklets, white papers, photographs, posters, maps, leaflets and films produced by Filem Negara Malaysia.

Apart from all this, the Ministry also sent selected Government Press Statements issued by the Department of Information to our Overseas Missions.

- (b) The total expenditure which had been incurred towards this end by this Ministry for the period from June last year to April this year is \$152,354.

### PLANS TO PUBLICISE MALAYSIA OVERSEAS

**3. Enche' D. R. Seenivasagam** (*under S. O. 24 (2)*) asks the Minister of Information and Broadcasting what plans his Ministry has in hand to make Malaysia better known overseas and to counteract Indonesian propaganda.

**Enche' Senu bin Abdul Rahman:** Mr Speaker, Sir, my Ministry has a number of plans in hand to make Malaysia better known overseas and to counteract Indonesian propaganda.

To begin with, the External Publicity Division in the Department of Information will be reorganised and expanded to enable it to produce more and better

publicity materials and to handle them quickly and speedily to our various Missions as well as other influential individuals and organisation abroad.

New officers will be recruited and trained to fill the various attache posts overseas.

More foreign journalists will be invited to Malaysia.

Special films on Malaysia in colour and cinemascope will be produced by Filem Negara Malaysia. These films will also be placed in leading cinemas all over the world.

Also our Overseas Service of Radio Malaysia will soon begin broadcasting in addition to the present three languages, viz. Indonesian, Mandarin and English, and also in French and Swahilli.

### PRODUCTION OF PASSPORTS OR TRAVEL DOCUMENTS BY MALAYSIAN CITIZENS VISITING SABAH AND SARAWAK

**4. Dr Lim Chong Eu:** asks the Minister of Home Affairs to give the reasons for citizens of Malaysia having to produce passports or other travel documents when visiting the Malaysian States of Sabah and Sarawak.

**The Minister of Home Affairs (Dato' Dr Ismail):** Sir, before Malaysia was formed, the British and the Malayan Governments established an Inter-Governmental Committee to work out the constitutional arrangements to safeguard the special interests of North Borneo and Sarawak covering, among other matters, control of immigration into the two Borneo States. As a result of this Immigration Act, No. 37 of 1963, was enacted to give effect to the recommendations of the Committee. This Act provides that every person entering the Borneo States must produce an internal travel document, or a passport.

**Dr Lim Chong Eu:** Sir, I think the Honourable Minister realises, and also the House realises, that this is a

question just to elicit information, and I wonder whether the Honourable Minister is aware of the fact that this statement which he has just made is not generally known throughout the mass population of this country and it could bear a wider publicity, because the need for the use of passports has been exploited to stress the difference between Sarawak and Sabah, or the Borneo States, from Malaya and is sometimes used as an instrument for saying that they are not really integrated territories of Malaysia.

**Dato' Dr Ismail:** The Inter-Governmental Committee Report and the Malaysia Act were debated in this House and were broadcast over the air and printed in the newspapers. I do not know whether Honourable Members of this House have done their duties and, if they have done, then all these facts have been publicised. So, if nobody knows about this, there is none so blind as he who would not see and there is none so deaf as he who would not hear.

**Dr Lim Chong Eu:** Mr Speaker, Sir, further clarification—I was not trying to say that Members of this House do not know, but I was asking for an assurance from the Minister that wider publicity be given, and we need not spare on the expenses of the Ministry of Information, because I do feel, Sir, that the wider the publicity and the lesser the misunderstanding the better it would be.

#### RESETTLEMENT IN JOHORE OF MALAYSIANS IN SINGAPORE AFTER SEPARATION OF SINGAPORE—NO. OF APPLICA- TIONS

**5. Dr Lim Chong Eu** asks the Prime Minister to state how many applications have the Government received from Malaysians in Singapore to avail themselves of the Prime Minister's offer to resettle such persons who are not happy or dissatisfied with their conditions in Singapore, after the State of Singapore had been evicted from Malaysia, in the special area in Johore.

**The Prime Minister:** There are about 800 applicants who have asked to come to Johore, and a Committee has been formed consisting of two members from Singapore and three from Johore to screen the applicants to see whether they are really genuine applicants.

**Enche' Lim Kean Siew:** Mr Speaker, Sir, are these 800 applicants all Malays?

**The Prime Minister:** Not all of them are Malays.

**Enche' Lim Kean Siew:** Is the Honourable Prime Minister aware that at the moment the Singapore Government is taking steps to remove or send back unskilled Malayan labour back to Malaya?

**The Prime Minister:** Well, he has said so in so many words, I do not know how serious he is. (*Laughter*).

**Wan Hassan bin Wan Daud (Tumpat):** Tuan Yang di-Pertua, bolehkah di-anggap orang<sup>2</sup> ini sabagai orang<sup>2</sup> pelarian sa-bagaimana orang<sup>2</sup> pelarian Palestine dari negeri Arab?

**Perdana Menteri:** Tuan Yang di-Pertua, susah saya hendak jawab hal itu, tetapi mereka berasa tidak berapa seronok hati hendak duduk di-Singapura lagi sa-lepas percheraian dua buah negeri ini.

**Enche' Lim Kean Siew:** Mr Speaker Sir, has our Malayan Government taken any steps other than the statement that people wishing to move from Singapore to Malaya will be given land in Johore, so as to let those unskilled labourers, who are being dismissed from their jobs in Singapore, have a chance to apply for this land?

**The Prime Minister:** Could the Honourable Member repeat the last sentence?

**Enche' Lim Kean Siew:** So that those people, those unskilled labourers, who are at the moment being dismissed from their jobs in Singapore will know how and where to apply for such land?

**The Prime Minister:** I think they all know because we have announced that

a Committee has been set up to entertain all these applications.

**Dr Lim Chong Eu:** Sir, may I ask the Honourable the Prime Minister what steps we, on our part, have taken to ensure that these people, who leave Singapore to come over to this special area in Johore, are not coming here for the benefit of residence and then going back to Singapore for work?

**The Prime Minister:** Mr Speaker, Sir, they are being screened in order to find out whether they are really genuine applicants to settle here in Johore.

**Dr Lim Chong Eu:** Sir, may I ask the Honourable the Prime Minister what the conditions for the resettlement in Johore will be and whether these conditions when decided by the Government, will be announced in this House.

**The Prime Minister:** If the House is interested, I shall certainly announce them in this House.

**Enche' Lim Kean Siew:** Mr Speaker, Sir, will the Honourable the Prime Minister inform this House, in fact, as to what steps have already been taken with regard to the actual resettlement itself and how far this resettlement scheme has gone?

**The Prime Minister:** Well, as I said, I am still waiting for the report of the Committee. At the moment it has not arrived. When it arrives, I would be able to answer more fully the questions put to me on the subject of these people who intend to come and stay in this country.

**Enche' Lim Kean Siew:** Sir, I take it therefore, that at the moment the scheme is now still in the Committee stage and no report has yet been made.

**The Prime Minister:** That is true!

**Enche' Lim Kean Siew:** Can the Honourable Prime Minister inform this House, approximately how long he thinks this report is going to come out—in one year's time, two year's time or five year's time?

**The Honourable Prime Minister:** Well, I hope before the Honourable gentleman dies (*Laughter*). To be quite truthful, joking aside, I am expecting it any moment now. In fact, I have been urging the Johore State Government to try and put up this report as quickly as possible.

**Dr Lim Chong Eu:** Sir, in view of the fact that the Honourable Prime Minister, in his previous reply to another question, has indicated the fact that our Constitutional amendments have not included an amendment to a special clause so that, at the present moment, as it stands, there are possibly quite a large number of Singapore citizens who can qualify to be Malaysians under that particular clause, does the Honourable Prime Minister expect a far larger number of applications into this area and whether other areas in other States would be set up if the number of applications increases.

**The Prime Minister:** My announcement, in the first place, was to suggest that, for those who live in Singapore and who would like to come over to this side, land would be made available for them in Johore Bahru. That is the only plan I have had in mind, and up to date—some few days back—the number of applications was 800, and I do not think there has been any more since. I know that there has been laxity in the present Constitution but that is being attended to. However, I do not think there is any cause for alarm that so many would come over to this side. I think the number "800", which I have just now mentioned, could be accepted as the figure which we expect from these people from Singapore.

**Dr Lim Chong Eu:** Will the Honourable Prime Minister assure us that these 800 applicants, after they have been screened, would be given proper and suitable facilities in this area in Johore Bahru? After all, they would be very discontented when they realise that two special Singapore citizens can come over and become

Ambassadors of our country; and, if their lot in Johore Bahru is comparatively worse, I do not think that it is going to lead to a happy state of affairs.

**The Prime Minister:** It was suggested that flats should be constructed—five hundred units which will be put up on the site adjoining the existing Larkin Low Cost Housing Area in Johore. A lay out for this scheme is under preparation, but I am afraid, for the purpose of these people, I do not think they want a flat. I think they want something like squatter huts, and for that purpose I have instructed the Menteri Besar, Johore, to look for a site where they could construct these low-cost temporary houses and not the flats as he had advised me that he would construct for that purpose.

#### **EXTREMISTS TRYING TO TOPPLE THE PRIME MINISTER—PRESS STATEMENT BY THE PRIME MINISTER**

**6. Dr Lim Chong Eu** asks the Prime Minister with reference to recent press statements, in which he had stated that certain extremists within his own Party were trying to irresponsibly make use of the language issue to “topple” him from power, and in view of the fact that these statements have caused considerable concern throughout the country, whether he would give further details about these extremists and also assure the House that he will take appropriate action against them.

**The Prime Minister:** Mr Speaker, Sir, in answer to that question, perhaps, I should not have been free with my word “extremists” because, in actual fact, what I had in mind were those who hold the extreme view in so far as the language issue is concerned—and I suppose I was a little bit emotional when I made the statement and said that they meant to topple me. However, after this statement, I had meetings with quite a large number of organisations, mostly

in and outside U.M.N.O., and I find that none of them wants to get rid of me. (*Laughter*) So, I withdraw what I did not, perhaps, publicly withdraw. But I say here that I should not have used the word “extremists” and I should not have used the phrase. “the intention was to topple me”.

**Tuan Haji Ahmad bin Abdullah (Kelantan Hilir):** Soalan tambahan, Tuan Yang di-Pertua, boleh-kah Yang Amat Berhormat Perdana Menteri memberi keterangan, sama-ada wakil dari Johor Tenggara maseh lagi menjadi anggota di-dalam Alliance Action Committee atau pun dia itu telah ditendang keluar kerana di-pandang dia sa-bagai sa-orang yang extremist.

**The Prime Minister:** Perkataan tendang keluar itu tidak pernah di-gunakan di-dalam parti saya (*Ketawa*). Tetapi di-sabalek-nya itu saya ta’ tahu-lah, tetapi yang sa-benar-nya dia bukan-lah, macham saya kata, setengah<sup>2</sup> daripada orang<sup>2</sup> kita ber-perasaan berkenaan dengan language issue. Ini patut-lah di-ambilkan tindakan yang keras supaya dapatkan kita implement, tetapi tidak-lah sa-saorang itu yang boleh di-katakan puak pelampau terhadap parti-nya, chuma pandangan-nya yang biasa dalam soalan ini—dia mahu saya implement. Hal Ahli Johor Tenggara itu tidak saya mengambil bahagian yang keras, yang kasar terhadap hal itu, jadi saya lupa dia ini ada lagi dalam Parti Tindakan ini atau tidak, tetapi saya ber-perasaan jikalau dahulu dia ada dalam Parti Tindakan itu dia tentu ada sekarang ini, belum kita buat atau jalankan apa<sup>2</sup> tindakan yang membuang atau menolak sa-saorang ahli.

**Enche’ Lim Kean Siew:** Mr Speaker, discussions with the various organisations, inside and outside U.M.N.O., the Honourable Prime Minister can give an assurance to this House that they do not want to topple him. However, the fact still remains, from his reply, that there are extremists and that he has had discussions with them. We also know that there are certain people in this country, in fact, and certain

Members in this House—and even in the Cabinet ranks (*Laughter*)—who hold views slightly different to that of the Honourable Prime Minister. Will the Honourable Prime Minister inform this House whether or not these discussions have solved these differences which still exist, although they are not strong enough to topple him?

**The Prime Minister:** Whether their views are strong enough or not, they have no intention of toppling me, (*Laughter*) because they feel that the “old man” is still useful (*Laughter*) and that at least he can deal with the Opposition. (*Laughter*).

In regard to the implementation of Malay as the sole Official language, and the different views held by various members of communities, by members of the Cabinet, naturally, in this democratic country, one is free to hold one's views. However, members in our Party, are all very loyal to the Party. (SEVERAL HONOURABLE MEMBERS: Hear! Hear!) We are able to explain to the satisfaction of all that this thing and that thing should be done, and then they see the light of it. That is all there is to it. We do not go and tear and grapple with one another like they do in the Socialist Front. (*Laughter*). That is where we have the advantage and that is where we are lucky.

**Enche' Lim Kean Siew:** Mr Speaker, Sir, I am glad to hear that the members of the U.M.N.O. are gentlemen, they do not grapple with him or with one another. Can the Honourable Prime Minister then explain why Tuan Syed Ja'afar Albar was asked to resign, or had to resign, from his post of Secretary-General in the U.M.N.O.? We believe that it was because of this racial problem that he was asked to go.

**Mr Speaker:** I am afraid that is a different question entirely!

**Enche' Lim Kean Siew:** I beg your pardon, Sir.

**Mr Speaker:** That is another question!

**Enche' Lim Kean Siew:** Well, then I will put it this way: Is it not a fact that the Honourable Member for Johor Tenggara has a difference of opinion with the Honourable Prime Minister on the language issue?

**The Prime Minister:** Mr Speaker, Sir, I think the Honourable Member has got the wrong end of the stick. I think the question which he raised just now was not in connection with this matter but, in fact, it is entirely a different matter—the separation of Singapore—and so it has nothing to do with this question, the mention of the Member for Johor Tenggara.

**Dr Tan Chee Khoon (Batu):** Soalan tambahan Tuan Yang di-Pertua, tentang soalan bahasa ada-kah Perdana Menteri sedar di-antara anggota<sup>2</sup> U.M.N.O. ada pelampau<sup>2</sup> (*Ketawa*). Jika ada, apa tindakan yang berat yang hendak Perdana Menteri ambil tentang pelampau<sup>2</sup>-nya.

**The Prime Minister:** Tuan Yang di-Pertua, tadi ahli ini datang lambat (*Ketawa*) hal ini kita sudah berbin-chang dekat sa-tengah jam. Fasal yang dia soal tadi saya sudah jawab tiga empat kali (*Ketawa*) dia baharu bangun tidur, basoh muka, datang sini, hendak kena saya jawab lagi, saya tidak mahu jawab (*Ketawa*).

**Dr Lim Chong Eu:** Mr Speaker, Sir, we will use the term which has now been used by the Honourable Prime Minister, namely, “that there are elements who hold extreme views” rather than the term “extremists”. Probably it would be easier if we use the term “pelampau”, and I stand corrected for my pronunciation by the Member for Batu for this reference. However, Sir, the main issue of this question is this question of “toppling” which gives us considerable concern. To some extent, the withdrawal by the Honourable Prime Minister in this House to a public statement which he made will alleviate this considerable concern, and I think the Honourable Prime Minister, being a very unique and humble person, is sometimes not

aware that statements made by him have great effect on the nation as a whole; and, if he makes statements, which are emotional, which it is not usual for him, or if he makes statements which are unguarded, which, again, is not usual for him in his capacity, they can create considerable concern, in view of the fact that, coupled with this statement by him: he said he was not strong enough to control the situation, Sir, can we have an assurance from the Honourable Prime Minister that in future such statements should not be headlined to such an extent and that they should be more guarded and more restrained and kept within the confines of his own party and not announced as a national situation?

**Mr Speaker:** I am afraid that that is quite another question, because the question of "topple" may lead to anything at all, if you go on at that rate!

**The Prime Minister (To Dr Lim Chong Eu):** Next time I will answer you. *(Laughter)*.

### PENANAMAN WANG DALAM BANK AGONG

**7. Enche' Abdul Karim bin Abu (Melaka Selatan)** bertanya kepada Menteri Pertanian dan Sharikat<sup>2</sup> Kerjasama ada-kah Kerajaan berchadang menanam saham hingga sa-jumlah 5 juta ringgit dalam Bank Agong, sabagaimana yang telah di-buat oleh Kerajaan menanam saham dalam Bank Bumiputra.

**The Minister of Lands and Mines (Enche' Abdul Rahman bin Ya'kub):** Tuan Yang di-Pertua, Kerajaan tidak berchadang hendak membeli saham dalam Bank Agong kerana bank ini telah pun berjalan. Grant yang di-beri kepada Bank Bumiputra ia-lah untuk memulakan perjalanan Bank itu ia-itu Launching Grant.

### MENAIKKAN HARGA BERAS

**8. Enche' Abdul Karim bin Abu** bertanya kepada Menteri Perdagangan dan Perusahaan ada-kah Kerajaan

Pusat berchadang hendak menaikkan harga beras lebih tinggi daripada harga-nya sekarang, ia-itu \$430.00 satu ton.

**The Minister of Commerce and Industry (Dr Lim Swee Aun):** The Government will only review the price of rice it purchases from the rice-millers in Malaya in the light of the guaranteed minimum price for padi.

**Enche' Abdul Karim bin Abu:** Soalan tambahan, Dato' Yang di-Pertua. Harga beras yang di-beli oleh Kerajaan pada satu ton \$430.00 itu, Kerajaan telah meminta sharikat<sup>2</sup> kerjasama membeli padi daripada orang ramai dengan harga \$15.00 sa-pikul, tetapi sekarang telah di-naikkan harga \$16.00 sa-pikul. Mengapa harga beras yang di-beli oleh Kerajaan itu tidak di-naikkan?

**Dr Lim Swee Aun:** Mr Speaker, Sir, the price of padi at \$430 per ton is based on the guaranteed minimum price at \$16 per ton.

### EXTENSION OF LANGUAGE TEST EXEMPTION FOR PEOPLE IN SARAWAK OVER 45 YEARS IN RESPECT OF CITIZENSHIP

**9. Dato' Ling Beng Siew (Sarawak)** asks the Minister of Home Affairs to state whether the Government would consider extending by another year the period of exemption from Language Test for people in Sarawak over forty-five years of age applying for citizenship by registration, in view of the fact that citizenship application forms were made available only in September, 1964.

**Dato' Dr Ismail:** Sir, according to records in the Citizenship Central Registry at Petaling Jaya, citizenship forms for Sarawak were made available in August, 1964, and not in September, 1964 as stated by the questioner. Although it is admitted that the machinery for registration was not available in Sarawak until August, 1964, remedial steps had been taken by the Registration Department in the form of additional staff, not only for the Registration Centres in Sarawak and in



Sabah but also for the Headquarters at Petaling Jaya as part of a crash programme to facilitate registration in the Borneo States. Increased staff was provided in late 1964. Later, to deal particularly with applicants above the age of 45, who might wish to take advantage of the language concession in Article 16A (d), a further increase in staff was provided in May, 1965. Besides, various political parties and associations had been helping the people to submit their applications early this year. In view of all these, it is considered that there was ample time for the people in Sarawak of 45 years of age and above to apply for citizenship before the language exemption expired on 31st August, 1965. From the records of applications received, it is reckoned that the vast majority of eligible applicants of 45 years and above, and who are interested to do so, had already submitted their applications before 1st September, 1965. This is confirmed by the fact that the number of applications received has dropped in recent months. There is, therefore, no justification for extending the Language Exemption period for another year.

**Dato' Ling Beng Siew:** Mr Speaker, in our Constitution, it is provided that within two years immediately after Malaysia, exemption of the language Test for the people in Sarawak of over 45 years of age when they apply for citizenship, will be granted. The Honourable Minister had mentioned that the forms were made available during August, but it can be confirmed from the District Officer in Sibü that the forms were only made available to the applicants at the end of September. Anyhow, since the delay is on the part of Government, I think, it is fair to give one year extension to the applicants.

**Dato' Dr Ismail:** Sir, there is no virtue in extending the period just for the sake of extension, because, as I said, a number of people of 45 years of age and above, who qualify under the relevant provisions in the Constitution have applied. So, I do not see any point in giving this extension just for extension's sake.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, will the Honourable Minister assure this House that there are nobody else who qualify under this Clause of the Constitution to take out citizenship papers? Even if there is one more who can qualify, and who has missed that boat, then, I think, in fairness to the people of Sarawak and Sabah, there should be a further extension—perhaps, may be not for one year.

**Dato' Dr Ismail:** Sir, I do not see any point in the question asked by the Honourable Member. It is in conformation with the Constitution that the period for application expired on a certain date. Now, as I said, the majority of the people, who qualified have applied, but how can I assure the Honourable Member that everybody who qualified should be citizens?

**Tuan Haji Ahmad bin Abdullah (Kelantan Hilir):** Tuan Yang di-Pertua, soalan tambahan. Apa-kah tujuan Kerajaan yang telah memberi kemudahan kepada pemohon<sup>2</sup> yang hendak menjadi warga negara sa-hingga dihapuskan syarat yang sangat mustahak ia-itu syarat hendak-lah mereka itu melalui dan berjaya di-dalam peperiksaan bahasa. Tidak-kah Menteri yang bersangkutan mengetahui, dengan di-longgarkan syarat<sup>2</sup> ini, maka warga negara sendiri akan tenggelam dalam tanah ayer mereka dan ini akan menyebabkan kesusahan warga negara sendiri hendak menchari mata pencharian kehidupan mereka dan bukan sa-takat itu sahaja bahkan ini akan menyebabkan Kerajaan berbelanja lebih<sup>2</sup> banyak lagi untuk memberi kemudahan kepada warga negara yang baharu untuk persekolahan dan segala<sup>2</sup>-nya dan pendek kata kemudahan bagini yang akan menenggelamkan bangsa Melayu dalam tanah ayer kita.

**Dato' Dr Ismail:** Tuan Yang di-Pertua, Yang Berhormat ini sa-umpama satu gramophone record yang lama. Soal ini dahulu telah di-binchangkan bila Malaysia ini hendak di-tubuhkan. Ahli Yang Berhormat telah memberi pandangan-nya dan

perkara ini telah termasuk dalam Perlembagaan. Jadi di-kemukakan pada hari ini, umpama-lah dia record gramophone yang lama yang karut di-mainkan sampai serak<sup>2</sup>. (*Ketawa*).

**Tuan Haji Ahmad bin Abdullah:** Soal tambahan, Tuan Yang di-Pertua, ini bukan-lah soal karut. Kelmarin dahulu kita telah bacha di-dalam pernyataan Kerajaan bahawa sa-hampir dua juta orang yang bukan warga negara telah di-beri kera'ayatan kepada bangsa yang bukan warga negara dan ini ada-lah sangat membahayakan kedudukan warga negara sendiri.

**Dato' Ling Beng Siew:** Mr Speaker, Sir, since the Honourable Minister has told us that actually the number is very small, as from what he has mentioned in the House, I would like to ask the Honourable Minister to consider giving another three months extension instead of one year.

#### ESTABLISHMENT OF QUOTA OFFICE IN DIVISIONS IN SARAWAK

**10. Dato' Ling Beng Siew** asks the Minister of Commerce and Industry whether the Government would consider establishing a Quota Office in every Division in Sarawak, as the public are experiencing hardship in dealing with the centralised Quota Office in Kuching.

**Dr Lim Swee Aun:** Mr Speaker, Sir, applications for import permits in the eleven States of mainland Malaysia are handled by one office in Kuala Lumpur. The State of Sarawak is served by the Import and Export Control office in Kuching. As more than half of the items under important licensing can now be imported without licences, it is, therefore, not considered necessary to establish an office in every Division in Sarawak to handle applications for import licences.

**Dato' Ling Beng Siew:** Mr Speaker, Sir, I wonder, how for the eleven States in Malaya, one office can handle all the quota applications. In Sarawak there are only five Divisions, and they

cannot handle all these quotas properly, and a lot of delay is being caused all over in Sarawak. As you know, most people complain that whenever they apply for quotas, on an average, it will take four to five weeks before they could get their quotas. Mr Speaker, Sir, time is money to businessmen. They cannot leave their goods in godowns and pay rent. So, I would like to call upon the Honourable Minister to try his very best to improve the situation.

**Dr Lim Swee Aun:** Steps are being taken to improve the situation and, from my investigations, I found that most of the delays were because the applicants could not fill in, to the satisfaction of the officer, proof of their past performance.

**Mr Ong Kee Hui:** In view of the fact that there exists at every Division Headquarters a Department of Trade and Custom, would not the Minister consider delegating to the officers in charge of the Customs in each Division authority to deal with these applications for quota?

**Dr Lim Swee Aun:** I understand that the Customs Divisions are already overworked. Hence, they will not take over the work of my Ministry.

**Dato' Ling Beng Siew:** Mr Speaker, Sir, the Honourable Minister has mentioned in the House that this delay is, most probably, because the applicants do not know how to fill up the forms, or they make some mistake in filling up the forms. But I can tell you, Sir, that this is not the truth. As far as I know, most of the applicants have spent a lot of money to fly down to Kuching from Miri and from Sibü to find out what has happened to their quota applications, and they have found that their application forms are piled up in the office drawers. So, how can the Minister tell us that the applicants have filled in the forms wrongly? The applications are piled up on the table, the persons concerned have no time to deal with the application forms. It is not a question of filling up the forms wrongly.

**Dr Lim Swee Aun:** Will the Honourable Member give specific cases rather than making general statements?

**Mr Ong Kee Hui:** Mr Speaker, Sir, in view of what the Honourable Member from Sarawak has just said, would the Minister assure this House he will look into the whole organisation?

**Dr Lim Swee Aun:** It is being looked into, Sir.

### **LIFTING OF QUOTA RESTRICTION ON CERTAIN GOODS NOT PRODUCED IN MALAYSIA**

**11. Dato' Ling Beng Siew** asks the Minister of Commerce and Industry to state whether he would consider lifting the quota on certain items, e.g. oats, bran and other goods which are not produced in Malaysia.

**Dr Lim Swee Aun:** Mr Speaker, Sir, the quantitative restriction on import of bran as well as other forms of animal feeds is necessary as a temporary measure to prevent speculative imports pending the imposition of appropriate tariffs to protect the animal feeds industry.

**Dato' Dr Haji Megat Khas (Kuala Kangsar):** The Minister has just said that this restriction on import of animal foods and feeding has been found to be necessary as a temporary measure. But what I am disturbed about, Mr Speaker, Sir, is that in respect of certain forms of food stuffs the quota system has been imposed and there are certain business people who are suffering from it, because of the limitation on the import of flour, for instance. We are not producing flour in this country. Our bakeries need the flour for making the bread for us to eat. Why should there be an imposition of a quota on what we cannot produce but what we need?

**Dr Lim Swee Aun:** Mr Speaker, Sir, as I have said, these measures are necessary before the Tariff Advisory Board hold public investigations to put in new duties. But where the question of flour is concerned, although

it is on licensing, it is 100% of what they used to be imported before. Therefore, there should be no shortage and there should be no increase in prices.

**Dato' Dr Haji Megat Khas:** Well, Sir, in that case—I would like to clarify—there is artificial shortage, because the importance have been given the right to import as much as a 100%—that means to say as usual—and they have been keeping the stocks “under”, with the idea of raising the price and then letting them out. I think the Minister of Commerce and Industry should look into this problem, because this is a complaint that has been received from the businessmen in general.

**Dr Lim Swee Aun:** That really does not come from the Businessmen because if it is true that the businessmen are keeping the stocks low to put up the price, then it is to their advantage. Therefore, I have been very liberal, and instructions have been given to my officers to be very liberal in the issue of import permits for flour, in particular, to bring down the price and to increase the amount available.

**Dr Lim Chong Eu:** Sir, in view of the fact that the Honourable Minister of Commerce and Industry chose to interpret, for example, the term “oats” in Dr Johnson’s definition of oats that which is used to feed horses in England but which used to feed men in Scotland, I do suggest that he is jumping the situation by immediately interpreting the interpretation from the point of view of animal feeds; but seeing that he has taken the matter up from the point of view of animal feeds, will he consider adjusting the importation of animal feeds consisting of these particular cereals in proportion, I mean I believe that the quality has got to do with it and the mixture of cereals has got to do with the importation of animal foods, rather than just the cereals for sale?

**Dr Lim Swee Aun:** They were taken into consideration, and if oats are to

be imported they would be permitted 100 per cent of what used to be imported before—only that the importer must get a licence now, whereas he need not require to have a licence before.

### RECIPROCAL ARRANGEMENTS IN USE OF LANGUAGES

**12. Dr Tan Chee Khoon** asks the Minister of Education to elaborate on the reciprocal arrangements to give due regard for the languages in use in this country besides Malay, which the Prime Minister mentioned in his speech at the Diamond Jubilee of the Perak Chinese Amateur Dramatic Association at Ipoh.

**The Minister of Education (Enche' Mohamed Khir Johari):** Mr Speaker, Sir, when the Honourable Prime Minister spoke of reciprocal arrangements in his speech at Ipoh, which was delivered in Malay, what he wanted to convey was that, in return for the support that the Chinese Malaysians and other non-Malays gave to make Malay the official language, as provided for in the Constitution, the Government, in the implementation of this policy, would take into account their wishes and aspirations in regard to the use and study of their languages within the framework of the Constitution.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, if I heard the Minister correctly, he said "support of Malay as the official language", bukan bahasa rasmi yang tunggal. Now, Mr Speaker, Sir, in view of what the Honourable Minister has said, can he inform this House whether there has been any dissentient voice regarding the use of the national language as the official language?

**Enche' Mohamed Khir Johari:** Not that I know of.

**Dr Tan Chee Khoon:** Then the problem does not arise. All of us support Malay as the National Language and official language. That being so, can

he now inform this House what concessions, reciprocal arrangements, has the Honourable the Prime Minister in mind?

**The Prime Minister:** Mr Speaker, Sir, since I am here, I might as well reply to the Honourable Member instead of my colleague. (*Laughter*) I have several things in my mind which I cannot disclose at this moment, but later, I will. When we come to the bridge, we will cross it.

**Dr Tan Chee Khoon:** Is the Honourable the Prime Minister aware that the whole country awaits the explanation of these reciprocal arrangements, because, unfortunately, this has become a very heated issue and the sooner these reciprocal arrangements are clarified by the Prime Minister the better it is for all concerned?

**The Prime Minister:** There is no hurry. As a matter of fact, if I were to clarify now, there will still be points raised by certain people, certain party. Therefore, I think, the less said about these reciprocal arrangements now the better it is for all concerned.

### EXEMPTED BUSINESS (Motion)

**Dato' Dr Ismail:** Mr Speaker, Sir, I beg to move,

That notwithstanding the provisions of Standing Order 12 (1), this House, at its rising at 1.00 p.m. today, shall resume at 2.30 p.m. and continue until the motion for the Second Reading of the Supply Bill, 1966, has been seconded, whereupon it shall stand adjourned.

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

Question put, and agreed to.  
Resolved,

That notwithstanding the provisions of Standing Order 12 (1), this House, at its rising at 1.00 p.m. today, shall resume at 2.30 p.m. and continue until the motion for the Second Reading of the Supply Bill, 1966, has been seconded, whereupon it shall stand adjourned.

## BILL PRESENTED

### THE SUPPLY BILL, 1966

**The Minister of Finance (Enche' Tan Siew Sin):** Mr Speaker, Sir, I rise to present the Supply Bill, 1966, to this House.

**Mr Speaker:** Second reading, what day?

**Enche' Tan Siew Sin:** 2.30 p.m. this afternoon, Sir.

**Mr Speaker:** So be it.

## BILL

### THE SUPPLEMENTARY SUPPLY (No. 2) BILL

#### Second Reading

**The Assistant Minister of Finance (Dr Ng Kam Poh):** Mr Speaker, Sir, I beg to move that "a Bill intituled an Act to apply sums out of the Consolidated Fund for additional expenditure for the service of the year 1965 and to appropriate such sums for certain purposes" be read a second time.

Clause 2 of the Bill seeks authority for additional expenditure of \$35,557,365 for the service of the year 1965, and this is shown in the Schedule to the Bill and also in the Supply Expenditure section of the Second Supplementary Estimates of Expenditure, 1965 tabled as Command Paper No. 36 of 1965. Of the sum required as additional expenditure, an amount of \$20,542,012 has been advanced from the Contingencies Fund to meet urgent expenditure and this has now to be recouped. As Honourable Members will observe, out of the total sum of \$58,823,069 included in this supplement, a sum of \$23,265,704 is required to meet the cost of financing "charged" expenditure services which are not, of course, included in the Supplementary Supply Bill. The three big items of "charged" expenditure are the payment of the

first instalment of Malaysia's increased subscription to the International Monetary Fund (\$16.5 million), the encashment of Malaysian Treasury Notes from the Fund (\$3.5 million), and the payment of Malaysia's increased subscription to the International Bank for Reconstruction and Development (\$2.5 million). An amount of \$0.4 million is required to meet the refunds of estate duty under sections 7 and 41 of the Estate Duty Enactment.

The original Estimates of Expenditure approved by Parliament for 1965 amounted to \$1,598.9 million. Taking both the "Supply" and "Charged" expenditure in the first supplement and in the present supplement together, the total appropriation for 1965 will come to \$1,683.8 million.

In the supply section of this supplement, the biggest item of expenditure is in respect of Head S. 19—Education Grants and Subventions, under which a sum of \$12 million is required as a contribution towards recurrent expenditure in respect of the States of Malaya students studying in the University of Singapore for the years 1962 to 1964. Head S. 25—Contributions to Statutory Funds, requires a supplement of \$7.8 million of which \$4.8 million is required for increasing the amount in the State Reserve Fund, so that payment could be made to certain States which were in deficit during the years 1961 to 1964. Another sum of \$3 million is required for increasing the amount in the Supplies Department Trading Account to \$68 million, since the existing amount has proved to be insufficient in view of the larger stock that has to be held on account of Malaysia and the prevailing security situation. With this amount, the Account's limit will be raised from \$65 million to \$68 million. Head S. 34—Royal Malaysian Police requires a sum of \$3.8 million, of which \$1.8 million is for supplementing the Secret Service vote, and \$1.7 million for personal emoluments and allowances for the Sarawak Auxiliary Constabulary, the

cost of emergency works and equipment and the cost of security fencing and lighting of police stations. Head S. 33—Ministry of Home Affairs requires a sum of \$2.8 million, of which \$2.5 million is required for emergency regrouping in Sarawak, and \$0.2 million for providing financial assistance to fishermen affected by curfew orders. Head S. 24—Treasury General Services requires a sum of \$2.8 million, of which \$2.7 million is meant to cover the cost of miscellaneous services rendered by the Singapore Government on behalf of the Federal Government for the period 16th September, 1963 to 31st December, 1964. Head S. 39—Commissioner of National Registration requires a sum of \$1 million to supplement the existing votes under Personal Emoluments, Other Charges Annually Recurrent and Other Charges Special Expenditure as a consequence of carrying out a re-registration scheme in Sarawak and to meet the payment of arrears of salaries and allowances arising from the revision of salary scales and housing allowances for permanent and temporary clerks. Head S. 7—Prime Minister, requires a sum of \$0.6 million to meet, among other things, the additional cost of official presentations consequent upon the overseas visits made by His Majesty, the Prime Minister and Deputy Prime Minister, rental and maintenance charges of Rumah Persekutuan in Jesselton, expenses in connection with the birthday celebration of His Majesty, the celebration of the second anniversary of Malaysia, expenditure on the National Memorial, National Mosque and reimbursement to the International Bank for Reconstruction and Development for expenses incurred by the Rueff Mission. Head S. 12—Overseas Service Aid Scheme, requires a sum of \$0.5 million since the provision in the original estimate has been under-estimated. This item is recoverable from the British Government. Head S. 14—Ministry of Commerce and Industry, requires a sum of \$0.4 million for subsidising the cost of

electricity supplied to new villages for the year 1964. Three token votes are also required under this Head for the purpose of establishing a Standards Institute for Malaysia, a Trade Commissioners' Service, and for meeting expenses of Government representatives who attended the Management Meeting of the International Rubber Study Group in April/May, 1965. Head S. 47 requires a sum of \$88,323 to supplement Sub-head "Legal expenses, fees and retainers" as the existing provision to meet the fees incurred by Government is found to be inadequate to cover the legal fees of the then Hon'ble Minister of Health, Enche' Abdul Rahman bin Talib, in his case against the Hon'ble Mr D. R. Seenivasagam and Enche' Abu Bakar bin Ismail.

The other items of expenditure in the second supplement which have not been singled out by me are relatively small in amount and these are described in the Treasury Memorandum tabled as Command Paper No. 37 of 1965. The Ministers concerned will give any explanations required during the Committee stage.

Sir, I beg to move.

**The Parliamentary Secretary to the Ministry of Labour (Enche' Lee San Choon):** Sir, I beg to second the motion.

*Both Honourable Members, Enche' D. R. Seenivasagam and Dr Tan Chee Khoon rise at the same time.*

**Mr Speaker:** Will you decide for yourselves as to who should speak first? (*Laughter*).

(*Dr Tan Chee Khoon resumes his seat*).

**Enche' D.R. Seenivasagam (Ipoh):** Mr Speaker, Sir, I am obliged to my colleague, the Honourable Member for Batu, and may I say that I rise to speak on these Estimates generally and then particularly?

Mr Speaker, Sir, I charge the Government with misuse of public moneys and a deliberate attempt to conceal that misuse from the knowledge of the citizens of Malaysia. It is within my knowledge that the original estimate for \$88,323.00 now shown under Head S. 47, was put under another Head under another Ministry. To further mislead and misuse the funds of the Malaysian people, this Head of expenditure was transferred to the Heads of the Attorney-General, Mr Speaker, Sir, I would like to make it very clear from the very beginning of my comments that the Attorney-General is in no way connected, nor do I by any stretch of imagination say one word against the Attorney-General, or his office, by the mere fact that this is included in the Attorney-General's Head, because I know, in procedure, he has nothing whatsoever to do with regard to under what Head what expenditure goes, because that is a matter for the Government and not for the Attorney-General.

Having made that comment clear, I go to this extent to say that the sum of \$88,323 having been paid out, or to be paid out, for a matter in which the Government has no concern whatsoever, is criminal misuse of public funds. The Honourable Assistant Minister of Finance announced that \$88,323 was paid out for the case of Enche' Abdul Rahman bin Talib versus myself. Mr Speaker, Sir, that \$88,323 is to be paid out to meet the legal expenses incurred by Enche' Abdul Rahman bin Talib in a matter of legal fees to his own lawyer and costs due to opposite parties as a result of the decision in that case.

Mr Speaker, Sir, public funds are entrusted to the Government in power to be used in a manner, which is morally right and legally proper; if either of these elements are missing in the use of public funds, then it is the duty of this House from whatever side of the House we come from, or stand at, to condemn such

user and not to give our consent for the user of such funds. Mr Speaker, Sir, whilst I am not commenting on the merits, or de-merits, of any particular case or any particular fact of any particular case, I say that Members of this House, be they from the Ministerial side or be they ordinary Members of this House, if they choose to litigate they choose to litigate at their own risk and at their own expense, or at their own party's expense, if they are backed up by their party. But we should not encourage any member of this House be he a Minister or otherwise, to litigate at the expense of the people of Malaysia, and that \$88,323 is money which belongs to the people of Malaysia. Mr Speaker, Sir, there can be no justification whatsoever under any law whatsoever known to this country, or enacted in this country, for the payment of \$88,323 in this matter under Head S. 47. There can be no moral justification either for the payment of this sum of money. Mr Speaker, Sir, we have in this country Government servants—some of them charged in court, some of them acquitted, some of them convicted. They are not reimbursed for their legal expenses by the Government of this country. Then, I ask the question: why in this particular case is any particular person should receive \$88,323 of public funds? Mr Speaker, Sir, this would open the door to any Government servant to file an action for libel, or slander, and then come to the Government and say, "Now you bear my expenses even though I may lose the case, or even though I may win the case", because, as I see it, a Minister is for many purposes placed in the same category as a Government servant. I would go further and say this, that any member of this House could stand up and say, "I did this in the course of my duties as a Member of Parliament. I was sued for libel. Therefore, you bear my expenses if those expenses do come". Then I ask where is the limit to public funds being misused by this Parliament and by this House? I say that this

would throw open the door to every Government servant in the employ of the Government of the Federation of Malaysia to say that "You reimburse me for any litigation that I get into, either if I start it or somebody else starts it against me". Is that the purpose for which we collect taxes? Is that the purpose for which the Treasury gets funds? I say that is not the purpose, and I ask this House not to give approval for this sum of money to be paid out—and I know as a fact that it is not paid out as yet. So, I ask this House to support my contention on a matter of principle. On a matter of practicality, it is better if this money is paid out, because I hope to get part of it. Mr Speaker, Sir, but on practical grounds and on reality this money should never be paid out by the Government of this country, and I ask all members of this House—Government and Opposition—to support me and to condemn this action on the part of the Ministry.

You will notice that the Treasury Memorandum, Command Paper No. 37, gives a very nice explanation for almost every item. You do not have to go further than the Treasury Memorandum. But when it comes to Head 47, you get no information at all. It only says, "Additional sum required \$88,323: Legal expenses, fees and retainers." What legal expenses, what fees and what retainers, nobody will know unless somebody asks here, or somebody told us in this House. But in every other item you get the detail. The reasons for that I know. Of course, I have my chance to speak later in this House, throughout the coming month, and I shall do so in greater detail.

Mr Speaker, Sir, I now refer to Head 60—Ministry of Local Government and Housing. An additional sum of money is required for Transport and Travelling. This brings into debate again the question of prefabricated housing in Malaysia, and I refer to the travels undertaken by the Honourable Minister of Local

Government and Housing, the officials of the Municipality of Kuala Lumpur and others to France. It is strange that one of the persons, who went to France, was a representative of Messrs Cheah and Boon. There was a question in this House, and this estimate brings that into serious consideration for us. Mr Speaker, Sir, throughout those questions answers, throughout that lengthy statement by the Honourable Minister of Local Government and Housing, one fact stood out—that, either consciously or sub-consciously, either deliberately or innocently, Cheah and Boon had an advantage over every other contract company in our country in this land. That fact stood out from the answers given and from the answers elicited by our friends from the Opposition sitting next to me. Cheah and Boon went to France, no other company went to France. How did Cheah and Boon's representative go to France? How did they go at that early stage when prefabrication was considered by the Ministry? Therefore, they had an advantage of knowing that a certain type of prefabrication would be acceptable to the Ministry of Local Government and Housing. Cheah and Boon, in company with others, are forming, or have formed, or were in the process of forming, a new subsidiary company to purchase prefabrication material at an earlier stage when no other contract company in Malaya, or Malaysia, knew that any particular type of prefabrication will be acceptable to the Ministry of Local Government and Housing. Mr Speaker, Sir, that brings to point this: was Cheah and Boon then not in a position to have a 10-length lead over any other contract company in this country, because if you put out a tender and say "I want it completed within four weeks" who can tender for that within four weeks? Only a company which has the material, which was daring enough or confident enough to order the material required for prefabrication work, because they, and they only,



can complete any scheme within the time specified in that tender.

It was unfortunate—I say it was unfortunate, I do not say it was deliberate—I say it was unfortunate that Messrs Cheah and Boon went to the same country and, perhaps, to the same lectures given in French, which I understand some of the Municipality people, who went did not understand—even though there was translation they did not understand it. Mr Speaker, Sir, it is unfortunate that a contract company in Malaya, known as a leading company, went to the same place and almost in the same period as officials of the Government and those connected with knowing and with deciding what type of prefabrication would be acceptable. Were all in the same pot? That surely, Mr Speaker, Sir, is something to be condemned and therefore I say this vote is something which we should think seriously of again.

Mr Speaker, Sir, these are the only two matters I wish to raise on these supplementary estimates.

**Dr Tan Chee Khoo (Batu):** Tuan Yang di-Pertua, saya bangun untuk mengambil bahagian berchakap tentang perbelanjaan tambahan yang di-bentangkan oleh Menteri Muda Kewangan. Tuan Yang di-Pertua, terlebih dahulu, saya bersetuju sa-penoh<sup>2</sup>-nya apa yang di-kemukakan oleh Yang Berhormat wakil dari Ipoh dan sabentar lagi saya sendiri hendak menyentuh tentang perkara Sharikat K.C. Boon & Cheah.

Tuan Yang di-Pertua, saya hendak berchakap tentang perkara S. 26, S. 23 dan S. 56—Penyelenggaraan Tempat Kediaman Menteri.

Tuan Yang di-Pertua, apabila saya membawa perkara ini, kediaman Menteri, di-rumah Yang Berhormat ini, sa-orang Menteri Kerajaan Pusat telah menyerang saya sa-chara *personal*. Tetapi Tuan Yang di-Pertua, saya hendak kemukakan perkara ini, bukan perbelanjaan Menteri<sup>2</sup> tetapi perbelanjaan dari wang ra'ayat

jelata. Oleh sebab itu, saya hairan, kalau sa-kira-nya sekarang lagi Menteri Kerajaan Pusat menyerang saya sa-chara *personal*.

Tuan Yang di-Pertua, tentang kediaman Menteri, di-minta oleh Kerajaan yang jumlah-nya \$33,684 ia-itu Menteri Kewangan di-minta \$7,711—maka sa-bagai Menteri Kewangan, dia boleh-lah sendiri memutuskan perkara itu, kerana barangkali rakan<sup>2</sup>-nya di-Jema'ah Cabinet tidak berani membangkang; dan di-minta oleh Menteri Kerja Raya, Pos dan Talikom, wang ia-lah \$11,641—maka Menteri yang berkenaan, oleh sebab Jabatan Kerja Raya dia Kementerian-nya sendiri, beliau boleh sendiri belanja apa<sup>2</sup> yang di-kehendaki-nya: tengok, di-antara empat Menteri<sup>2</sup>, yang tinggi-nya \$11,000 ini dari Menteri Kerja Raya, Pos dan Talikom; di-minta oleh Menteri Pengangkutan \$6,816; dan di-minta oleh Menteri Perumahan dan Kerajaan Tempatan \$7,516.00.

Tuan Yang di-Pertua, Kerajaan Pusat telah menyuruh tiap<sup>2</sup> Kementerian<sup>2</sup> mengurangkan perbelanjaan Kerajaan sa-banyak 10%, dan negeri ini telah mendengar seruan daripada Timbalan Perdana Menteri dan dari Menteri Kewangan sendiri, kita mesti mengurangkan perbelanjaan Kerajaan dan ra'ayat juga mesti menyimpan wang, supaya negeri ini boleh simpan chukop wang untuk pertahanan negeri kita. Tetapi apabila di-kehendaki ka-empat<sup>2</sup> Menteri ini—barangkali Menteri<sup>2</sup> ini ia-lah orang pekak atau tuli, tidak dengar seruan dari Timbalan Perdana Menteri. Saya harap, Tuan Yang di-Pertua, janganlah Menteri<sup>2</sup> Kerajaan Pusat menyuruh ra'ayat di-seluruh Malaysia, mengikat tali pinggang-nya kuat<sup>2</sup>, oleh sebab mereka senang belanja. Apa mahu, beli—kerusi ini; beli meja; itu sudah lama, beli baru. Saya berharap, Tuan Yang di-Pertua, Menteri<sup>2</sup> tolong-lah jangan berchakap sahaja, mengikut seruan Timbalan Perdana Menteri dan mengikut seruan Menteri Kewangan.

Mr Speaker, Sir, on the same note, we notice this question of what I

would call almost wasteful, if not criminal, expenditure of public funds. Without regard to the call of the austerity drive that has been announced by the Government. When we look at these items that are being asked for by the various Ministries, you will see that the official functions for the Yang Di-Pertuan Agong's Birthday originally the sum of \$11,500 was asked for, then they added \$31,547 making a total of \$43,047. Then at the opening of the National Mosque, well, presumably the Treasury boys did not think that the Mosque will be opened this year, so there was no vote last year and this year, we are asking to approve a sum of \$100,000. Then you have lots of expenditure on official presentations. Mr Speaker, Sir, I believe all of us, Members of Parliament, were presented with these meritorious medals—Mr Speaker, Sir, here you are, this is a thing that is presented to all of us in this House. Now, Mr Speaker, Sir, what have all the M.Ps done or left undone that they should merit this medal. I do not know Mr Speaker, Sir. Certainly my colleague and I have not asked for this and do not wish to have it. But the taxpayer is rather asked to foot this bill, a totally unwarranted expenditure and this is typical of the Alliance Government "style mahu". Mr Speaker, Sir, on the same note, I notice that under Head S. 21 there is this purchase of new car and renovation of offices. I believe, this new car is a Mercedes Benz 220SE. Now, the last time we met there was a supplementary supply bill, we approved of an Opel Kapitän for the Minister for Land and Mines. Today we are asked to approve, I think, the sum nearly \$14,000—item 44, Mr Speaker, Sir, the sum of \$13,500 for the purchase of a new official car for the Malaysian Permanent Representative to the United Nations in New York. It seems to me that this has become almost a permanent fixture when supplementary supply bills are presented—new cars, new furniture, *memperbaiki kediaman menteri*<sup>2</sup>. Now this has become a permanent feature, and I do not know

how long the *ra'ayat jelata* of this country will tolerate this, in view of the fact that you have this austerity drive, in view of the fact that at the present moment the Government says that the income of the rural people is only \$16 a month.

Mr Speaker, Sir, I now come to the question of secret service. Now there are 3 Secret Services asked for in this supplementary supply bill—Defence wants \$290,000, Police wants \$1,884,000, and Customs wants \$160,000. Mr Speaker, Sir, may I deal with them one by one.

I will deal first with Customs. I think "Secret Service" in the strict sense of the word it is a misnomer. Here, it is money paid to informers. "Secret Service", as I understand it, is that you have people on your payroll and, these people, if it is for the Customs, must enter into the enemy camp and get information rather than all and sundry coming to the customs and giving information and hoping to get money on the cheap. Consequently, let us not call it "Secret Service"; let us call it "Fund for Informers", and be honest about it.

Next, you have this sum of \$290,000 for Defence. Now, I do know, Mr Speaker, Sir, as I said before, we are a new country, our Army is new, and I do not know whether this is for funds to counter espionage, or is it merely for the gathering of intelligence by the various Armed Forces in this country: namely, the Army, the Navy—it hardly can get any information and it is not worth looking at our Navy in any case, and our Air Force—it has got only Spitfires from World War II, may be, and there is nothing worthwhile looking at it either. I do hope that some Defence officials will tell us, if I am not accused of giving information to Jakarta, whether we have a proper Secret Service, a Counter-espionage Service, or do we want to build up something of the nature of the C.I.A., which is even more important than the United States Government itself, and which is offering dole all over the world, and I say

that \$290,000 cannot go far if you want to dole out money to all and sundry.

Mr Speaker, Sir, I come now to this very large expenditure of \$1,884,000 that is asked for by the Police. Presumably, Mr Speaker, Sir, this is for the Special Branch. Now, we have had none other than the Member for Menglembu saying that the intelligence report from Penang obviously was by an unintelligent officer and "that officer should be sacked"—these were his exact words—in connection with the report regarding the Member for Bungsar liable to disturb the peace in Penang. He challenged the Minister that whatever the Minister said were published abroad, "Buat malu sahaja, Tuan Yang di-Pertua". Now, Mr Speaker, Sir, it is no secret that these Special Branch chaps are jockeying for positions. We do know that they infiltrated into our Party—we know who they are. Let the Government not think that we do not know who these people are. Perhaps, to get another pip or two, perhaps to get a little promotion from an ordinary officer in the Secret Service of the Special Branch, he wants a stripe as a lance-corporal and then to get another stripe as corporal, they are not beyond fabricating evidence against Members of the Opposition parties. I say this, Mr Speaker, Sir, because we have proof of it. In the first allegation of fact against Dr Rajakumar, it was stated quite clearly that amongst the people who were charged in the Fajar Case some were convicted although Dr Rajakumar was acquitted. Subsequently, at a Review Board hearing, that was quietly removed and then the truth was told that of those accused, all were acquitted. Now, we can see, Mr Speaker, Sir, that in the quest to justify their own existence, the Special Branch are not beyond fabricating evidence, and I shall deal with it a little more further, if I have a chance to debate my motion on the harassment of Opposition parties. This is just an example of how to the Special Branch in so many cases "the end justifies the means", and then everybody is in a hurry to get another stripe or another

star if he can fabricate evidence against those of us on this side of the House.

Mr Speaker, Sir, I now come to Head S. 32, the sum of \$200,000 that has been given to the Lady Templer Hospital. Here, Mr Speaker, Sir, I am indeed grateful that the Lady Templer Hospital is getting this much needed assistance from the Government. If I remember rightly, last year I made an adjournment speech making this request and it was agreed to by the Government. This year, presumably following on precedence, the Government has given this supplementary vote of \$200,000 to the Lady Templer Hospital. But, unfortunately, Mr Speaker, Sir, I do not know why the Government does not want to make this a permanent fixture, and instead of  $\frac{1}{2}$  million vote increase it to \$700,000, so that the people at the Lady Templer Hospital can sleep in peace, can work in peace, without having to think, "Where the hell are we going to get this extra \$200,000 for next year's working of the hospital?"

Mr Speaker, Sir, I do know that Health is at the end of the queue whenever the various Ministries present their bids to the Treasury, and I do know that in this instance the Minister of Health is not to blame. Now, Mr Speaker, Sir, it is not only paradoxical but plain stupidity on the part of the Government that on the one hand you have the Minister of Health who says, "Let us get rid of this scourge of tuberculosis from this country", and on the other hand what is the Ministry of Finance doing? What are the Treasury boys doing? They give this \$200,000 to the Lady Templer Hospital and then they say, "Every patient that goes there, you charge \$1.00 a day". Now, Mr Speaker, Sir, is that not robbing Peter to pay Paul? Now, Mr Speaker, Sir, for the benefit of the Treasury boys, for the benefit of the Assistant Minister of Finance, who is himself a doctor—and I hope he is sympathetic to the plight of the sufferers and victims of tuberculosis in the country,

I wish to point out that of the patients who go to the Lady Templer Hospital, I would think I am correct to say it, 95 per cent. of them cannot afford any payment whatsoever. Now, in other progressive countries—and I presume that this country calls itself a progressive country—patients who go in for treatment are subsidised, in some countries, to a tune of almost \$200 a month, because as you know, Sir, when a wage earner is out of circulation if he is in hospital: let us say that he is a trishaw rider—unfortunately, in this country as in the world over, the poor begets children more than the rich—and he has six or seven children to feed apart from his wife and may be other relatives; he earns about \$4 or \$5 a day, on a good day; you take him out of circulation and put him in the Lady Templer Hospital—who is going to feed his family? On top of that, to add injury to insult, you charge him \$1.00 per head per day! Now, Mr Speaker, Sir, I do appeal to the Treasury officials, those who work in air-conditioned comfort, those who calculate these things, perhaps, too carefully without regard to the human factor, those who have their calculating machines, or computers, in the Treasury, please take into consideration the human factor. Let it not be said of the Treasury officials that the milk of human kindness had drained off out of all of them, that they are not aware of the misery of these victims of tuberculosis.

**Dr Lim Swee Ann:** Mr Speaker, Sir, on a point of clarification, I hope the Honourable Member does not mislead this House and the public that Government is doing nothing for tuberculosis patients. I am sure the Honourable Member is aware that tuberculosis patients are being treated free of charge in Government hospitals and that the Social Welfare Department and also the Tuberculosis Associations do give financial assistance to tuberculosis patients.

**Dr Tan Chee Khoon:** Mr Speaker, Sir, perhaps, if the Honourable Minister

of Commerce and Industry were a little patient, I would dwell on it I do not know, Mr Speaker, Sir, whether this decision to demand its pound of flesh of the patients in Lady Templer Hospital is made by the Treasury officials or if the decision is made by the Honourable the Minister for Finance himself because, if it is, then I think it must be a real stone-hearted Minister of Finance who insists on this \$1 per head per day from the patients in Lady Templer Hospital.

I come now to the other efforts on the part of Government. As I said, I do know what the Government is doing, the Minister himself time and again opens his mouth and says, "We are doing everything we can come, come, let us have free X-rays; we will give you free treatment". That is a fact, Mr Speaker, Sir, but you negate everything; and for patients who were judged fit to be treated in the Lady Templer Hospital, you charge them \$1 per head per day.

Coming to the effort made by the M.A.P.T.B., that Mr Speaker, Sir, is a mere chicken feed. As I have stated before, in other countries, their Governments give \$200 per month to these victims of tuberculosis. Here, we have a voluntary organisation, which depends on this paltry assistance from the Ministry of Social Welfare. They get how much? They get \$10, \$20, and, before half the year is over, they say, "Look here, chum, very sorry, the vote is spent. We cannot give you any more assistance." I do know, that Mr Speaker, Sir, because I am practising doctor unlike quite a number of Members sitting opposite and beside me now and I do know the plight of the sufferers of this scourge of mankind, and they will remain as the scourge of mankind in this country until the Government has a little more heart and sympathy for them.

Mr Speaker, Sir, I also wish to bring to the attention of this House, in connection with this question of Austerity Drive, whether the Government knows that at some time during

this year almost half of the Cabinet of this country is in orbit (*Laughter*). Mr Speaker, Sir, some of them are in Seoul; some of them are in Bangkok the Sepak Raga Team; some of them are in Paris; and we are supposed to have a confrontation here, Mr Speaker, Sir—we are supposed to have a confrontation, a life and death struggle, but half of the Cabinet is in orbit, presumably, enjoying the Salubrious climate atmosphere elsewhere. And who foots the bill Mr Speaker, Sir? The *ra'ayat jelata*. Then you come and say “Austerity Drive”, and you appoint a top Government official, the Controller of Supplies, to look into the question of savings, a little bit from the P.E., a little bit from the petrol and the like— But what about these thousands of dollars that have been spent by Ministers who are in orbit, and may we know what has Sepak Raga got to do with the welfare of this country? Now, Mr Speaker, Sir, let the Ministers practise what they preach, and let them not think that the *ra'ayat jelata* are dumb bells in this country. In 1969, if there are elections, the Government benches will have to account for all these doings—or, do I say, misdoings?—of the Ministers who are in orbit most of the time.

Now, finally, Mr Speaker, Sir, I just want to touch on a matter that has been raised by Honourable Member for Ipoh just now. He talked about the Sharikat K.C. Boon & Cheah and Citra, and, since the Honourable Minister for Local Government and Housing is here, I think it is quite proper that I speak in front of him rather than for somebody to carry tales to him saying “the troublemaker, Tan Chee Koon, (*Laughter*) he always says things behind your back”. I do not believe in saying things behind the back of any Minister, Mr Speaker, Sir, I just want to bring this to the attention of the Honourable Minister. The other day, when I asked him this question of whether things had been finalised, he said that the things had not been finalised. Then I asked him about this board which has been put up by the

said firm. Incidentally, Mr Speaker, Sir, I was told, after my raising the question here, that there was a race between *Straits Times* and the firm concerned as to who should have a chance to take the picture of the board, or that the firm should have the chance to pull it down the board. Mr Speaker, Sir, we are told the board is put up because boring tests are being done. Mr Speaker, Sir, it may well be that the boring tests are being done, but it is quite clear from the picture and for anyone who wants to go there and see, the piling equipment there. There are a large number of piles down there. I am not a structural engineer, Mr Speaker, Sir, but I think if a large number of piles are in a works site, then something more than more boring is in the offing.

Mr Speaker, Sir, I shall conclude by asking the Government, “practise what you preach”, and do not ask the *ra'ayat jelata*, “*Ikut tali pinggang kuat<sup>2</sup>-nya dan Menteri<sup>2</sup> hidup dengan mewah.*”

**Mr Speaker:** Meshuarat di-tanggohkan 10 minit.

*Sitting suspended at 11.50 a.m.*

*Sitting resumed at 12.10 p.m.*

(Mr Speaker in the Chair)

**Enche' Lim Kean Siew:** Mr Speaker, Sir, I rise to give my full support to the statements and allegations made by the Honourable Member for Ipoh.

This sum of \$88,323 was expended out of Treasury funds, I believe, although no certificate from the Treasury was obtained and in principle agreed to before the services of the lawyers were engaged. Secondly, I believe that this decision was not the decision of the Treasury, but the decision of the Cabinet. Mr Speaker, Sir, a Minister of our Government is, in many ways, a public servant and it is part of his duties to conduct himself with honour and in line with that of a public servant. By no stretch of our imagination, can it be said that

part of the duties of a Minister would include the acts so found by the Courts. Those acts so decided by the Court were acts of a personal nature, at the least immoral, and at the most criminal; and it would appear that \$88,323 has been, or will be, expended from Treasury funds to support such an act. I would not say it is shocking, but certainly it would appear as if the Government is conniving, by means of public funds, the bullying or the attempted bullying by a Minister of a private person in a matter which, in fact, is private and not public.

Mr Speaker, Sir, in view of the nature of the case for which money has been expended, it is all the more necessary that we should have details of this \$88,323 spent out of public funds to see whether or not in fact, the Treasury has been overcharged, even if the Treasury is legally bound to pay Mr Speaker, Sir, \$88,323 is not a small sum. If you look at the money required for the celebrations of the Birthday of the Yang Di-Pertuan Agong, we will find that the money expended there is \$43,047; the money expended for Rahman Talib case is twice the amount spent on national celebrations for the birthday of our Yang Di-Pertuan Agong; and when we look at Sub-head 8—Prime Minister—on the Malaysia anniversary celebrations, we will find that the total sum expended for the Malaysia celebrations which is a Malaysia-wide celebrations, amounted to \$76,000. Again, the expenses of the Rahman Talib case exceeds this amount.

Now, Mr Speaker, Sir, I ask the Government to delete this item of expenditure from the estimates and let Rahman Talib himself pay his own way and that the Government should stop conniving with him to bully the other parties to this case, especially the Honourable Member from Ipoh who has had to pay his own expenses to fight that case.

Mr Speaker, Sir, as regards the second point made by the Honourable Member for Ipoh—the case of K. C. Boon and Cheah—this House has heard the answers given by the Honourable Minister of Local Government. Whether or not other Members of this House are satisfied with the answers, I can certainly say that I am not. At the most they were shilly-shallying answers—answers not to the point, but answers skirting the point. Many questions were left unasked because there was a shortage of time, but from what answers we may have obtained from the Honourable Minister . . . . .

**Enche' Khaw Kai-Boh:** On a point of clarification, Sir, we are debating on the Supplementary Estimates and it is no part of the Estimates. Is there any bid for funds in connection with this Scheme? So, I am wondering how the Honourable Member can connect this debate on the matter he just raised with reference to the Supplementary Estimates? There is no item in the Supplementary Estimates connecting this particular matter.

**Enche' Lim Kean Siew:** It is quite obvious that the Honourable Minister of Local Government and Housing is trying to block me from speaking again. Nevertheless, the subject may be discussed under Head 60—Ministry of Local Government and Housing, and if I can understand it, when we discuss the general estimates we may deal with policy matters and when we come to deal with the items in detail at the Committee stage, then we have to deal with the various items themselves. Nevertheless, whether I may or may not discuss it under the general heading, there is also an item for Transport and Travelling of \$12,000, and the Honourable Minister of Local Government and Housing had said yesterday in this House that he travelled on Government funds to Europe to study the question of prefabricated housing; although, if I remember it correctly, according to the newspapers he first went to hospital here and then he said he was

going to Europe for further treatment. But, of course, his answers to this House stand.

Mr Speaker, Sir, according to the answers given, it would appear that the Honourable Minister of Local Government and Housing had to go to Europe to see whether or not prefabricated housing would be suitable for this country. And it has been stated by my Honourable friend, the Member for Ipoh, that in fact a member of K. C. Boon and Cheah also went—I do not know whether on Government funds or not, since that has not been stated: at least the Honourable Minister of Local Government and Housing can elucidate this point.

Secondly, Mr Speaker, Sir, I do not know whether we should spend any money on the Ministry of Local Government and Housing at all, in view of the fact that from the Minister's answers last night, so many people had in fact to go to Europe to study the small matter of a prefabricated housing pilot scheme. In fact, I think he also informed this House that one architect, Hisham Albakri, went on a United Nations scholarship to Russia, and that he then went over to France after that and recommended that they use the Citra-type of construction.

**Enche' Khaw Kai-Boh:** On a point of clarification. At no time did I mention that Enche' Hisham recommended Citra.

**Enche' Lim Kean Siew:** I said "Citra-type of construction"—not Citra.

**Enche' Khaw Kai-Boh:** Neither did I say anything about the architect having recommended that.

**Mr Speaker:** The Honourable Minister was referring to your reference to Enche' Hisham Albakri. The Honourable Minister had at no time mentioned Enche' Hisham Albakri.

**Enche' Lim Kean Siew:** mentioned Hisham Albakri, but he did not mention the Citra-type.

**Enche' Khaw Kai-Boh:** I did not mention any name at all. I merely mentioned an Architect from the Public Works Department.

**Enche' Lim Kean Siew:** Very well. Then I will enlighten this House on the Architect concerned. His name is Hisham Albakri—and, if I am not wrong, his father is a shareholder of Messrs K. C. Boon and Cheah; and if I am not wrong, again, Mr Speaker, Sir, having gone to Europe and Russia, he came back and has now resigned, or resigned within six months after his return from Europe.

Mr Speaker, Sir, as for the need of sending a Municipal Architect as well to France to study the project, I do know whether that should have come under the Ministry of Local Government and Housing or the Municipality of Kuala Lumpur, since the Municipal Architect is in fact the Municipal Architect. But be that as it may: firstly, he could not understand French and, secondly, he went there for six months for a course where French was used without understanding the language.

Mr Speaker, Sir, again on this question of the efficiency of the Ministry of Local Government and Housing, whether we should finance this Ministry any longer, we have to go back again to what was said in this House. Firstly, it was stated in this House as well that the price of the prefabricated housing will be lower than conventional housing prices. But when it came to asking what was the conventional housing prices, the answer was "this is confidential and secret and in the public interest cannot be divulged to the public". If it is conventional housing price, conventional housing values, surely there is no reason why something which is conventional, and therefore which ought to be known, should be hidden. My Honourable friend for Batu was generous, when he said that the housing cost in Singapore was \$8 per square foot. Apparently that fee would include architect's fees and it would be a tailor-made flat of high

quality. But normal cheap housing in Singapore, or indeed elsewhere, would vary from \$3.60 to \$5 per square foot.

Mr Speaker, Sir, as for the other statement that an advertisement had been put in the papers calling for tenders, or enquiries, from people who were interested, may I say that as far as I am aware, and (I stand to be corrected,) the only publication in the papers was asking contractors to register and that very few took the trouble to register. And if I understand the system in the Kuala Lumpur Municipality, contractors are registered according to whether they are Class A, Class B, Class C, or Class D, and once you have registered you may contract but you need not register again. So those contractors, who saw that advertisement and who had already registered, did not see the necessity of registering again. But other than that, I should like to have the details of any public advertisement by the Ministry which would lead us to believe that in fact a fair and an equitable chance had been given to other contractors. Mr Speaker, Sir, this is all I have to say today on these supplementary estimates.

**Dato' Abdullah bin Abdul Rahman (K. Trengganu Selatan):** Tuan Yang di-Pertua, saya bangun menyokong penoh Bill yang ada di-hadapan kita ini. Tuan Yang di-Pertua, di-dalam membuat sesuatu anggaran perbelanjaan, tentu ada perkara<sup>2</sup> yang dengan tidak sengaja terlupa di-masokkan dan ada pula kalanya sa-tengah<sup>2</sup> perbelanjaan itu di-dapati kemudian tidak menchukopi. Dari sebab itu ada-lah kena pada tempat-nya untuk Kerajaan yang berkuasa mengadakan butir<sup>2</sup> perbelanjaan yang belum ada dan yang patut di-belanjakan dan menambah lagi perbelanjaan<sup>2</sup> yang di-dapati berkurangan.

Yang Berhormat wakil dari Batu telah menchachi Kerajaan kerana, katanya, telah membelanjakan wang yang sa-bagitu banyak dengan tidak terlebih dahulu mendapat keizinan daripada Dewan yang berbahagia ini. Pendapat saya, Tuan Yang di-Pertua, mana<sup>2</sup>

Kerajaan sa-kali pun, baik dari Socialist Front atau pun dari Peoples' Progressive Party atau lain<sup>2</sup> parti yang memegang teraju Kerajaan akan bertindak sama juga seperti yang telah di-buat oleh Kerajaan Perikatan pada hari ini.

Kepentingan ra'ayat, maruah kakitangan Kerajaan, mesti-lah di-pelihara dan di-jaga.

Ahli Yang Berhormat dari Ipoh telah melemparkan kechaman yang hebat kepada pehak Kerajaan, kerana membuat peruntukan wang terhadap perbelanjaan perbicharaan, atau pun litigation, Yang Berhormat Enche' Abdul Rahman Talib, Menteri Pelajaran dahulu. Kata beliau perbuatan Kerajaan ini, boleh-lah di-sifatkan sabagai perbuatan jenayah, dan menyalah-gunakan wang orang ramai. Saya dengan tegas menyangkal dan menolak sama sa-kali tuduhan jenayah ini.

Tuan Yang di-Pertua, kita ketahui kenyataan yang di-buat terhadap Yang Berhormat Inche Abdul Rahman ia-lah pada waktu dia bukan sahaja menjadi sa-orang Ahli Parlimen, bahkan juga sa-bagai sa-orang Menteri dan sa-orang ahli Cabinet. Mengikut Perlembagaan kita—Malaysian Constitution—system yang di-pakai, atau pun yang di-amalkan oleh pehak Kerajaan Perikatan ia-lah "collective responsibility of the Members of the Cabinet", atau pun tanggung-jawab bersama di-antara ahli<sup>2</sup> Cabinet semua. Berasaskan kepada principle, atau pun dasar, concept ini yang di-izinkan oleh Perlembagaan, maka sudah sa-patutlah dan sudah kena-lah pada tempat-nya pehak Kerajaan melihat tentang kepentingan dan integrity ahli<sup>2</sup> Cabinet-nya.....

**Enche' Abdul Samad bin Gul Ahmad Mianji (Pasir Mas Hulu):** Tuan Yang di-Pertua, minta penjelasan. Ada-kah dalam Perlembagaan ini mengatakan tiap<sup>2</sup> Menteri yang kena da'awa itu wang ra'ayat mesti di-bagi untuk di-bicharakan—ada-kah dalam Perlembagaan?



**Dato Abdullah bin Abdul Rahman:** Tuan Yang di-Pertua, kalau Ahli Yang Berhormat sabar sedikit, saya pun hendak datang kepada concept point itu. Itu-lah yang mula saya sebutkan tadi berasaskan kepada collective responsibility Kerajaan ada-lah telah bertindak di-dalam ruangan yang diizinkan oleh pihak Perlembagaan. Sekarang Kerajaan telah bertindak mengikut yang di-lulus oleh undang<sup>2</sup> di-dalam buat peruntukan ini.

Tuan Yang di-Pertua, kita mesti-lah membuat perbezaan, atau pun distinction di-antara perkara<sup>2</sup> jenayah dengan perkara<sup>2</sup> mal....

**Enche' Lim Kean Siew:** On a point of information, is the Honourable Member from Kuala Trengganu Selatan suggesting in his speech that if Rahman Talib's appeal is dismissed then collectively the whole Ministry should resign, since he is talking about the collective responsibility of the Cabinet.

**Dato' Abdullah bin Abdul Rahman:** Tuan Yang di-Pertua, saya tidak kata begitu. Apa yang saya kata, ada-lah tanggung-jawab Kerajaan menjaga maruah, atau integrity ahli<sup>2</sup> Cabinet-nya, termasuk-lah Menteri<sup>2</sup>-nya berasaskan kepada collective responsibility.....

**Enche' Lim Kean Siew:** On a point of clarification, is the Honourable Member for Kuala Trengganu Selatan now trying to say that even if one Cabinet Minister is a criminal then he must be defended by the rest of the Cabinet Ministers.

**Dato' Abdullah bin Abdul Rahman:** Itu-lah, Tuan Yang di-Pertua, yang susah-nya Ahli Yang Berhormat, samasa saya berchakap tadi, ta'ada di-sini. I said a distinction must be drawn between a criminal case and a civil case.

**Enche' Lim Kean Siew:** Mr Speaker, Sir, on a point of clarification. I do not know whether the Honourable Member for Kuala Trengganu Selatan

is a lawyer or not, but there are certain cases which are fraudulent which are extremely fraudulent only and not criminally fraudulent.

**Dato' Abdullah bin Abdul Rahman:** Tuan Yang di-Pertua, saya berchakap ini bukan sahaja sa-bagai sa-orang loyar, tetapi juga sa-bagai sa-orang Ahli Parlimen dan sa-bagai sa-orang ra'ayat biasa, ra'ayat yang juga membayar chukai kepada Kerajaan—tax payer.

Tuan Yang di-Pertua, saya setuju-lah kalau criminal case, atau pun case jenayah, Kerajaan tidak boleh cham-por tangan, tetapi ini case civil—libel action, dan kenyataan itu di-buat samasa Ahli Yang Berhormat, Enche' Abdul Rahman, pada waktu itu sedang menjadi sa-orang Menteri . . . .

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Tuan Yang di-Pertua, untok penjelasan. Yang Berhormat Enche' Abdul Rahman Talib masa itu menjadi Menteri Pelajaran. Tuduhan Mahkamah ka-atas-nya bukan atas Kementerian Pelajaran, tetapi atas kilang baja . . . .

**Dato' Abdullah bin Abdul Rahman:** Kilang apa?

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Makan suap Bukan atas Kementerian yang di-pegang oleh Yang Berhormat Enche' Abdul Rahman. Kementerian yang di-pegang pada masa itu ia-lah Kementerian Pelajaran. Da'awaan terhadap-nya lain daripada Kementerian itu.

**Dato' Abdullah bin Abdul Rahman:** Tuan Yang di-Pertua, apa<sup>2</sup> juga kenyataan yang tidak berasas terhadap satu<sup>2</sup> orang itu, pihak undang<sup>2</sup> ada memberi keizinan untok orang yang menjadi mangsa itu, membawa perkara libel action di-dalam mahkamah. Jadi itu-lah saya katakan tadi, kenyataan—*unfounded statements were made towards the Minister, Enche' Abdul Rahman, at the time when he was then the Minister of Education.* Jadi pihak Ahli Yang Berhormat dari Dato

Kramat ada juga mengatakan, Tuan Yang di-Pertua, pehak Kerajaan telah bermufakat atau pun connive dengan Yang Berhormat Enche' Abdul Rahman dalam perkara ini. Pada pendapat saya, Tuan Yang di-Pertua, ini tuduhan terkeluar daripada soalan sama sekali. Apa yang saya kata, Tuan Yang di-Pertua, ini perkara mal bukan perkara jenayah, dan tuduhan itu dibuat sa-masa Ahli yang berkenaan dudok dalam jawatan Kerajaan yang tinggi, dan dari sebab itu, sah mengikut Undang<sup>2</sup> mendapat pembelaan daripada pehak Kerajaan sendiri.

Tuan Yang di-Pertua, tentang soalan—soalan kalah menang itu, didalam sa-suatu perbicharaan atau pun litigation, ada-lah perkara lain. Dan walau macham mana pun di-dalam perkara ini, kita tidak ketahui dengan jelas siapa yang akan menang, siapa yang akan kalah.

Sekian sahaja-lah, Tuan Yang di-Pertua, pendapat saya; saya tegas adalah sah dari segi Undang<sup>2</sup>, Kerajaan membuat peruntukan saperti yang tersebut di-dalam Bill ini, bagi menjaga maruah Kerajaan juga, dan untuk mensesuaikan dengan kehendak masa. Sekian sahaja, terima kaseh.

**Enche' Ong Kee Hui (Sarawak):** Mr Speaker, Sir, looking through the Supplementary Supply Bill (No. 2) of 1965, a number of Heads attract my attention, and I just wish to touch briefly on two or three of these Heads of expenditure.

My attention was first attracted to Head S. 4, Election Commission, Sabah, where an additional sum of \$30,478 is asked for to defray the establishment of a branch of the Election Commission in Sabah. In looking through this, I see that no provision has been made for the establishment of a branch in Sarawak. Recently, an announcement was made on the appointment of an ex-Government police officer as a member of a Committee, I think, which has been appointed to look into the matter of marking out the constituencies in

Sarawak for direct election, which is required under the Constitution. Very little information has been forthcoming to the members of the public, who are most interested in this exercise, because, on the marking of these constituencies and on the work of such a Committee, might depend the whole future of the country. I would, therefore, like to seek enlightenment from the Ministry concerned as to the actual position to-date, or the position as far as Sarawak is concerned, and to ask that some publicity should be given to the work of this Committee or Commission, whatever it is, who are on it, how it is proposed to mark out these constituencies, and what are the factors which will determine the marking out of these constituencies. These are matters of vital importance to many people in Sarawak who are certainly interested in this. At the present moment, it can be said that a mystery surrounds the work of the Committee, or Commission, which has been appointed to look into this matter.

The other Head I wish to touch on is Head S. 5, Public Services Commission, in which certain sums are provided. The point I wish to make, as far as this Head is concerned, is that the principle of impartiality should be adhered to. We are a bit perturbed by the recent appointments which have been made to the Public Services Commission in Sarawak, prominent members of certain political parties, who are members of the Alliance, have been appointed. Surely, Sir, in this matter, the principle of impartiality and non-alignment with any political organisation should be maintained.

Lastly, Sir, I wish to touch on several Heads, and as they relate to the same subject I would touch on them altogether. I refer, Sir, to Head S. 8, Office of the Federal Secretary, where a sum of \$100,000 has been provided because of work in connection with the new villages, which require an additional expenditure on the Office of the Federal Secretary in Sarawak.

Another Head I wish to touch on is Head S. 33—Ministry of Home Affairs. Under several sub-heads various sums are asked for: sub-head 72, a sum of \$2,500,000 has been asked for; sub-head 73, \$3,600 and sub-head 74, \$256,450. Sir, all these vast sums of money are required for the resettlement and regrouping schemes in the Simanggang Road area in Sarawak's First Division. This very heavy expenditure on one particular project is rather disconcerting, Sir, in view of the fact that these sums are in addition to the sum of \$7,068,000 which this House has already approved under Head 126, Ministry of National and Rural Development, for the same scheme. Now, we have all heard that this expenditure is necessary to counter communist subversion and also for the reason that it has been necessary from the security point of view to deal with Indonesian infiltrators which have gone into the area and which have attacked several police stations.

Now, it is generally known that, in fact, as far as that area was concerned one Police Station was attacked which cost the lives of several policemen and those of some innocent citizens. Quite rightly, measures have to be taken to counter this subversion and to try to contain communist subversion in the areas, what is staggering is the fact that it had been necessary to spend in all, certainly nearly \$3 million of our money and this, when we take into account that the sum allotted to Sarawak under the Five Year Development Plan only amounts to \$300 million, is quite a sizeable sum to spend on one project. The other thing is that one wonders whether in fact the spending of this money will achieve the results sought for. For that reason, Sir, I would like to mention that the fundamental problem in that area is one not necessarily of concentrating people in an area. The basic problem in that area is one of discontent brought about by land shortage and the inability of many young farmers to seek an outlet. It is not only this present Government but also the

previous colonial Government which is very much to blame for being unable to solve the problem of many landless farmers in the area, and, therefore, a permanent solution to this problem is one not of concentrating people into an area or confining them into an area but a problem of resettlement. I mention this Sir, because it would appear from what has happened that one incident has sparked off panic and as a result of panic, a good deal of unnecessary expenditure had been committed. I am, however, glad to see, Sir, that there is provision of the sum of \$256,450 for those people who are affected by the curfew. I raised this matter before in connection with the supplementary provision for assistance to fishermen, who were affected by the curfew, and I am glad to see that the people affected by the curfew are now going to be assisted because, Sir, to quite a number of our people—and I refer particularly to native people—living near the border areas, their lives have been disrupted by this curfew. In normal times, these people are able not only to engage in their subsistence farming but are also able to supplement what they can grow by fishing and by hunting. Since this curfew has been imposed this has become well nigh impossible because most of these activities were usually done at night, and with the curfew on, naturally, they are unable to continue this pastime with the result that they are deprived of much needed protein in their diet. This has adversely affected them, and I would urge the Ministry concerned to look into this matter and to see that no hardship is caused to these people unnecessarily. These are all the points which I would like to raise, Sir, and I commend the observations which I have made to the attention of the various Ministries concerned.

**Enche' Abdul Samad bin Gul Ahmad Mianji (Pasir Mas Hulu):** Tuan Yang Di-Pertua, saya hendak berchakap sedikit sahaja dalam masaalah Tambahan Belanjawan ini, yang pertama dalam masaalah apa

yang di-bangkitkan oleh Wakil daripada Ipoh. Pendirian Parti kami, Persatuan Islam sa-Malaya, bukan-lah kami menyokong Wakil daripada Ipoh tetapi atas nama kebenaran dan keadilan, kami kutok Kerajaan Perikatan kerana menggunakan sa-banyak \$88,323 kerana mempertahankan sa-orang Menteri yang di-tudoh dalam Mahkamah kerana korupsi.

Tuan Yang Di-Pertua, saya bukan sa-orang loyar hendak membela akan hak menghukum, sama ada benar atau pun salah, saya tidak mengatakan Yang Berhormat bekas Menteri itu orang bersalah atau tidak bersalah, tetapi saya mengatakan wang ini wang ra'ayat, tidak boleh di-gunakan kerana mempertahankan sa-orang Menteri yang di-tudoh kerana kesalahan lain. Kalau-lah di-tudoh Yang Berhormat Menteri Pelajaran, Enche' Abdul Rahman Talib, ini kerana memakan wang Kementerian Pelajaran, saya bersetuju Kerajaan mengeluarkan wang mempertahankan dia di-dalam Mahkamah, kerana dia di-tudoh dia itu menggunakan wang Kerajaan dalam Kementerian Pelajaran. Itu betul boleh di-gunakan oleh wang Kerajaan, tetapi ini, sa-bagaimana Menteri Pelajaran, dia di-tudoh kerana mendapat wang upah kerana mengeluarkan lesen baja dan tidak bersangkut paut dengan Kementerian yang di-pegangnya itu dengan benda yang dia di-tudoh di-dalam Mahkamah. Itu dia. Kalau baja yang di-maksudkan di-dalam Kementerian Pelajaran, tidak tahu-lah saya, Tuan Yang di-Pertua.

Perkara yang kedua, Tuan Yang di-Pertua, S. 65—Kementerian Pengangkutan, Menteri<sup>2</sup> yang lain itu tidak kuat sangat berchakap jadi tidak ada-lah saya hendak sentoh, chuma Kementerian ini yang Menteri-nya itu kuat sangat berchakap selalu-nya.

Tuan Yang di-Pertua, saya memulakan dengan Kementerian ini dengan hendak membachakan satu patah perkataan dalam surat khabar—Utusan Melayu—kalau di-benarkan oleh Tuan Yang di-Pertua ia-itu pada 22 Julai 1965:

daripada \$1.9 juta modal sharikat<sup>2</sup> bas hanya \$0.3 juta yang di-punyai oleh orang Melayu. Bumiputera mempunyai kebolehan.

Melaka 21 Julai—Menteri Pengangkutan, Dato' Sardon bin Haji Jubir, kelmarin memberi amaran kepada pemimpin<sup>2</sup> Parti Pembangkang.

**The Minister of Transport (Dato' Sardon bin Haji Jubir):** Tuan Yang di-Pertua tidak ada berkenaan dengan kenderaan di-sini? Ini perkara istimewa, ada Budget Meeting, dia boleh berchakap—satu hari pun dia boleh berchakap.

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Tuan Yang di-Pertua, ini supplementary, boleh di-bahatkan kemudian bila sampai Committee baharu pergi ka-detail pula. Itu yang saya faham, saya tidak tahu-lah lagi.

**Dato' Haji Sardon bin Haji Jubir:** Tuan Yang di-Pertua, mengikut Standing Orders 67 (5)—peruntukan yang diminta di-tambahkan ini sahaja yang boleh di-bahatkan atas polisi-nya.

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Tuan Yang di-Pertua sedang berchakap orang lain kena dudok.

**Dato' Haji Sardon bin Haji Jubir:** On point of order 36 (1).

**Mr Speaker:** Saya hendak ulangkan balek, Menteri itu betul pandangan dia.

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Terima Kaseh, Tuan Yang di-Pertua. Jadi tidak-lah saya bacha dan lagi surat khabar ini. Satu sahaja, Tuan Yang di-Pertua, Yang Berhormat Menteri itu marah kepada Ahli<sup>2</sup> Pembangkang kerana mengatakan dia marah pada hari itu pada Petir ia-itu Petir pun ada sa-orang sahaja-lah wakil-nya tinggal sekarang ini dan yang lain tidak ada lagi-lah. Dia marah kerana kata pemimpin Petir itu, orang Melayu ini tidak ada yang layak memegang jawatan<sup>2</sup> yang tertinggi yang hendak menjalankan perniagaan<sup>2</sup>. Jadi Yang Berhormat ini, saya suka Yang Berhormat ini, dia marah kepada

Pemimpin<sup>2</sup> Pembangkang yang mengatikan begitu, tetapi di-dalam Kementerian ini, Tuan Yang di-Pertua, mengikut Perlembagaan ada yang di-laong<sup>2</sup>kan oleh orang<sup>2</sup> UMNO ini, ada di-dalam Perlembagaan ia-itu hak<sup>2</sup> istimewa, konon ia-itu satu daripada-nya jawatan<sup>2</sup>, tetapi malang-nya, Tuan Yang di-Pertua,.....

**Dato' Abdullah bin Abdul Rahman:** Tuan Yang di-Pertua, saya refer kepada section 38 daripada Standing Orders ini ia-itu debates mesti-lah mengenai Bill yang ada di-hadapan kita ini sahaja.

**Mr Speaker:** Payah saya hendak menterjemahkan debates, sebab apa yang dia kata itu ada berkait<sup>2</sup>.

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Betul, Tuan Yang di-Pertua.

**Mr Speaker:** Dia baharu berchakap sedikit sahaja, belum sempat dia berchakap dua patah lagi sudah di-tegor.

**Dato' Haji Sardon bin Haji Jubir:** Wakil Yang Berhormat daripada Pasir Mas Hulu menunjokkan bawah Kepala mana, jangan ulang fasal surat khabar, jadi kita tahu di-mana, ini dia bawa surat khabar, tidak kena-mengena di-sini—saya tidak ada surat khabar di-sini.

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Tuan Yang di-Pertua, tidak ada kena-mengena, tetapi berkait saperti kata Tuan Yang di-Pertua tadi-lah (*Ketawa*).

**Mr Speaker:** Berkait dengan apa?

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Berkait dengan Kementerian ini.

**Mr Speaker:** Bab mana, nombor berapa?

**Enche' Abdul Samad bin Gul Ahmad Mianji:** S. 65 tadi, Tuan Yang di-Pertua, saya sudah bising<sup>2</sup> tidak tahu mana dia, sudah hilang (*Ketawa*). Benda-nya sedikit sangat tidak panjang, kalau dia orang itu benarkan saya

berchakap, tidak ada apa<sup>2</sup>, sedikit sahaja, Tuan Yang di-Pertua—ia-itu di-antara pegawai<sup>2</sup> Division I dalam Kementerian Pengangkutan sa-banyak 33 orang, yang aneh-nya hanya 5 orang sahaja anak Melayu. Itu sahaja yang saya hendak sebutkan.

**Dato' Haji Sardon bin Haji Jubir:** Tuan Yang di-Pertua, belum sampai lagi.

**Enche' Abu Bakar bin Hamzah:** Tuan Yang di-Pertua,

**Mr Speaker:** Yang mana satu!

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Tidak Tuan Yang di-Pertua, dia hendak minta penjelasan sahaja.

Tuan Yang di-Pertua, baharu<sup>2</sup> ini di-terima lagi 4 orang—2 China dan 2 Indian. Saya tidak gadoh mengikut dasar Perikatan hendak memberikan sama rata, memang itu betul dia layak membuat itu. Tetapi sudah melanggar Perlembagaan, Tuan Yang di-Pertua, kerana di-dalam Perlembagaan mengatakan hak<sup>2</sup> istimewa orang<sup>2</sup> Melayu. Saya perchaya Tuan Yang di-Pertua pun tidak akan bersetuju dengan perbuatan yang di-lakukan oleh Kementerian di-mana benda di-dalam Perlembagaan ini sudah di-langgar.

**Dato' Haji Sardon bin Haji Jubir:** Tuan Yang di-Pertua, Order 36 (1), ini tidak terlibat di-sini, kerana Kepala 65 ini fasal peruntukan, Elaun Tambahan. Kalau kami tidak betul menggunakan boleh-lah soalkan perkara ini. Perkara ini istimewa dan perkara yang sa-macam ini di-bawah jagaan Public Services Commission, yang memilih bukan Menteri. Jadi tolong Yang Berhormat itu, kalau dapat di-bahathkan, bukan saya tidak sanggup menerima, satu hari satu malam saya akan tunggu.

**Enche' Abdul Samad bin Gul Ahmad Mianji:** Enche' Allah, Alhamdulillah! Tuan Yang di-Pertua, ini berlaku di-dalam Kementerian ini dan benda yang kita bahathkan sekarang ini

Supplementary ada di-dalam-nya Kementerian Pengangkutan. Kalau Tuan Yang di-Pertua tidak benarkan saya berchakap, saya boleh duduk.

**Mr Speaker:** Saya benarkan, tetapi ada atoran ia-itu yang di-bawa perhatian itu tadi, jangan melanggar apa yang di-tetapkan di-dalam Standing Order ini.

**Enche' Abu Bakar bin Hamzah:** Tuan Yang di-Pertua, satu minit sahaja lagi.

**Mr Speaker:** Persidangan ini ditempohkan hingga pukul 2.30 petang ini.

*Sitting suspended at 1.00 p.m.*

*Sitting resumed at 2.30 p.m.*

## THE SUPPLY BILL, 1966

### 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 1966 and to appropriate that sum and such other sums as have been authorised to be issued for the service of that year" be read a second time.

In many respects 1965 has been a momentous year for Malaysia. The painful decision taken on 9th August last to separate Singapore from Malaysia has achieved the desired result, namely the elimination of political tension, though the separation itself could have far-reaching economic consequences. This year will also see the successful completion of the Second Five Year Plan for the States of Malaya. The principal targets set by this Plan have been exceeded and, as a result, the people of this country are enjoying a progressively higher standard of living. You see the evidence everywhere, wherever you go, whether in the towns or in the rural areas. I shall have more to say about the achievements of this Plan later on in my address.

What has been the performance of the Malaysian economy in this crucial year? Information so far available shows that it has in fact performed better than it did last year. That widely accepted overall measure of performance, Malaysia's gross national product at current prices, has shown a growth of about 8.5% compared with a growth of 7.6% in 1964. In physical terms, all the main sectors of the economy have recorded growth. Rubber, timber, oil palm, rice, tin and iron ore production, production of manufactured goods and the output of the building and construction industry, as well as the volume of services recorded by the Government and the private sector, are all higher this year. While domestic spending by the Government, private entrepreneurs and Malaysian consumers has been an important factor, a firm overseas demand for our exports has also been a major contribution to the encouraging performance of the economy in 1965.

The most significant achievement, of course, is that all this progress has been recorded in spite of the fact that Indonesian confrontation is still with us. In spite of it, we have not only managed to maintain the political, financial and economic stability of previous years, we have reached new heights of endeavour. So much for the past, what of the future? The biggest question mark here is whether we can continue to spend the crippling sums which have been recently provided for defence and internal security, and maintain at the same time the existing momentum of economic and social development. Upon the answer to this question may depend not only our future political and economic viability, the future of Malaysia itself may well depend on how we resolve this admittedly knotty problem. The Budget which I am presenting to the House today will, therefore, resolve round what has become one of the most crucial problems of this period in our history.

## INTERNATIONAL ECONOMIC REVIEW

In accordance with my usual practice, I shall, therefore, first give a brief account of overseas developments which have influenced the performance of the Malaysian economy in 1965. Last year saw a steady expansion of economic activity in most of the industrial countries. In the United States, the economic upsurge, now in its 57th month, has taken place under conditions of impressive price stability. Considerable progress has also been made in reducing unemployment and in improving the balance of payments. As the economy is being further stimulated by a series of indirect tax cuts, the outlook for 1966 remains promising.

In the European Common Market countries, the rate of growth during 1964 was maintained at about the 4% level reached in the previous year. Expansionary factors, however, led, among other things, to manpower shortages, to manufacturing plants operating at full capacity, and to an intensification of inflationary tendencies in most member countries during the year. In France and Italy, economic and monetary policies during 1964 were characterised by anti-inflationary measures which understandably led to some stagnation in growth. Nevertheless, measures taken by the French and Italian authorities have led to a partial recovery during the course of 1965.

In the United Kingdom, energetic action, including the raising of the Bank Rate to the "crisis" level of 7%, was taken towards the end of 1964 to deal with the large balance of payments deficit and to reduce the pressure on sterling. The increase in taxation in the April 1965 Budget and the additional restrictive measures imposed in July were intended to strengthen sterling and achieve balance of payments equilibrium in the course of 1966. Recent indications suggest that the measures are proving effective.

As regards Japan, this year seems to have been one of less vigorous growth than 1964, when gross national product rose by about 9½% despite restrictions introduced during that year to improve the balance of payments. Growth this year has so far been sluggish but the balance of payments has improved significantly.

The general picture in the industrial economies was, therefore, one of considerable expansion in 1964, but with the rapid growth slackening somewhat in 1965. Economic expansion in the United States is likely to continue, though at a slower rate, and the prospects for West Germany and Canada are somewhat similar. In the United Kingdom, Japan, France and Italy, however, industrial production increased more slowly this year. Nevertheless, the indications are that by the turn of the year industrial activity should rise appreciably in Japan, France and Italy though somewhat less in the United Kingdom.

The rapid expansion in industrial production in 1964 was followed by a sharp rise of 10% in world trade which was reflected in a modest improvement in the trade of the primary producing countries. However, 1965 has been less favourable for these countries. World trade has so far been rising much more slowly than in 1964. This situation serves to underline the urgent need for a continual search for ways and means of improving the terms of trade of the primary producing countries vis-a-vis the industrialised countries.

## MALAYSIAN ECONOMIC REVIEW

Fortunately the slower rate of economic expansion in many major industrial countries during the first half of 1965 did not adversely affect Malaysia's export trade. The turn of political events in this region probably had the effect of holding up the demand for and prices of rubber during the first half of the year, while the long-term prospects for tin continue to be good, so that our performance in

the export sector has been better than expected. The domestic sector has also fared well in the face of sustained demand brought about by Government and private sector expenditure.

As a result of our successful rubber replanting programme, production of this extremely important export commodity continues to rise steadily. Production in Malaysia during the first 9 months of this year amounted to 671,800 tons, an increase of 25,700 tons over the amount produced during the corresponding period of 1964. Malaysian total production during 1965 is expected to reach a figure of about 913,000 tons, an increase of 3.3% compared with 1964. Rubber production in the States of Malaya amounted to 623,300 tons during the first 9 months of 1965, an increase of 30,000 tons over the corresponding period of 1964.

The gross volume of rubber exports from the States of Malaya during the first 9 months of the year amounted to 645,500 tons, an increase of 2.3% over the corresponding period of 1964. The bulk of this increase in exports resulted from increased domestic production. Total rubber exports from Malaysia are expected to reach 942,000 tons during 1965, an increase of 2.2% over the 922,100 tons exported in 1964. Export earnings from rubber sales during 1965 are also expected to rise, due both to improved prices and increased volume. Total export proceeds are estimated to reach \$1,456 million, an increase of 4.3% over the figure of \$1,396 million received for 1964. The average f.o.b. unit value of rubber exports for the first 9 months of 1965 at 69 cents per lb., is 1 cent higher than that obtained in 1964.

A number of notable advances made in the Malaysian rubber industry, such as the introduction of the Standard Malaysian Rubber scheme and the crumbling process should enhance the competitive position of natural rubber. These advances will go some way towards maintaining Malaysia's share

of total world consumption and towards meeting competition from the synthetic product. This is becoming increasingly important as world consumption of natural rubber as a proportion of total consumption has steadily declined. In 1954 natural rubber accounted for 70.6% of total world consumption of all rubbers, natural as well as synthetic. This figure had dropped to 44.9% in 1964, while the figure for the first 9 months of 1965 came to only 44.5%. This is a sobering thought in spite of the fact that there is every possibility that there will still be an absolute increase in world consumption of natural rubber in the long term.

The sharp drop in the percentage accounted for by natural rubber arises from the total use of rubber increasing much faster than natural rubber production. For example, total world consumption of all rubbers in 1954 came to 2,520,000 tons, of which natural rubber accounted for 1,780,000 tons. In 1964, exactly ten years later, total world consumption had risen to 4,940,000 tons, of which natural rubber could only provide 2,220,000 tons. In other words, while total world consumption practically doubled during this decade, natural rubber production increased by only 25%. We can sell every pound of natural rubber produced, but we cannot produce enough of it.

The tin mining industry has continued to progress steadily in the current year as a result of continuing high prices. Indeed, against the background of a continuing world shortage, the price of tin, ex-works Penang, increased sharply, rising from an average of \$619.42 a picul in 1964 to \$706.23 a picul during the first 9 months of 1965. Although prices eased somewhat in the first week of November, it is not unreasonable to expect that the average price for 1965 could well be \$700 a picul which would exceed the 1964 average by some 13%.

Stimulated by high prices, output of tin-in-concentrates resumed its



upward trend but the rise so far this year has been small—47,100 tons in the first 9 months of this year compared with 44,600 tons in the corresponding period of 1964. In spite also of a large increase in the number of mines in operation, total output for the year, owing to the progressive depletion of rich ore reserves, may exceed the 1964 figure by only a little more than 3% to reach a level of 62,000 tons of tin metal.

The number of tin mines operating at the end of September 1965 was 1,029, as against 811 on the same date last year. Gravel pump mines registered the largest increase, from 687 to 907, while dredges remained the same at 67. This situation reflects the greater capacity of the smaller units to respond more readily to high prices. Gravel pump mines accounted for 48.3% of mined output, dredges contributed 39.4%, while open-cast mines and lode-mining accounted for the rest up to the end of September, 1965.

Gross exports of tin (i.e. tin metal and tin-in-concentrates) up to September this year amounted to 57,400 tons valued at \$669.6 million, compared with 54,900 tons and \$516.5 million obtained respectively in the corresponding period of 1964. Assuming a reduction in tin re-exports as a result of the ban imposed by the Thai Government on the export of tin ore, which became effective at the end of July, gross export volume for the year is likely to fall below the figure for 1964 by about 2½%, that is, to about 70,000 tons. As a result, however, of increased prices, the export income from tin will probably rise by about 10% to reach \$804 million, in spite of the lower volume exported.

An increasingly important foreign exchange earner is timber. The performance of the timber industry in the States of Malaya and Sabah has been generally satisfactory for several years past. This has been so because our timber export trade is largely based on tropical hardwoods and semi-hardwoods for which there is a

growing world demand. This is the only major Malaysian export industry which does not have to depend heavily on one single market or face unfair competition from strategic stockpile disposals or other producing countries. As a result, expansion in Malaysian timber production has been gratifying and prices have been fairly stable. Malaysian production in the first 7 months of 1965 is estimated at the equivalent of 1,259,300 tons of sawn-timber, an increase of 7.8% over the 1,168,600 tons of sawn-timber equivalent produced in the corresponding period of 1964. The volume of exports during the first 8 months of 1965, estimated at 1,398,900 tons, represents an increase of about 17.3% over the amount exported in the corresponding period of 1964. Export value at \$224.2 million was 22.4% higher than the figure of \$183.2 million reached in the corresponding period of 1964. Due to higher export volume and prices, export receipts in 1965 are forecast to be about \$343 million, an increase of about 16.4% over the export value of \$294.8 million obtained in 1964.

Production of our fourth major export commodity, viz. iron ore, totalled 5,536,100 tons during the first 9 months of this year, which was 3.9% higher than in the corresponding period of 1964. The increase in output despite a very marked fall in export unit value, was mainly due to the opening of another 9 mines. With larger production capacity, output for the current year is expected to match that obtained in 1964.

Iron ore exports for the period January—September were 5,877,200 tons, an increase of 9.5% over exports in the corresponding period of last year. However, owing to a fall in prices, total export receipts from the sale of iron ore this year are expected to amount to \$155 million or about 5% less than that obtained in 1964.

Our other export commodities, such as palm oil and kernels, canned pineapples, pepper, copra and coconut oil,

generally have had a good year. In particular, palm oil and kernels are becoming increasingly important in our list of minor exports and these two products are expected to earn about \$100 million in foreign exchange this year.

In 1964, Malaysia produced 157,100 tons of palm oil and palm kernels. For the first 5 months of 1965, production of palm kernels totalled 69,300 tons valued at \$40.3 million. This is almost 19,000 tons more than the output for the corresponding period of 1964. This encouraging rise in production is mainly due to the fact that increasing acreages of oil palm are reaching maturity. With the implementation of the various land schemes and as a result of our agricultural diversification policies, a steady increase in palm oil and palm kernel production can be expected. It is estimated that at the present rate of increase, production of palm oil and palm kernel could reach a figure of 190,000 tons by 1966.

Exports of palm oil and palm kernels totalled 142,200 tons, valued at \$88.3 million in 1964. For the first 5 months of 1965, exports totalled 62,562 tons valued at \$44 million. This is an increase of 8,045 tons over the 1964 figure for the same period. With the present trend of world demand for palm oil and the increase in our production, exports of palm oil and palm kernels from Malaysia can be expected to increase beyond the 1964 figure and fetch an average price of \$650 per ton.

While a firm overseas demand is holding up activity in the export sector, good weather and high Government and private expenditures generated a satisfactory level of activity in the rest of the economy. As a result of better weather conditions, a larger acreage was planted with padi during the 1964/1965 season and the expectation is that the harvest this year will be better than it was last year. During the first 9 months of 1965, net rice imports into the states of

Malaya fell by 41% to 183,300 tons, valued at \$51.2 million, compared with the corresponding period of last year. On the face of it, these figures might indicate that we are eating more home-produced than imported rice, but I have an uneasy suspicion that a large part of the changes brought about since last year is accounted for by the disturbing increase in rice smuggling which is taking place over the Malaysian-Thai border, but which is not so easy to prevent as the border is long, wild and unguarded.

Building and construction activity continued at a high level in the first half of 1965 as indicated by the increases in production and consumption of building materials such as cement, timber, bricks, paving slabs, floor tiles, spun concrete pipes, and so on. Estimated consumption of cement and sawn-timber in the first half of 1965 is 17% and 20% higher respectively than comparable figures for last year. Production of bricks, cement and earthenware, rose by 6.3% from 66.7 million pieces in the first 7 months of 1964, to 70.9 million pieces in the corresponding period of this year.

Manufacturing activity has also shown a rising trend in 1965 and the overall rate of growth of the manufacturing sector is expected to be maintained at about the rate achieved in 1964. A general indication of this trend is that electricity consumed by industrial and commercial users in the first 7 months of 1965, at 344.5 million kilowatt hours, was 27.4% above the level recorded in the first 7 months of 1964. More specifically, the production of manufactured rubber goods, sheeting and matting, mattresses, foam rubber products, tubing and hose, and rubber footwear was generally above the production levels reached in the corresponding period of 1964, though the manufacture of tobacco products and certain consumer items such as soft drinks and biscuits has shown a slight decline. Factories holding pioneer status certificates have also increased production and augmented their subscribed and loan capital,

which stood at \$333 million at the end of September, 1965 compared with \$241 million at the end of September, 1964.

Preliminary estimates based on the Annual Survey of Manufacturing Industries indicate that as a group, manufacturing industry in the States of Malaya recorded an increase of 23% in terms of nett value of output between 1963 and 1964. The corresponding increase between 1962 and 1963 was of the order of 20%. In terms of full-time paid employment, there was an increase of 4% in 1964. This compared with an increase of 9% in 1963. This relatively higher rate of increase in value added as compared with the increase in paid employment is explained principally by the fact that pioneer firms, which as a group are more capital intensive, were growing faster than the rest of the manufacturing sector. It is pertinent to note that pioneer firms represent some 20% of the manufacturing sector in terms of value added, but only 12% in terms of employment. Manufacturing activity in the Borneo States continues to play a much less significant role though a number of new industries have been established there in the past year.

A high proportion of the increased manufacturing activity has led to import substitution. For example, the imports of manufactured tobacco and beverages have declined in recent years. Imports of mineral fuels have also declined between 1963 and 1964 as a result of the opening of two oil refineries. As the pace of industrialisation gathers momentum this trend will be intensified. Growth, however, could well be faster as the manufacturing sector is still small, accounting for only about 9% of the gross domestic product of the States of Malaya and 7% of total employment. In this connection, I would like to say that the Government is prepared to give more protection and to adopt other measures if such measures would accelerate the pace of industrial development in Malaysia, as this objective is

one of the cornerstones of our economic policy.

Although this country has successfully wooed investors from 17 countries to participate, in partnership with domestic capital, in our industrial development, the Government intends to play a more active role in industrial promotion. To achieve this, the Government has enlisted the services of a wellknown industrial consultant from the United States to identify specific investment opportunities in Malaysia. A team of experts has already completed the essential groundwork of the study and is expected to submit its findings in the near future, which would include recommending a list of feasible industries plus data on capital requirements, production costs, likely size of markets, investment yields and such other information as would be helpful to the Government and intending investors. This survey should be of particular value to the Federal Industrial Development Authority, the nucleus of which will be established very soon.

It is also intended to establish a National Institute of Scientific and Industrial Research. This body will include, among others, a Standards Institute and an Institute of Industrial Technology, the latter two of which would ensure that both domestic raw materials and finished products conform to internationally acceptable standards. Such a development would help remove the present prejudice which Malaysian consumers have against home manufactured products. Simultaneously, a drive has also been launched in the private sector to encourage the consumption of products made in Malaysia. Last but by no means least, funds have been made available to State Governments for the development of industrial estates in their respective States. To encourage exports, the Government has already agreed to the principle of 100% drawback of duties on imported raw materials utilised for manufactures intended for export. This export drive would also be greatly assisted by the

establishment of the Trade Commissioners Service in the months ahead. On top of all this, a Government committee is at present actively reviewing incentives and facilities with a view to making this country an even more attractive centre for investment.

Our existing pioneer industry legislation provides the strongest incentives when the enterprises concerned are most profitable. The incentives are negligible if they are not likely to be profitable for some time simply because the main incentive, which consists of tax exemption, is directly related to the actual profit earned rather than the quantum of investment. A larger flow of industrial investment might ensue if incentives were directly related to the quantum of investment instead of being tied to profits. For this reason the Government is actively exploring the suggestion of introducing the principle of a development rebate into our legislation in which the quantum of incentive would be directly related to the quantum of investment. Such a device, if applied with differential rates, could be particularly effective in channelling investment to the less developed regions of Malaysia like the Borneo States or the East Coast of Malaya, by granting greater incentives for investment taking place there. It should, however, be added that this principle can only be adopted in place of that embodied in the existing pioneer industry legislation. The Government clearly cannot afford both at the same time. While on the subject of incentives, I would like to announce that the Government will extend to Sabah the existing provisions in the income tax legislation of the States of Malaya whereby anyone incurring expenditure on approved new planting is allowed to write off such expenditure in 2 years instead of the 10 years provided for in the Sabah legislation. This concession of accelerated depreciation will be available from January, 1965.

In general, the service industries have also recorded higher outputs this year. The output of water supplies,

transport and communication services, education, defence and other public services as well as services provided by the private sector, such as domestic services, laundries, entertainment, tourism, hotels and restaurants continued to increase to meet rising demand. Goods carried by the Railways during the first 8 months of 1965 increased to 2,734,000 tons compared with 2,193,000 tons in the corresponding period of 1964. The number of passengers and the weight of goods carried by aircraft landing at our airports during the first half of this year increased by 12.5% and 17.1% respectively compared with the corresponding period of 1964. Cargo loaded and unloaded at Port Swettenham during the first 7 months of this year increased by 18.2% over the amount handled during the corresponding period of last year, and that handled at Penang during the first 8 months of this year rose by 5.9% compared with the volume handled during the corresponding period of 1964.

#### EMPLOYMENT, WAGES AND PRICES

The high level of economic activity during the year had favourable effects on the employment situation. Employment in tin mines rose from 38,390 persons at the end of 1964 to 43,615 persons at the end of September, 1965. Manufacturing industries, road construction, building projects and timber camps provided additional employment opportunities. In spite of this, employment opportunities are not growing fast enough to absorb the increasingly large number of boys and girls leaving school every year. At the end of this year at least another 100,000 boys and girls will be leaving school. Unless many more jobs are created in the future than have been created in the past, the position will deteriorate progressively.

In the First Malaysian Five Year Development Plan, it has been estimated that the net increase in the labour force would be about 65,000 in 1966 and about 70,000 annually thereafter. The amount of gross fixed

investment required per job has been very roughly estimated at \$18,000 so that in order to provide jobs for the increase in the labour force next year, gross fixed investment of the order of nearly \$1,200 million is called for, rising to \$1,260 million annually thereafter. Such is the magnitude of the investment required in the public and private sector to meet the employment problem of our country.

In June, 1965 the Department of Statistics carried out a sample survey of households in the five metropolitan areas of Kuala Lumpur and Petaling Jaya, Georgetown, Ipoh, Klang and Johore Bahru. The survey was aimed at obtaining data relating to employment and unemployment.

The results of the survey indicate hardly any change in the overall employment and unemployment situation in these areas since mid-1964 to which I referred in my Budget speech last year. The pattern of unemployment by age groups for both sexes followed the same pattern as in 1964 with the highest rate for unemployment occurring in the age groups 15-19 and 20-24, and there was little change in the rates for each group. For both sexes approximately 50% of the unemployed have been jobless for over 6 months, and more than 30% had been unemployed for over one year. Here again no significant change has taken place since mid-1964.

In analysing employment by occupational groups, a slight change in the distribution of employment appears to have taken place. Services still account for the largest number of employees with 35.2% of the total work force employed in the service trades in 1965 as against 36.5% in 1964. Commerce accounted for 23.7% in 1965 as against 25.2% in 1964, manufacturing 16.7% in 1965 as against 16.9% in 1964. Transportation, communications and storage which absorbed 6.9% in 1964 accounted for 9.1% in 1965, and thus showed a distinct change.

Statistics on the employment and unemployment situation in the rural areas are not available at the moment. However, there appears to be no reason to believe that the position has altered much since 1962 when a sample survey on a national scale was undertaken.

The number of job seekers who had been registered at employment exchanges at the end of August, 1965 totalled some 91,860 persons compared with 88,615 persons at the end of August, 1964. Although these figures reflect a worsening trend, it is unlikely that they tell the whole story. The majority, however, of the registered unemployed in the States of Malaya are unskilled. Sarawak and Sabah, on the other hand, face an acute shortage of skilled and semi-skilled labour for development and building construction projects, and for rubber and timber plantations, but the States of Malaya have not been able to meet this demand. The moral is obvious, and that is that there is a growing need for more facilities for equipping the younger generation with the required skills which would enable them to be absorbed in gainful employment. Needless to add, this is the primary purpose behind the recent Government move raising the school leaving age by another 3 years.

The rising curve of unemployment highlights once again the need to slow down our population increase which, at over 3% per annum, is still one of the highest in the world, and far too high for a developing country which is struggling to increase the living standards of its population as a whole. Viewed in this light, this question of population increase assumes special importance and the Government has, therefore, decided to encourage family planning as a matter of policy as a result of the findings of a high level committee headed by the Minister of Education. Further details will of course be supplied in due course by the appropriate Ministries. For the moment, it is sufficient to say that this is clearly a step in the right direction and should do much to

contribute to the solution of a problem which, if not satisfactorily solved, could well nullify the stupendous efforts we are making in other directions to build a better society for us all. It is also pertinent to add that even if family planning is pursued with the utmost vigour now, the results will not become apparent until at least a generation from now. It is obvious, therefore, it is not too late to start now.

There was a slight decline in the general level of retail prices in the first 9 months of 1965. The retail price index for the States of Malaya in 1965 fell from 103.3 in January to 101.5 in September. The average monthly retail price index for the first 9 months of 1965 was 102.3 compared with an average of 102.4 for the corresponding period of 1964, reflecting a remarkable degree of price stability. This achievement is all the more significant when it is remembered that it was gloomily predicted in some quarters that the combined effect of some of the new taxes introduced in the last Budget would be a rise in the cost of living. That this has not happened at all is a tribute not only to the effectiveness of our administration and the soundness of our policies, it is a signal tribute to the general soundness of the taxes themselves. (*Applause*). On present trends, it is unlikely that the cost of living in Malaysia will be subject to significant changes for the rest of the year. However, in Sarawak and Sabah, there have been indications of some pressures on prices, resulting mainly from the accumulation of export earnings and the concentration of increased construction activities within limited areas in those two States.

#### MONETARY AND FINANCIAL DEVELOPMENTS

I have often stressed that our economic growth and prosperity must be founded on financial stability. All the available evidence points to the success of this policy. Total purchasing power in the country has grown in 1965 at a rate which is in line with

the availability of goods and services and hence has contributed to the maintenance of financial stability. When there is too much ready money in our pockets, we tend to bid up prices for goods and services produced in the country or import them from overseas and in the process dig into our reserves of gold and foreign exchange. The estimated gross currency in circulation in the States of Malaya, Sarawak and Sabah at the end of September, 1965 was \$1,074.1 million, an increase of about 4.1% from the \$1,031.8 million in circulation at the end of 1964, but active currency circulation, that is, money actually in our pockets, to put it crudely, increased at the slightly faster rate of 5.4% from \$952.6 million at the end of 1964 to \$1,004 million at the end of September, 1965. Current account deposits in the bank amounted to \$619.1 million at the end of September, 1965, so that added to the active currency circulation, the total money supply amounted to \$1,623.1 million, an increase of about \$51.5 million compared with the position at the end of 1964. During the same period, fixed deposits and savings account balances grew by \$94.7 million to \$886.2 million. This rate of growth in the money supply during 1965, which is well below the estimated growth rate in G.N.P., has given us no cause for concern, especially in view of the prevailing price stability.

The process of consolidating banking services and facilities in Malaysia continued during the year. Up to the end of September, 1965, there was an increase of 14 banking offices in the country and there are now 33 banks in Malaysia operating a total of 274 banking offices.

Following the upward trend of the last few years, deposits and advances of commercial banks continued to grow. Up to the end of September, 1965, total deposits of commercial banks rose to \$1,663 million compared with \$1,532 million at the end of 1964, while total bank credit rose from \$1,083 million to \$1,154 million.

These figures reflect the healthy expansion of economic activity in the country and although bank credit is still largely centred round general commerce, there has been a noticeable increase of bank credit to the manufacturing sector of the economy.

On the other hand, the Stock Exchange was in the doldrums during most of the year on account of the unsettled political situation in this region. The Government is aware of the value of an active stock market and hence, in response to representations from the Stock Exchange, exempted stock and share transactions from capital gains tax for an indefinite period, though initially the exemption extended up to the end of this year only. I would like to say, however, that this concession was made in spite of the fact that the Government was not satisfied that the effects of this tax were as adverse as they were made out to be. It was, however, felt that with the market in such a depressed state, even a little encouragement was better than no encouragement at all. Although time has proved that the Government was right in its assessment that the adverse effects of this tax were purely marginal, in so far as stock and share transactions were concerned, I still think that we did the right thing, even if, as it has turned out to be, it was only a temporary psychological boost.

#### EXTERNAL TRADE AND BALANCE OF PAYMENTS

The merchandise exports of Malaysia have been characterised by very slow growth between 1961 and 1964. Exports in 1961 amounted to \$3,238 million and these had grown to \$3,397 million in 1964. It is significant that although total exports were growing, the value of rubber exports which stood at \$1,567 million in 1961 declined to \$1,396 million by 1964. This decline in export values is explained by the fall in the average f.o.b. unit value of rubber from 81 cents per pound in 1961 to 68 cents per pound in 1964. The fall in export value would have

been even more marked had not production increased by approximately 10%. The growth in total export earning was therefore possible because of the higher output of timber, oil palm, and in the case of tin of both output and prices.

Based on the statistics for the first 9 months of 1965, the indications are that exports in 1965 will reach a record level of \$3,650 million, an increase of about 7.5% over the 1964 level. This healthy performance can be explained by the continued increases in production of all export commodities, with the exception of iron ore, coupled with better prices for our major exports.

Our import bill has been growing over the years. Between 1961 and 1964 imports increased from \$2,845 million to \$3,255 million, an increase of over 14%. However the increase between 1963 and 1964 was between 1% and 2% only or \$40 million. In 1965, imports are expected to rise by approximately 3% to \$3,351 million, resulting in a favourable trade balance of \$299 million, compared with a surplus of \$142 million in 1964. (*Applause*). The most significant increases in imports have been registered in the fields of machinery and equipment, chemicals and raw materials.

The information so far available on our balance of payments outturn suggests that this year there will be an improvement in our transactions with the rest of the world, (*Applause*) that is, in our foreign trade and the flow of funds into and out of this country. For the year as a whole, our balance of payments on current account is expected to show a distinct improvement, mainly as a result of the favourable levels of rubber and tin prices during the first 6 months of the year. The current account which recorded a deficit of \$122 million in 1964 is expected to show a surplus of \$33 million, (*Applause*) a welcome improvement of \$155 million.

In spite of the substantial current account deficits in the Malaysian

balance of payments in recent years, the capital account has remained healthy (*Applause*). Between 1961 and 1964, the current account deficits had been largely financed by inflows of private long-term capital and official loan receipts. It has not been possible to compile final capital account statements as complete statistical data are not available following Singapore's separation from Malaysia so soon. Preliminary work indicates that the balance of current and long-term capital account showed surpluses of \$257 million in 1961, \$193 million in 1962, \$160 million in 1963 and \$204 million in 1964 (*Applause*). It is difficult to forecast the outcome for 1965 at this stage as the necessary information is not yet to hand.

Net official reserves of gold and foreign exchange, which had been growing until 1962, showed a decline of \$9 million in 1963. These reserves declined further in 1964 by \$146 million. During the first 7 months of 1965, however, they have increased by about \$127 million. A small part of this was due to the surplus on current account but the major portion of the increase reflected consistent inflows of private as well as official long-term capital into this country. Malaysia's gross total gold and foreign exchange reserves amounted to about \$3,058 million as at the end of June, 1965, and were about 3.4% above the level at the end of 1961 (*Applause*). These reserves are sufficient to meet about 10 months' imports at the current rate and are a testimony to the strength and resilience of the Malaysian economy (*Applause*).

#### CURRENCY ARRANGEMENTS

The House will want to know what currency arrangements are likely to be in force when our notice of replacement, given in accordance with the provisions of the Currency Agreement, expires sometime in the middle of next year. I indicated last year that we had offered to issue currency for Brunei as well when Bank Negara Malaysia becomes the sole currency issuing authority after that date.

Although negotiations with Brunei have continued, I regret to say that up to the present it has not been found possible to evolve proposals fully satisfactory to both parties. As a result of the withdrawal of Singapore from Malaysia, new considerations have arisen. The entire pattern for the future will have to be reviewed again and the situation will be discussed with both Singapore and Brunei at an early date. In the meantime, the Currency Board continues to issue currency throughout Malaysia, Singapore and Brunei and the sterling backing for this currency still amounts to approximately 110% of the value of the issue (*Applause*). In the meantime also, the Government has invited the International Monetary Fund to send a mission to advise us. The advice of this mission, from an institution whose international standing and technical competence are beyond question, would at the same time be available to the Singapore Government if such advice is desired.

This question bristles with difficulties since it involves the traditional unity of the banking and currency system, the need to reconcile the interests of Malaysia, Singapore and Brunei and last, but by no means least, the necessity to have Bank Negara Malaysia operating as a fullfledged and effective central bank. In regard to the last-named factor, it is clear that the Government itself cannot accept any arrangement whereby our ability to act effectively and promptly in vital areas of monetary and economic policy could be seriously curtailed in any way through our having to obtain the prior concurrence of an outside authority. It will, therefore, be seen that there is no easy solution to this question and considerable ingenuity and patience will be required if agreement is to be reached among the three Governments concerned.

#### ECONOMIC RELATIONS WITH SINGAPORE

In my Budget speech last year, I stated that the most important inducement to the growth of manufacturing



industry in this country would be the common market, and I confidently expected at that stage that things should move at a steady pace from then on towards the eventual establishment of such a common market, with Singapore as part of it. From now on, I will use the term "customs area" instead of "common market" as it is not appropriate to talk of a Malaysian common market which includes only the States of Malaysia. The reason for this change of nomenclature is that the expression "common market" connotes a customs union between completely independent countries and is not normally used to describe what is mainly a harmonisation of tariffs as between different components of the same country. The Government has decided that in future only this new term shall be used. Political events since 9th August this year, when Singapore withdrew from the Federation, compel us to take a second look at the original concept now that Singapore is an independent country, free to pursue trade and economic policies of its own.

There has been natural and widespread speculation on both sides of the Causeway as to what the future holds. Whilst it can be argued that the political separation of Singapore from Malaysia does not in any way detract from the economic arguments in favour of its inclusion in the Malaysian customs area, other factors assume greater importance now as a result of the changed political circumstances. It is well to recall that Annex J to the Malaysia Agreement which governed the financial and economic arrangements pertaining to Singapore when she joined Malaysia just over two years ago, was a delicately balanced package deal. In return for an undertaking to include Singapore within the proposed Malaysian customs area, Singapore agreed, among other things, that the Federal Government should receive 40% of Federal revenue derived from Singapore and that the Federal Government should have overriding powers of taxation and in other fiscal and economic fields over Singapore.

Singapore also agreed to make a sizeable contribution towards economic development in the Borneo States. It would clearly be a one-sided arrangement, an arrangement which is unduly advantageous to Singapore if she should now have a common market without giving an adequate *quid pro quo* in return. This would be equivalent to having the advantages of Annex J without its obligations, all the more so since Singapore is now an entirely separate political entity. That this argument is accepted by Singapore is evidenced by the fact that the Separation Agreement expressly provided that Annex J was to be regarded as no longer binding on both parties.

In spite of this, however, within five days of Singapore Day, i.e. the date of Singapore's withdrawal from Malaysia, I sent a special emissary to Singapore in the person of the Chairman of the Tariff Advisory Board to dissuade Singapore from taking measures which would impede trade between our two countries. We suggested that the quantitative restrictions which Singapore imposed within hours of the declaration of Singapore Day should be immediately dismantled on both sides, though this would not prevent both countries from erecting tariff walls to protect their domestic industries for the time being. Singapore has eventually agreed to this proposal but it is well to remember that the original initiative came from us. It was readily admitted at the time, and it is readily admitted now, that this was only a limited area of agreement but it was felt that it was far better to go step by step than to try to go too fast and as a result get bogged down even before we started. For example, Singapore's counter proposal that the two countries should agree to economic union in principle without exploring beforehand the obvious obstacles which beset this path could result in more controversy than agreement. After all, it is not so easy to try to bridge the gap of our existing differences in one mighty jump merely by ignoring them. It is also pertinent to add that even in Western Europe, which is regarded as much

more advanced than this part of the world in this respect, political rapprochement is an essential prerequisite to economic union. Britain's failure so far to gain entry into the European common market is a vivid illustration of this political and economic fact of life. Recent statements from the Prime Minister of Singapore are certainly not conducive towards a healing of the breach between our two countries.

Be that as it may, we have also offered to set up a joint committee of officials from the two countries to examine the larger issues raised by Singapore. This would ensure that though we favour a modest start, we also recognise that this start can grow into something bigger. This approach combines realism with a progressive outlook.

On the domestic front, however, the Government is moving steadily forward towards the creation of a single customs area for Malaysia itself by harmonising tariffs between the Borneo States and the States of Malaya. I will deal with this in more detail when I announce the indirect taxation measures that we propose for this Budget.

In the meantime, Honourable Members will be aware of the action taken by the Central Government on 9th October last, when three inter-related measures designed to achieve the ultimate economic integration of the different components of Malaysia were implemented. There was, firstly, the removal of a substantial number of precautionary import controls which came in force sometime ago to prevent speculation in those items likely to be included in the common market as envisaged and known then. A few import controls have, however, been retained to protect goods made in Malaysia which are not yet produced in sufficient quantity to meet domestic demand in full, particularly as no protective tariffs have been imposed so far, although expansion of production is under way. In other cases, it has been necessary to impose both protective tariffs as well

as import controls, but it still remains our policy to dismantle all these precautionary controls as soon as appropriate rates of protective duties have been imposed.

Secondly, in order to provide incentives for industrial development in the Borneo States, import duties on over 200 tariff items in Sarawak and Sabah relating to a wide range of raw materials, equipment and machinery have been removed, in line with the treatment accorded to such items in the States of Malaya. At the same time, duties on certain imports have been increased in order to accord greater protection to similar products manufactured in this country.

Thirdly, exemption from import duty has been allowed on more than 160 items of goods of Malaysian manufacture when they move from one part of Malaysia to another. The reason for this move is obvious, and it is intended to complete this operation as soon as possible, so that not only goods manufactured in Malaysia, but all goods, whether manufactured in Malaysia or not, can move freely between the different customs areas existing at present without payment of duty, subject only to the need to protect domestic industries in the less developed States like Sarawak and Sabah, where this is considered desirable.

In this exercise, the question that inevitably arises is the future status of Penang Island. The measures taken by the Government on 9th October this year do not apply to goods manufactured on Penang Island, as manufacturers on that Island enjoy the privilege of duty free entry of their raw materials. It would clearly not be fair to other manufacturers on the mainland should Penang Island manufacturers have the best of both worlds.

At the same time, I am very conscious of the fact that Penang Island presents both a problem and a challenge as to what should be its

eventual role in the projected Malaysian customs area. The Rueff Mission report envisaged that the entrepot trade of Penang Island could and should be safeguarded within a Malaysian customs area, but the question of the free port status of the Island itself is still unresolved. With a view to obtaining impartial and expert advice on this question, the Malaysian Government has asked the World Bank to send a team of experts to study the economic problems of Penang and to formulate, for the consideration of the Central and State Governments, a long term economic development plan for Penang which would fit into the national pattern.

During my recent visit to Washington, I personally made such a request to the World Bank and am hopeful that a mission will come out from the Bank to undertake such a survey in the not too distant future. Whilst I do not wish to anticipate the findings of the World Bank team, I think it is clear that the State Government and the people of Penang have to make up their minds soon on what they want and this decision should not be a particularly difficult one to make. It is worth noting that unemployment in Penang is becoming increasingly serious. Penang can still come into the Malaysian customs area and yet retain what is left to her entrepot trade by establishing a free trade zone in the port area. She can get the best of both worlds at a small price, and that is the payment of customs duties which, in any case, are paid by the rest of Malaysia and which are now being paid by the people of Singapore to whom the retention of their free port status should have been far more important because of their far larger entrepot trade. This is the time to take a long view and not to be so short-sighted as to be unable to see the wood for the trees.

#### GROSS NATIONAL PRODUCT

Recent years have seen a progressive rate of growth in the gross

national product. Between 1962 and 1963, G.N.P. rose from \$7,044 million to \$7,480 million. In percentage terms this represented a growth of 6.2%. During 1964 G.N.P. increased by 7.6% to \$8,045 million. This upward trend is expected to continue in 1965 as the latest forecast based on indicators for the first 8 months of 1965 indicate a growth rate of 8.5%.

These high rates of growth have prevailed in all the components of Malaysia. In the States of Malaya, G.N.P. has been growing at 6.5% and 7.1% between 1962-1963 and 1963-1964 respectively. In 1965 a rate of 7.8% is in prospect. In Sarawak the rate of growth has been even more marked. In 1962 the G.N.P. of Sarawak is estimated to have amounted to \$485 million. By the end of 1963 it had grown by 4%. A very sharp increase took place between 1963 and 1964, as a rate of 10.7% was recorded during that period. From forecasts prepared for 1965, a rate of over 11% is expected. In the case of Sabah, the rate of growth has been even greater. Between 1962 and 1963, Sabah's G.N.P. grew from \$319 million to \$337 million which represented a rate of 5.6%. At the end of 1964, the G.N.P. amounted to \$387 million, representing a growth of 14.5%. The likely outcome for 1965 is expected to be a further rise of over 16%.

Malaysia's per capita income has risen from \$816 in 1962 to \$932 in 1965. While per capita income in the States of Malaya is higher than in the Borneo States and is expected to reach \$956 in 1965, the levels in Sabah and Sarawak are not far below the Malayan level. In Sabah per capita G.N.P. is expected to reach \$860 in 1965 compared with \$664 in 1962. In Sarawak per capita G.N.P. is expected to be \$739 in 1965 compared with \$623 in 1962.

Gross capital formation has also been rising steadily. This increase has taken place both in the private and

the public sectors. Total gross capital formation rose by over 10% between 1963 and 1964, from \$1,444 million to \$1,594 million, while an increase of 11% is expected in 1965 over the 1964 level. As a percentage of gross national product, gross capital formation continues to maintain a constant proportion, approximating 20%. While increases in gross capital formation have taken place in all the components of Malaysia, the rates of growth in the Borneo States have been extremely high. In Sabah, gross capital formation rose from \$91 million in 1963 to \$107 million in 1964, an increase of over 17%. A further increase of the same order is expected in 1965. Government expenditure in the public sector was, of course, a major contribution to this high rate of growth, though the private sector has not lagged behind. Similarly, in Sarawak gross capital formation rose from \$95 million in 1963 to \$105 million in 1964. This represented an increase of over 10%. Between 1964 and 1965 a further rise of 19% is expected. The public sector's rate of growth which approximated 8% between 1963 and 1964 is expected to be even higher during 1965, and a rate of 25% is likely to be recorded. The private sector's rate of increase between 1963 and 1964 amounted to just over 12%. The increase in 1965 is expected to be over 15%.

These are very encouraging rates of investment, particularly when the country is still facing the threat of external aggression. That such rates have been recorded in both the public and private sectors provide striking evidence of the confidence of investors in the strength and stability of the Malaysian economy. The rate of growth of our gross national product and the level of per capita incomes in Malaysia are significant pointers to the effective manner in which development is taking place in Malaysia which now has probably one of the highest rates of economic growth among the developing countries of the world (*Applause*). The per capita income levels achieved are also some of the highest among developing countries. In fact, in Asia, only

Japan, an industrial economy, has a higher per capita income.

**Dr Tan Chee Khoon:** Singapore!

**Enche' Tan Siew Sin:** The statistics I have quoted so far are a resounding vindication of the prudent policies which have been followed by the Government over the years. If these results are measured against the background of Indonesian confrontation, the worsening terms of trade and even more remarkable, the maintenance of price stability, the country can justly take pride in the magnitude of our achievements.

One Honourable Member mentioned Singapore, but I think the comparison is not quite valid, because Singapore is really a City State (*Laughter*).

#### FEDERAL GOVERNMENT ACCOUNTS

We now come to the accounts of the Federal Government. The final outturn for 1964 showed a slightly more favourable picture than the revised estimates for that year given in my Budget speech last November. Revenue totalled \$1,458 million or \$48 million more than estimated. Ordinary expenditure at \$1,707 million was \$36 million more than estimated. The Ordinary Budget deficit was thus \$249 million or \$12 million less than envisaged. However, if allowance is made for transfers to the Development Fund and other statutory funds amounting to \$306 million, the current account would in fact show a surplus of \$57 million.

Taking into account development expenditure of \$509 million and receipts, including foreign grants, credited direct to the Development Fund, of \$60 million, the overall deficit of the Federal Government for 1964 amounted to \$391 million. This was partly financed by domestic borrowing of \$212 million and foreign borrowing of \$6 million. Since there was a net disbursement of \$22.5 million arising from the operations of various trust and deposit accounts, the Federal Government's liquid assets fell by \$196 million or \$16 million

less than anticipated in my last Budget speech.

The Federal Government's accounts for 1964 cover Malaysia with Singapore. The original budget estimates for 1965 were also framed in the context of Malaysia with Singapore. As Honourable Members are aware, the financial arrangements relating to Singapore ceased to operate as from Singapore Day. In appraising the original estimates and the performance in 1965, it will therefore be necessary to make adjustments for the separation of Singapore.

In terms of Government finance, 1965 is proving to be a relatively favourable year. High rubber and tin prices and the generally high level of economic activity will affect revenue favourably. These factors, together with the loan receipts arising from the recent New York loan, and a substantial increase in commercial bank holdings of Treasury bills, are likely to reduce the rundown in the Government's liquid assets to a manageable figure.

I will now deal with the components of the 1965 accounts in greater detail. Revenue was originally estimated to reach \$1,511 million. Of this, \$150.6 million was to be the Federal Government's 40% share of Federal revenue derived from Singapore, and \$1,360.9 million was to be derived from the States of Malaya, Sarawak and Sabah. The Federal Government's share of revenue derived from Singapore that has actually been received amounts to \$87.6 million. This receipt for a period of just over 7 months amounts to almost exactly 7/12ths of the original estimate of \$150.6 million. Although turnover tax had not been collected, the shortfall was made good by a more than proportionate collection of income tax during these 7 months.

Revised estimates of revenue from Malaya, Sarawak and Sabah show that collection will reach \$1,437 million or \$77 million higher than originally estimated. Higher prices for rubber and

tin directly account for \$37 million of the increase. While the original estimates assumed a rubber price of 62 cents per pound the actual average for R.S.S. No. 1 for the first 6 months was 72.67 cents. If a second half average of 66 cents is assumed, the export duty on rubber for the whole of 1965 can be expected to yield \$82 million or \$24 million higher than originally estimated. The price of tin averaged \$684 per picul over the first half of 1965. The price had risen even during this period and may be expected to average \$726 per picul for the second half of the year. If the annual average turns out to be \$700 per picul or \$50 higher than originally assumed, then export duty on tin can be expected to yield \$112 million or \$13 million higher than previously estimated.

Revenue from income tax was originally estimated to yield \$277 million. Collections for the first three-quarters of the year amounted to \$245 million. Allowing for another \$55 million to be collected during the fourth quarter, the year's total collection of \$300 million should establish a new record (*Applause*). If this surmise proves correct, it will be \$38 million or 14% higher than the 1964 collections from Malaya, Sarawak and Sabah. A part of this increase is attributable to the changes in income tax rates made in the last Budget which were estimated to produce \$14 million of additional revenue. If this amount is excluded, the remaining \$24 million is equivalent to an increase of 9% over the 1964 collection.

Associated with the higher prices of rubber and tin, and the generally high level of economic activity, receipts from various import duties, road transport licences and fees, betting and sweepstakes exceeded the original estimates by varying amounts. On the other hand, it may be noted that turnover tax actually collected for 1965 may only amount to \$5 million owing to various delays, although an additional amount of some \$25 million of the tax assessed and due for 1965 will be collected next year. As regards

payroll tax, the revised estimate is \$18 million, which is \$4 million more than the original estimate. Collection of profits tax on tin is now being made and is expected to reach at least the \$5 million aimed at in the last Budget.

The revised estimate of revenue of \$1,437 million from the States of Malaya, Sarawak and Sabah for 1965 is \$99 million or 7.5% more than the actual yield for 1964. Some \$23 million of this increase is accounted for by higher export duty receipts from rubber and tin. The larger part of the increase, however, is accounted for by the additional taxation imposed by the last Budget and estimated to yield \$87 million from these three components. It is worthy of note that but for the higher prices of rubber and tin, and the substantial tax increases imposed by the last Budget, revenue in 1965 would not be any higher than that in 1964.

The 1965 Ordinary Budget expenditure appropriation of \$1,599 million was increased by the first supplementary estimates to \$1,625 million. A second supplementary appropriation presented to this House during this meeting will increase appropriations by a further \$59 million bringing a grand total to \$1,685 million. Of this total, about \$75 million were appropriations for Federal services, excluding defence, in Singapore. With the separation of Singapore, some \$35 million of this amount will not be spent. If the transfer to the Development Fund is kept at \$50 million, and an allowance of \$70 million is made for underspending, it is estimated that actual Ordinary Budget expenditure will be of the order of \$1,580 million.

The 1965 Development Budget appropriation of \$801 million was increased by the first supplementary estimates by another \$10 million. A second supplementary appropriation presented during the present session sought an additional \$43 million to bring the total appropriations to \$854 million. Setting aside the \$40 million appropriation for the Contingencies

Reserve, and allowing for a similar short fall as occurred in 1964, actual development expenditure is estimated at \$550 million, which will be \$41 million or 8% above the actual expenditure for 1964.

Special receipts paid direct to the Development Fund are now estimated at \$75 million. These include some \$54 million worth of grants for defence from Britain, Australia, New Zealand and Canada. The British Government grant of \$17 million (£2 million) for Borneo development is also included in this figure. The balance of \$4 million represents repayments from State Governments and public corporations of loans previously issued from the Development Fund.

These special receipts will contribute towards the financing of development expenditure incurred during the year. The balance will be met from funds raised from the issue of long-term loans and from transfers from the Consolidated Revenue Account. The "Contribution to Development Fund" included in Ordinary Budget expenditure is to be kept in 1965 to only \$50 million compared to a contribution of \$270 million in 1964. Instead, I propose this year to transfer to the Development Fund a sum of \$200 million from the funds raised through Treasury bills and held in the Consolidated Loans Account. A resolution to effect this transfer in accordance with the requirements of the Treasury Bills Act has been tabled before this House.

To sum up, the revised estimates for 1965 show revenue as \$1,525 million and recurrent expenditure, excluding transfers to the Development Fund and other statutory funds, at \$1,523 million. There will thus be a current account surplus of \$2 million. I should stress, however, that a current account which is roughly in balance is not at all satisfactory for two reasons. In the first place, non-economic projects, such as those in the field of defence, internal security and social services, to name only three of

the biggest spenders, absorb anything from 1/3rd to 2/5ths of the Development Budget, and strictly speaking, such projects should be entered in the Ordinary rather than the Development Budget. Secondly, the trend of the current account outturn is ominous. The surplus on current account in 1960 which stood at \$237 million, had declined to \$135 million by 1962, and was down to \$57 million in 1964. This year it will almost completely disappear. It is, therefore, apparent that the position in this respect is deteriorating not only progressively, but alarmingly so, and therein lies the great danger. The ideal, of course, would be a budget which provided for even development expenditure out of current revenue. At the least it is essential that a significant part of the Development Budget should be financed from current revenue. To finance, however, the whole of the Development Budget and, worse still, even a part of the Ordinary Budget from loans, is the surest way to eventual financial disaster. This trend will, therefore, have to be reversed, somehow or other.

Development expenditure in 1965 is estimated to reach \$550 million, while receipts credited direct to the Development Fund are expected to amount to \$75 million. Taking these into account, the current account surplus of \$2 million will be transformed into an overall deficit of \$473 million. While this revised estimate is \$69 million less than envisaged when the 1965 Budget was presented last year, it is a record deficit, being \$82 million more than the overall deficit for 1964.

#### PUBLIC DEBT

The revised estimate of foreign and domestic borrowing of \$425 million is much higher than originally estimated. Receipts from foreign borrowing are now estimated at \$85 million and domestic borrowing at \$340 million. After making adjustments for repayments, the total debt of the Federal Government had increased by \$375 million during the

first 10 months of the year to stand at \$2,592 million at the end of October, 1965. It is estimated to increase by a further \$32 million to stand at \$2,624 million by the end of 1965. As at the end of October, 1965 the external debt of the Federal Government stood at \$510 million while domestic debt stood at \$2,082 million.

The House will recall that at the last Budget meeting, I revealed that the Government was exploring the possibility of raising loans in the New York market. I think Honourable Members are aware that the first loan floated in this market in April this year was a resounding success. The serial bond issue of US\$25 million (Malaysian \$75.6 million) is repayable in 5 years and carries a coupon rate of 5½% per annum. Honourable Members may also recall that our first foreign market issue since independence was made in the London market in 1963. Both issues were oversubscribed. This is a fair measure of Malaysia's credit standing in the eyes of hard headed foreign investors. Unfortunately, the political situation in South East Asia has deteriorated further even since last April and it is not easy at this stage to say when it will be possible to float a further loan either in New York or in London, in spite of the success of previous loan flotations in both markets. I have hopes, however, that something can be done in this field in the not too distant future.

During 1965 some progress was made in obtaining project loans from abroad. I stated in my speech last year that an application had been made to the World Bank for a loan to finance the Muda irrigation scheme. I am glad to announce that we received a telegram from the World Bank only this morning informing us that this loan of \$134.7 million designed to finance an ambitious project whose total cost is likely to amount to \$204 million, was approved in Washington yesterday. When completed it should make a major contribution not only to the incomes of

the farmers in the region but also to the agricultural sector of the national economy itself. A special feature of this loan agreement is that it will mark the first occasion when the World Bank will be granting Malaysia a loan to finance not only the foreign exchange costs of a project but also a portion of local costs. In fact, I am told that this is the largest agricultural loan made by the World Bank to date.

I am pleased to state that an agreement has also just been concluded with the Kreditanstalt für Wiederaufbau of the Federal Republic of Germany for a loan of DM15 million (M\$11.5 million) to finance the cost of equipment for the Teaching Hospital of the University of Malaya (*Applause*). This is the second loan from this source and that interest rate of 3% per annum is as favourable as that on the first loan.

If, as stated earlier, gross receipts from domestic borrowing total \$340 million for the whole of 1965, the figure reached would represent a new record and would be much higher than the amounts of \$212 million raised in 1964, and \$210 million raised in 1963. This high rate of domestic borrowing this year is largely due to the very large increase in the amount of Treasury bills issued and outstanding. Honourable Members will recall that the limit to the amount of Treasury bills which the Government was authorised to issue was raised from \$150 million to \$300 million in 1964, and to \$600 million during 1965. This further increase was necessary in order to meet the needs of banks and institutional investors, as evidenced by the fact that the amount of Treasury bills outstanding at the end of October, 1965 was in excess of \$392 million. From the beginning of this year to the end of October, the amount of Treasury bills outstanding rose by \$171 million. Of this increase, \$125 million was accounted for by increased commercial bank holdings which now amount to \$234 million or about 60% of

total bills outstanding. This sharp increase in commercial bank holdings was partly due to the need to comply with the liquidity requirements laid down by the Central Bank. The development of a market for Treasury bills has also been stimulated by the operations of Malaysia's only discount house, which although initially treated with some reserve by a number of commercial banks, has had its services increasingly accepted by them and other institutional investors in the course of the year.

As at 10th November, 1965, the public has given just over \$6 million to the National Defence Fund. This is a creditable effort, though it could be better. On the other hand, up to the same date, nearly \$8 million have been raised from more than 2,100 subscribers through National Defence Bonds issued later. This is a less creditable effort, because even though they were issued much later, they, being an attractive economic proposition, should have brought in much more money than the National Defence Fund which is made up of outright gifts. Part of the reason for the comparatively small sum which has been raised through Defence Bonds so far is perhaps the ruling that the maximum holding for any individual or company cannot exceed \$50,000.

As I have already pointed out, the revised estimate for foreign and domestic borrowing in 1965 totalling \$425 million is very much higher than that of any previous year. Largely as a result of this, and also because revenue has been relatively buoyant and has exceeded the original budget estimates in spite of the separation of Singapore, the rundown in the Federal Government's liquid assets is now estimated to be only \$48 million. In giving these revised estimates of the 1965 performance, I must add that the perennial difficulties of estimating are accentuated by the separation of Singapore which in many ways makes comparisons misleading. The revised estimates



may thus be subject to a greater than usual margin of error.

#### 1966 EXPENDITURE

Let us now turn to the Expenditure Estimates for 1966. The estimates for next year are presented in the same manner as those for 1965; the only difference is that a smaller type of print has been favoured in order to make it possible to produce these estimates in a single volume instead of in two volumes as has happened in the past year. The use of smaller type is also indicative of a measure of economy in the use of paper, quite apart from the fact that it is certainly more convenient to carry one volume rather than two.

As Honourable Members will observe, ordinary expenditure for the whole of Malaysia is expected to reach \$1,644 million, of which \$379 million is charged expenditure, and as such has already been authorised by law. This level of expenditure is \$120 million or 7.9% more than the original estimates for 1965 excluding the Singapore element of expenditure which in 1965 was estimated at \$75 million.

The principal changes in the 1966 ordinary expenditure proposals compared with the original 1965 estimates, excluding the element attributable to Federal services in Singapore other than certain defence services, are outlined in paragraph 8 of the Treasury Memorandum on the Estimates of Ordinary Expenditure for 1966 which has been tabled as Command Paper No. 31 of 1965. It will be noted that of the total increase of \$120 million, \$32 million is attributable to education, \$30 million to defence, \$28 million to public debt charges and \$14 million to grants to States, making a total of approximately \$104 million. The remaining increase of \$16 million is shared between the other sectors of expenditure. It is worth noting that while expenditure on education, defence, public debt and grants to States has risen by 13.1%,

expenditure on other services has been restricted to a modest increase of only 2.2%. The sharp differences in the rates of increase as between these various services reflect deliberate policy decisions and the imperative need to exercise the most rigorous economy in less essential fields of public expenditure. It will be observed, therefore, that apart from those unavoidable increases on items where, in fact, we had no choice, this Budget can rightly be described as an austerity budget and is the first fruit of the economy drive started by the Treasury earlier this year.

A small team of experts supplied by the Ford Foundation has also undertaken a preliminary examination of the Government structure with a view to finding out whether it would be possible to achieve further economics and greater efficiency by reorganising the administrative structure and generally streamlining existing methods and procedures. It is intended that, based on the recommendations of this body, which are now being studied by the Government, a professional team of administrative and organisational consultants will be appointed to undertake a comprehensive survey with a view to recommending a reorganisation of the Government structure so as to lead to a considerable improvement of the working of the Government machine, apart from savings in costs.

The drive for economy in administration will also mean austerity in construction standards. Instructions have been issued to all Ministries that plans and designs of buildings and other public works should be based on utility rather than beauty. In other words, no frills are to be allowed and anything which is not of a strictly functional nature and really essential should be ruthlessly weeded out. In order to ensure that this directive will be properly implemented, a Standards and Cost Sub-Committee of the National Development Planning Committee has been set up to examine all such plans and designs, check on costs

of materials and other items of expenditure, so that the policy of austerity standards is complied with before projects are actually begun. Ministries have also been told that once an estimate has been approved, no upward revision will be considered, and if a project cannot be completed within the amount approved, the plans must be redrawn so that it can be completed within the amount approved. Hitherto, project estimates were too often revised upwards, sometimes more than once, as a result of pleas from the Ministries concerned that the amounts originally voted were insufficient. From now on this will not be allowed.

Paragraphs 12 and 13 of the Treasury Memorandum set out the main reasons for some of the principal changes. The largest increase has occurred in the estimates of the Ministry of Education which have risen by \$32.5 million or 10.1% over the 1965 provision. This is mainly due to the need to provide adequate statutory grants for primary and secondary schools in order to keep up with continually rising enrolment, and to the introduction of free primary education in the Borneo States in 1966 (*Applause*).

Expenditure on defence of an amount of \$237.7 million shows an increase of \$30.1 million, or 14.5%, reflecting the need for further expansion of the Armed Forces and for implementing other defence programmes dictated by the prevailing unsettled political situation in South East Asia. An indication of the magnitude of our present defence and internal security costs and their steeply rising trends is provided by the fact that what we spent in 1964 on these two items was almost exactly twice what we spent in 1960, while what we are likely to spend in 1965 will be three times greater than what we spent in 1960. The total appropriations for this year come to \$589 million, equivalent to about 7.4% of G.N.P. This is high even when judged by the standards of the industrial countries. A developing country certainly cannot afford this level of

expenditure for any sustained period unless it is prepared to throw economic and social development overboard. In 1966 total expenditure on defence and internal security is estimated to come to \$563 million, accounting for 22.3% of total capital and recurrent expenditure. One does not need to be either a financier or an economist to appreciate the gravity of such a situation.

Expenditure on public debt charges of an amount of \$166.6 million registers an increase of \$27.6 million or 19.9%. This increase arises mainly from the provision for the first time for interest payments on six domestic loans, redemption of external Serial Bonds and the payment of discount on a larger amount of Treasury bills issued. Provisions to meet the payment of grants to States and the cost of general administration show increases of \$13.6 million or 10.7% and \$10.6 million or 5.4% respectively. Similarly, posts and telecommunications, public health and agriculture all record moderate increases reflecting an expansion of the activities of the departments in question.

Against these increases, however, there are reductions in respect of pensions of \$4.9 million below the original 1965 estimate due mainly to a possible decrease in the number of retirements, consequent upon the decision to permit officers to serve up to 60 years of age, and reflects the result of stringent pruning of the provision to ensure that only the minimum actual requirements for the year are provided; and also under rural development, by \$2.3 million, owing to the decision to include in the Development Estimates the subvention to Majlis Amanah Ra'ayat, known as MARA, as has been adopted in the case of subventions to the Federal Land Development Authority.

Honourable Members will recall that for at least the past 2 years I have expressed alarm about the rate of increase of the annual salaries bill. This trend continues unabated in the 1966 Estimates as shown by the provision of \$490 million for Personal Emoluments, which even then does not tell

the whole story though it does represent a major portion of the total bill. When compared to the provision inserted in the 1965 Estimates, excluding the amount attributable to the then Federal Departments in Singapore, the increase of \$37 million stems largely from the upward revision of rates of housing allowance as well as salary scales of certain categories of Government employees. As usual, in addition to Personal Emoluments, separate allocations are made for pensions, retiring allowances and gratuities, and also for the wages of the industrial and manual workers. Furthermore, account should also be taken of grants to schools and other institutions, the bulk of which is used to pay salaries, and which are shown separately under Other Charges Annually Recurrent. The 1966 provision for Personal Emoluments represents an increase of 8.2% over the 1965 provision of \$453 million, the net sum for this year's Personal Emoluments after subtracting the Singapore element amounting to \$49 million. A part of this rise in Personal Emoluments results from the continuing build-up of the Armed Forces and the increase in staff largely necessitated by the completion and maintenance of new projects. It is worth recording that salary increases awarded since the beginning of this year and the revision of housing allowances added another \$25 million to the salaries bill.

While the Government readily concedes that a worker must receive fair wages, we are clearly rapidly approaching a situation where further salary increases must be at the expense of essential social projects like education and health and could even disrupt the economy as a whole. It is also well to remember that wage increases can only be justified by corresponding increases in productivity. The principle that there must be some relationship between wage increases and productivity is not tied to any political ideology. Even in Socialist Britain today, the Labour Government has found it necessary in the national

interest to set up a National Board for Prices and Incomes to ensure that both wage and price increases are not ahead of production gains. The *raison d'être* for this principle is obvious as it is based on an elementary law of economics, and that is that you should not spend beyond your means. Disregard of this elementary but vital principle can only postpone but not because, if I may use the words of the British Prime Minister in warning his country and his people, the world does not owe us a living.

For 1966, Federal Government revenue at existing rates of taxation is estimated at \$1,506.7 million which is \$69.3 million or 4.8% more than the revised 1965 estimate for Malaya, Sarawak and Sabah. The basis of this estimate is explained in the Treasury Memorandum on the Revenue Estimates, 1966 tabled in this House as Command Paper No. 35 of 1965. The major increases in revenue are estimated to come from turnover tax, income tax, road transport licences and fees, profits tax on tin, import and excise duties, and receipts from telecommunications. On the other hand, there will be decreases in revenue from export duty on rubber, tin and iron ore, and from interest receipts and the Currency Surplus Fund distribution.

The anticipated decreases are easily explained. The yield from the export duty on rubber, based on an average price of 62 cents per pound for R.S.S. No. 1, is estimated at \$62 million or \$20 million lower than that expected to be collected in 1965. In regard to tin, an average price of \$675 per picul is assumed for the year. This would yield \$87 million or \$25 million less than that expected for 1965. Export duty on iron ore is estimated to decline by \$7 million as a consequence of lower export volume, if not lower prices as well. A decrease in interest receipts of the order of \$5 million is to be expected as a result of the continuing rundown of the Government's liquid assets, while the decrease in the Currency Surplus Fund distribution arises

from the exclusion of Singapore's share from the 1966 distribution.

Of the major increases in revenue, the increase of \$13 million in road transport licences and fees is of course directly linked to the growing number of vehicles on the roads, while the increase of \$9.6 million in telecommunications receipts is largely due to the expansion of the telephone services. Revenue from import duties and excise is estimated at \$501 million, which is \$14.4 million or only 3% more than the revised 1965 estimate. The slow growth of this category of revenue in recent years is a reflection of the varying degrees of protection given to expanding domestic manufacturing facilities and production, and the negligible growth of revenue from customs duties on tobacco, liquor and spirits.

The increase in the income tax yield is interesting. The estimate for 1966 is \$300 million, which is \$30 million or 10% higher than the revised estimate for 1965. The revised 1965 estimate itself is a new record being \$38 million or 14.5% higher than the actual 1964 collection. The increase in 1965 is partly accounted for by the increased rates imposed by the 1965 Budget, estimated to yield an additional \$14 million. A major part of the 10% increase estimated for 1966, however, is expected to come from the increased tax liability of companies which have benefited from the favourable prices of rubber and tin that have prevailed this year. Further, the general prosperity and high level of economic activity, as reflected in the estimated 8½% growth of G.N.P. for 1965 should mean increased income tax payments from companies generally in 1966. It is also possible that a portion of the increase in income tax collection in 1965 and probably 1966 could be the cumulative fruit of the anti-evasion campaign that has been instituted in the past, and will be reinforced next year.

The basis of the 1966 estimate of collection from turnover tax is more complicated. As I have pointed out

earlier, the collection for 1965 is now estimated at only \$5 million, although the balance of the 1965 tax liability estimated at \$25 million, will be collected during 1966. If the present basis of turnover tax is continued into 1966, it is estimated that the 1966 tax liability will amount to \$32 million. Adding this to the 1965 arrears, but taking into account that arrears for 1966 might come to about \$17 million, it is estimated that 1966 revenue from turnover tax on the existing basis will amount to \$40 million.

The other major increase expected for 1966 is in respect of profits tax on tin which is estimated at \$15 million or \$10 million more than in 1965. There are of course other increases and decreases in revenue estimated for other items. In arriving at the estimate of total revenue for 1966 before allowing for tax changes, Honourable Members might note that the new taxes introduced in 1965 are estimated to yield a total of \$75.6 million, i.e. \$40 million from turnover tax, \$20.5 million from payroll tax and \$15 million from profits tax on tin.

Taking the ordinary expenditure proposed for the whole of Malaysia at \$1,644 million, and revenue at existing rates of taxation at \$1,507 million, the 1966 Ordinary Budget will then show a deficit of \$137 million. Even if we exclude the transfer of \$50 million to the Development Fund from the total ordinary expenditure figure, the current account outturn for 1966 at existing levels of taxation would show a deficit of \$87 million.

The 1966 Development Estimates provide for an allocation of \$880 million. Taking into account that special receipts estimated at \$111 million will be credited direct to the Development Fund, the net requirement for the Development Budget will amount to \$769 million which will have to be met by borrowing and by running down our reserves. If we add the deficit of \$87 million on current account which I have referred to earlier, the overall deficit for next year, before

taking into account the new taxation proposals, would amount to \$856 million on the basis of budgeted figures. Bearing in mind that the 1966 Ordinary Estimates have been closely scrutinised, it is most unlikely that the shortfall on recurrent expenditure will be of any significance. In fact, it is not expected that there will be any shortfall at all. On the contrary, it is more likely that supplementary estimates will be necessary in the course of the year to provide for additional expenditure of about \$40 million over and above the present budget provision if new policies are introduced and new commitments accepted. The shortfall on Development Budget expenditure will probably be of the order of \$265 million. On the basis of estimated recurrent expenditure at \$1,634 million and estimated development expenditure at \$615 million, the overall deficit before taking into account any tax changes will then be about \$631 million.

#### INLAND REVENUE

I now come to the direct taxation proposals. In the field of direct taxation, as in other fields, it has been necessary to consider how Government could increase revenue to meet the rising costs of defence, social services and development, without at the same time imposing an excessive burden on the community. This is never an easy problem to solve since the two objectives can conflict and, of course, no one likes to have an addition to his tax bill. Government is also at the same time anxious to encourage adequate capital and technical know-how to flow into Malaysia so that they will assist the country and its development.

The need for a unified Income Tax Ordinance to replace the existing three separate and different Ordinances is now becoming urgent and this work is proceeding with all speed, but this is, of necessity, a long term project as there are many transitional problems to be solved before the work can be completed. Last year, several new

taxes were introduced and owing to the number and complexity of the changes it was felt necessary to prepare a separate White Paper which Honourable Members could study. I am sure Honourable Members will be glad to know that no such major changes are proposed this year in respect of direct taxes for next year for three main reasons, namely—

- (i) Recruitment of good quality staff is difficult since the Public Service has to compete with industry for qualified personnel who are in short supply. Moreover, training facilities in the Inland Revenue Department are limited and it takes at least three years to train an Inland Revenue officer fully. It is felt, therefore, that if the efficiency of the Department is not to be impaired it must be allowed a period of stability in which to absorb the new taxes which have been imposed during the year, and to obtain the maximum yield therefrom. It is, therefore, proposed to consolidate the existing taxes and to ensure that all the energies of the Department are directed towards collecting all the revenue which is due to the Government under the present laws.
- (ii) There is still ample evidence of widespread evasion of existing taxes. It is interesting to recall that when I first came to the Treasury a little more than six years ago, the then Comptroller-General of Inland Revenue estimated the loss from evasion at \$5 million. I suggested then that a figure of \$50 million, ten times greater, was perhaps nearer the mark. He scoffed at my suggestion. The present Comptroller-General of Inland Revenue now estimates that evasion is probably costing the Government something of the order of \$100 million a year in lost revenue. We have under consideration further proposals to intensify the anti-evasion drive and I should warn evaders

that the law will be administered with the utmost rigour.

- (iii) The introduction of a unified Ordinance will increase the tax yield. I do not intend to go into details at this stage, but as an example, I could mention that there is at present a loss of tax arising from the fact that individuals deriving income from more than one component of Malaysia obtain advantages in the field of personal allowances and scale rates because their Malaysian income is not aggregated.

I will now outline the proposals we have in mind and would ask Honourable Members to view them against the background of my immediately preceding remarks. With a view to further harmonisation, the Pioneer Industries (Relief from Income Tax) Ordinance of the States of Malaya is, with suitable amendments and transitional provisions, to be extended to Sarawak from 1st January, 1966. This will be done by means of an Extension and Modification Order and suitable transitional provisions will be incorporated, so that existing pioneer companies in Sarawak will not suffer from the change. In addition, certain minor changes are also proposed to the Sabah Ordinance to standardise procedure throughout Malaysia. These changes will complete the harmonisation exercise which was started last year.

#### INCOME TAX

In the field of income tax, Honourable Members will recall that personal income tax rates for the whole of Malaysia have been harmonised from this year, but in the case of Sarawak and Sabah the new scale of rates has been abated by 40% in respect of the first \$50,000 of chargeable income. It is now considered that the present 40% abatement should be reduced by 10% to 30% from 1st January, 1966 in respect of Sarawak and from 1st July, 1966 in

respect of Sabah. This reduction is in line with the undertaking given in the Inter-Governmental Committee Report where it was agreed that taxes in the two Borneo States would be brought into line with tax levels in the States of Malaya in graduated stages. This small increase in tax will help in some little way to pay for the extra cost to Government of providing improved Federal services in the Borneo States, especially in the field of education. The "Pay As You Earn" tax tables in Sarawak will be amended accordingly.

In the Income Tax Ordinances of the States of Malaya and of Singapore, there are certain provisions known as "combined income" provisions, whereby a person or company with income derived from both the States of Malaya and Singapore has such combined income assessed in the territory of residence. Thus, if a person is resident in Singapore but has income also in the States of Malaya, his combined income will be assessed in Singapore, and vice versa. The tax appropriate to the non-resident territory is then transferred to it by the assessing territory. This arrangement was originally introduced to avoid the need to assess such persons in both territories separately. With the separation of Singapore from Malaysia it is necessary to review this arrangement because the conditions which hitherto made it possible for such an arrangement to operate smoothly, e.g. a co-ordinated tax policy and a pan-Malayan Head of Department to co-ordinate and supervise the work of the Inland Revenue Departments in the States of Malaya and in Singapore, now no longer prevail. For the time being, however, subject to the agreement of the Singapore Government, we do not propose to change the system until new arrangements have been negotiated and agreed with Singapore to take its place. I would also like to add that if any new system is to be introduced, I shall be mindful of those persons who have incomes derived from both Singapore and Malaysia so that they will not, so far

as is possible, be made to suffer as a result of the change.

### TURNOVER TAX

Turnover tax has been in force since 1st January this year. The House will recall that when introducing this new levy last November, I gave an assurance that the impact of the tax would be kept under constant surveillance by the Government and modifications would be introduced if necessary. Accordingly, in the course of the year, additional exemptions were given by the Government. However, on further consideration, we are satisfied that in order to secure a more equitable distribution of the incidence of this tax and make it work efficiently, some modifications appear to be called for. The Government has now decided to convert the existing multi-stage tax into a single stage tax from 1st January, 1966, but the rate of charge will be increased from  $\frac{1}{2}\%$  to  $2\%$  (*Applause*).

**Dr Tan Chee Khoon:** Ayer Itam!

**Enche' Tan Siew Sin:** The cumulative effects of a  $\frac{1}{2}\%$  rate of multi-stage tax which, according to the numerous representations made to us, are equivalent to an effective rate of around  $4\%$  will, therefore, be considerably reduced. The House is aware that turnover tax at present is leviable on goods as well as on services. This tax will now be levied on the actual value of sales of imported goods other than those re-exported. In case an importer does not immediately sell such goods but processes or manufactures such goods for subsequent sale, the tax will apply only to that part of the sale proceeds which relate to the imported content of the goods. All other business transactions will, therefore, cease to be liable to turnover tax from next year (*Applause*).

It is clear from this that the new single stage tax will exempt all home manufactured goods in order to provide positive encouragement for domestic industry. Provision has also been made

for the sale of goods manufactured in Malaysia and imported directly or indirectly into one component of Malaysia from another to be exempt from tax. Although this tax will replace the existing multi-stage tax, I must stress that the latter i.e. the existing multi-stage tax, will remain in force until 31st December, 1965. Those who are liable in 1965 will, therefore, be prosecuted if they fail to pay their taxes when called upon to do so.

### CAPITAL GAINS TAX

In my Budget speech last year, I informed the House that the Government had decided to impose a tax on capital gains and the broad outlines of the tax were set out in the White Paper on the new taxes and other tax changes tabled at that time.

In the course of drafting the required legislation this year, it was found that translating the principles outlined in the White Paper in question into legal language was more complex than originally anticipated. For example, it was agreed last year to give an annual exemption of the first \$5,000 of the aggregated capital gains of the taxpayer and his wife, such exemption to be available only to individuals and to Hindu joint families. It has since been found that adherence to this principle would result in loopholes which would facilitate avoidance if not evasion as well. On the other hand, the withdrawal of such exemption would catch the smaller gains whom it is not our intention to include within the scope of this tax. It has also been found that it would be necessary, in order not to make the tax more complicated than it already is, to depart materially from the original scheme. In view of this, the Government has decided to postpone the imposition of this tax to a more opportune time when the performance of this tax in other countries has been fully investigated (*Applause*). Capital gains made since 25th November, 1964 will not, under these circumstances, be liable to this tax.

## PAYROLL TAX

Payroll tax which has been in operation in the States of Malaya from this year will be extended to Sabah and Sarawak from 1st January, 1966 (*Laughter*) as indicated in my Budget speech last year. There will, however, be no change in the substance of the existing Act.

The extra yield from all the changes in Inland Revenue taxes is estimated at \$11 million. Honourable Members will note that the increase is not large. These changes may well be described as measures to consolidate the position and create a more unified tax system for the whole of Malaysia.

It would not be out of place to refer to a new source of revenue to be collected in 1966 about which Honourable Members are already aware. I refer, of course, to the education rate, details of which have already been announced. The estimated yield for 1966 is of the order of \$5.8 million.

## CUSTOMS AND EXCISE

I have referred earlier in my speech to the need to harmonise tariffs as between the Borneo States and the States of Malaya. This is, in fact, the underlying purpose of the taxation exercise, in so far as import duties are concerned. Lest Honourable Members from Sarawak and Sabah get the erroneous impression that such harmonisation means only an upward revision of the present levels of import duties in Borneo to those obtaining in the States of Malaya, let me hasten to assure them that harmonisation can also be downwards, as duty rates on some items in the Borneo States are higher than those in the States of Malaya. In other cases, certain items attract import duties in Borneo but not in the States of Malaya. Where appropriate, therefore, the rates for Malaysia as a whole have been harmonised by adjustment as between the various components, upwards in certain cases, downwards in others, or sometimes abolished altogether.

I am also very conscious of the fact, and this has been repeated ever so often, that it has been agreed in the Inter-Governmental Committee Report that the level of Federal taxation in the Borneo States should be brought up to States of Malaya levels in graduated stages over a period of years, and the steps should not be grossly disproportionate. I have also observed the undertaking that there should be ad hoc consultation with the senior officers concerned in the Borneo States on tax changes, and the indirect taxation measures which I now present to the House have been framed with these conditions fulfilled. The Orders implementing the various tariff changes are now being circulated to Honourable Members and it will therefore not be necessary for me to detail each change proposed. As is my practice, only those of significance will be touched upon, whether these pertain to revenue, or otherwise.

Changes in the import duties classified in Group 032 relating to fish and other marine animals in airtight and other containers are intended to be a harmonisation exercise and are only significant to the extent that the preferential rate has been abolished as most of the imports are from non-Commonwealth sources. Whilst a general rate of 20% is now fixed for fish, and preparations thereof, in this Group, sardines, which are a popular item of food for the lower income group, will attract only a 10% rate in Sarawak and Sabah, and will be charged at a flat rate of 20% in the States of Malaya. The additional revenue to be expected from the changes in this Group as a whole is some \$700,000 per annum. I would like to point out at this stage that unless otherwise indicated all estimated yields given are annual yields even though the words "per annum" are omitted.

Duty changes in respect of fruits and nuts in Group 051, whether fresh or dried, are also part of the harmonisation exercise. The rates, for instance, of imported oranges and tangerines



are now raised from \$224 per ton in Sarawak and Sabah to \$336 per ton, the existing rate in the States of Malaya. This will not only produce some \$280,000 in additional revenue, but what is more important, provide incentives for the production and consumption of more Malaysian fruit. At the same time, we have reduced to nil the existing duties on arecanuts. Their revenue potential is insignificant, and it will be our future policy to remove from the tariff items which have no revenue or protective significance, and hence only act as irritants, in so far as the public is concerned.

In regard to Groups 052 and 053, it will be noted that where it has been possible to harmonise fully at States of Malaya levels, this has been done. In other cases, e.g. preserved fruits, the levels in Sarawak and Sabah though raised are still below Malayan rates. There is really no valid reason why these rates should not be completely harmonised, but consideration has been given to the undertaking to do so only in graduated stages.

Sugar imports into Sarawak at present attract a duty rate of \$56 per ton while the rate for Sabah is \$89.60 per ton. It is now proposed to harmonise these two rates at \$89.60, compared to the existing rates in the States of Malaya which range from \$146.60 per ton to \$224 per ton depending on the degree of polarisation. This increase for Sarawak comes at a time when the world sugar price has fallen and such an increase, in present circumstances, should not affect the Sarawak consumer unduly. The expected additional yield from this change is \$570,000 when account is also taken of slight increases for sugar confectionery, honey and other sugar preparations in Groups 061 and 062.

As an example of harmonisation in reverse, the States of Malaya rates for roasted ground coffee in powder form and coffee extracts coming under Tariff Codes 071 103 and 071 300, are increased to the prevailing rates

for Sarawak and Sabah, that is from 10 cents per pound to 20 cents per pound. The additional yield from these items is expected to come to about \$38,000 as no change is proposed in respect of the duty rates on raw coffee berries and beans which are largely consumed by the lower income groups.

Coming to Tariff Code No. 112 401, the duty on brandy in the Borneo States will be raised to the preferential rate applicable to the States of Malaya as a first step. The Malayan rates will remain unchanged. On this item, therefore, the duty of \$45 per gallon in Sabah and \$49.75 per gallon in Sarawak will be harmonised at \$53.75 per gallon.

Gin is raised in the Borneo States from \$39.60 to \$49.50 per gallon, which is the States of Malaya rate. Whisky is increased from \$45 per gallon in Sabah and \$49.75 per gallon in Sarawak to \$60 per gallon, full and preferential, which is the prevailing rate in the States of Malaya under Tariff Code No. 112 407. These and related changes should provide additional revenue of \$1.6 million.

I stated in my Budget speech last year that there would be a gradual harmonisation of duty rates in respect of manufactured tobacco, and also announced then that it was Government's policy to establish harmonised tariffs throughout Malaysia for both unmanufactured tobacco and tobacco products. As a move towards the implementation of this policy, the import duty on unmanufactured tobacco in the Borneo States under Tariff Code 121 000 is increased from \$7 per pound to \$8.60 per pound (full) and \$8.40 per pound (preferential) which are the prevailing rates in Malaya. The estimated yield is \$31,000.

At the same time the excise of 25 cents per pound on home grown tobacco which has been imposed since November, 1959 and the excise of 2 cents per pound on uncured leaf tobacco imposed since November,

1960 will be removed. I think I can safely say that the first named measure will be warmly welcomed by our small tobacco growers who have never been happy about this imposition. In place of these excise duties which have hitherto applied only in the States of Malaya, there will now be imposed a uniform excise rate of \$1 per pound on cigarettes manufactured in Malaysia (*Laughter*). This rate applies to Sarawak and Sabah as well, and replaces the excise on machine made cigarettes which has varied in these two States from 26 cents to \$1.40 per pound depending on the amount of imported tobacco used in their manufacture. The estimated yield from this new levy is \$13 million but after allowing for the repeal of the excise on home grown tobacco worth \$1.9 million, the net yield is thus estimated at \$11.1 million. Honourable Members will appreciate that if industrialisation grows apace, the revenue from import duties will steadily diminish and this gap must clearly be filled by excise duties. The radical change which we now propose should, therefore, signal the beginning of a new pattern of indirect taxation in a changing economy. In this connection, the opportunity has also been taken of consolidating all the Excise Duty Orders in force in Sarawak into one Order, viz. the Excise Duty Order, 1965.

Further, in order to allow more scope to our own tobacco growers who are now handicapped in that they can only sell their produce to licensed dealers, it is proposed to remove such a restriction so that growers can secure the best prices possible by selling to the highest bidder instead of being limited to only licensed dealers. When the appropriate legislation has been amended to this effect, the present fee of \$240 per annum charged for a dealer's licence will be abolished. The licence fee for manufacturers of tobacco products will, however, be increased from \$240 to \$360 per annum in the States of Malaya. Similar fees in the Borneo States will remain at the present level of \$100 per annum.

The other major harmonisation exercise relates to Groups 651 to 657 which embrace a wide range of articles such as textile yarn, thread, cotton fabrics, textile fabrics, tulle, lace, made up articles of textile materials, floor coverings and such like. Also affected are articles in Group 841 pertaining to clothing. The various items in these Groups are far too detailed for me to enumerate here, but they are set out in full in the various Customs Orders which are in the hands of Honourable Members. The additional yield from all the changes in these Groups is estimated at \$2.1 million.

On the other side, duties in Group 894 in respect of toys, games and sports requisites, are now abolished in Sarawak and Sabah to keep in line with the nil tariff that exists for these items in the States of Malaya. Where, for instance, it was necessary for Sarawak and Sabah to pay 15% duty on dolls in Tariff Code No. 894 220, they will now enjoy the nil tariff which has existed in the States of Malaya. Toys in this group made of plastic are, however, excepted. They will be subject to a duty of 25% full and preferential, in order to protect the Malaysian plastic industry, which, with careful nurturing and Government encouragement, is progressing steadily.

Similarly, sportsmen in Sarawak and Sabah will now enjoy a remission of duty on equipment and articles connected with sports and games, as the 15% tariffs in the Borneo States on such items in Group 894 are now abolished. This follows the policy which has previously been adopted in the States of Malaya that, apart from protective purposes, sports equipment generally has been spared import duty. The exception in this exercise again is in respect of articles made of plastic, on which duty at 25% will be payable as a protective measure.

Playing cards which have previously attracted duty at the rate of \$4.80 per dozen packs in the States of Malaya, and \$6 per dozen packs in the States of Sarawak and Sabah, are now reduced

to a uniform rate of \$2.40 per dozen packs, to be applicable to all three components. Lest I be accused of a desire to promote gambling with cards, (*Laughter*) let me explain that this reduction is designed to reduce the incentives to smuggling (*Laughter*). Playing cards are notoriously easy to smuggle as we know even from the cases which we have caught, and it is hoped that this experiment will pay off, as has happened when in previous years we slashed the import duties on fountain pens and watches and found that the results justified our hopes.

For a similar reason we have proposed the reduction of duties on small items of jewellery and goldsmiths' and silversmiths' wares, whether real or imitation, in Group 897, ranging from 15% to 25%, in the three components of Malaysia to a flat 10% all round, full and preferential, for all items in this Group. These goods are even easier to smuggle than playing cards, as the items in this group include articles like rings, bracelets, ear-rings, watch chains, cuff links, and the like. One cannot help feeling that in the past the volume which escaped paying duty was probably greater than that which paid duty.

Business houses in Sarawak and Sabah may find some relief from the removal of the existing duties in those States on small items of stationery like letter clips, ink pads and so on, which previously attracted duty at rates ranging from 7½% to 15% in Group 895. Although such relief may not amount to very much, it is our policy to remove irritants where, as I have already stated, these do not produce significant revenue, or are not required for protective purposes.

Where matches are concerned, the existing rates in the States of Malaya and Sarawak will now prevail. This is an item which is in substantial production in this country, and hitherto only Sabah had duty rates that were significantly below that prevailing in the States of Malaya and Sarawak. I might mention at the same time that

the States of Malaya which had previously no import duty on joss sticks will now harmonise with Sarawak and Sabah which impose a 10% duty on these articles. As Honourable Members may be aware, joss paper already attracts 25% import duty for protective purposes, and it is hoped that the imposition of duty on joss sticks, apart from harmonisation with Sarawak and Sabah, will encourage domestic production of this item as well.

I now come to the import and excise duties on crown corks imposed last year. The original rate of 5 cents per piece was reduced to 2 cents with effect from 14th June, 1965. The yield from this new imposition has fallen short of our expectations, as the high rate of duty, that is high in relation to the cost of the product itself, had resulted in considerable smuggling of this commodity. Secondly, it had also led to the re-use of old corks (*Laughter*) which constitutes a distinct health hazard for the community (*Laughter*). Thirdly, there has also been a switch to containers which do not require crown corks for sealing purposes. The net effect of this imposition has therefore been a drop in the volume of production of soft drinks with consequential loss of other revenue, notably income tax. Under these circumstances, we propose to remove both the import duty and excise on crown corks immediately.

**Dr Tan Chee Khoon:** No use for old corks anymore!

**Enche' Tan Siew Sin:** Although (*Applause*) on paper, this would mean a loss of revenue of some \$2.5 million it could well turn out that this loss is more apparent than real because if production of the products which use crown corks is restored to their former levels, the greater yield from income tax could easily make up the amount we will forgo on paper as a result of the abolition of this tax.

It is apparent that whilst it was mainly the soft drinks industry that was adversely affected by the tax on

crown corks, the breweries have not done so badly, and in these circumstances we propose to raise the excise on beer and stout (*Laughter*). The import duty on beer and stout was increased by \$2.40 per gallon, that is from \$5.20 (full) and \$4.80 (preferential) to \$7.60 (full) and \$7.20 (preferential) with effect from 18th February this year. The excise on beer and stout, however, was not increased at that time and has remained at \$4.20 per gallon since 16th April, 1951. It was recognised that the tax on crown corks, at the original rate of 5 cents per piece, would have the effect of placing a total duty burden on home produced beer and stout of the order of \$4.80 per gallon. In other words, up to 14th June, 1965, the total tax burden has been \$4.20 per gallon in excise, plus 60 cents in crown cork duty on the basis of twelve pint bottles to the gallon. When the crown cork duty was reduced to 2 cents per piece on 14th June this year, there was still no increase in excise, although the tax burden had been correspondingly lightened. Now that the duty on crown corks is to be removed altogether, an increase in the excise on beer and stout to \$4.80 per gallon is therefore justified. The breweries in this country should be able to absorb this increase in duty without difficulty, now that they are no longer required to pay duty on crown corks. In fact, they will bear the same tax burden that they have shouldered so far. The protective margin between the levels of import duty and excise is still sufficiently wide to afford adequate protection to domestic breweries. The estimated yield from this increase in excise on beer and stout will be \$2 million. At this juncture, the change in the rate of excise will not affect the arrangements which have been implemented with effect from 9th October this year regarding the import duty on Malayan brewed beer and stout consigned to Sarawak and Sabah, which will still attract an import duty not exceeding \$4.20 per gallon.

As regards export duties, at the request of the Sarawak and Sabah authorities, we are reducing the export duty on illipenuts under Tariff Code 221 803 from \$135 per ton to \$84 per ton. This is a forest produce, the price of which has declined substantially over the past year. The existing high specific duty in relation to the price that this commodity can fetch, does not encourage the gathering of this forest produce, and it is hoped that the move proposed will induce higher exports.

I have also given some thought to the problems facing the iron ore mining industry in this country. Available reserves of iron ore are not of very high grade, and the ores that are mined are proving difficult to sell. There are also indications of increasingly stiff competition from producers in other countries. Although a number of mines pay a lower rate than the 15% ad valorem export duty normally imposed, it may be that the tax burden on the industry as a whole needs adjustment, and I am giving this problem the closest study to see how best the industry can be encouraged, whether by a reduction in the present level of export duty of 15% or otherwise. I hope to be able to announce a decision on this matter as soon as the full implications of the problem as a whole have been examined.

Before I turn to other tax measures, Honourable Members will be interested to learn that the various changes now made in customs and excise duties as a whole should bring in additional revenue of some \$17.3 million per annum.

#### MISCELLANEOUS TAXATION

Turning to road transport, Honourable Members will recall that certain changes were effected in respect of various licences and fees last year. Although these were comparatively minor changes, they have brought in some much needed additional revenue. It is now proposed that there should be an alteration in the very system of imposing licence fees on vehicles

themselves. Hitherto, such licence fees have been based on the horse power rating of vehicles. I am advised by the Ministry of Transport that this system is outmoded in that the horse power rating of a modern motor vehicle is not a true indication of its engine capacity. With effect from 18th November, 1965, i.e. tomorrow, therefore, motor vehicle licence fees will be levied on cylinder capacity, at the rate of 10 cents per cubic centimetre, subject to a minimum fee of \$40 per annum. The introduction of this more rational system will not affect motor cycles, which will still continue to pay the present licence fee of \$40 per annum. It will, however, result in an increase in licence fees generally in respect of motor vehicles ranging from as little as \$5 per annum to about \$80 per annum for the more popular makes of cars. The fees are progressive in that the owners of more luxurious cars, with very large engine capacities, will be required to pay very much more in future (*Laughter*). I am sure that Honourable Members will agree that those who can afford to own luxury cars must expect to pay licence fees more commensurate with their real worth.

The system that is now being introduced, for the States of Malaya initially, has the twin advantage in that it is simple to administer, and will bring in more revenue. All that a potential motor-car owner need worry about in future, when he contemplates the purchase of such a vehicle, is whether he wants an engine with high cylinder capacity, in which case he pays more in licence fees, or whether he should settle for one with a smaller cylinder capacity, and pay less. As with any system that is changed, there will be car owners who will have to pay more than they do at present, but there will also be those fortunate ones who will actually pay less under this new system. This change should bring in additional licence fees of \$5.9 million which can be expected to grow with the increasingly greater number of vehicles being registered every year in the States of Malaya.

This change will also affect the position of private diesel vehicles. In my Budget speech last year, it was announced that the annual licence fee of such vehicle would be raised from three to five times the rate for petrol vehicles. If the latter rate is maintained, an unduly large increase in licence fees for diesel vehicles will result from the change of system. The rate for private diesel vehicles is therefore to be reduced from five to four times that for petrol vehicles. This will mean increases in licence fees for this class of diesel vehicles, but such increases will be more in line with those for petrol vehicles. This change will also take effect on 18th November.

This change in the basic licensing system will also increase the licence fees of diesel taxi cabs and hire cars, and of "hire and drive" cars. It has been decided in such circumstances to reduce the passenger tax of such vehicles from \$7.50 per passenger per month to \$5.00 per passenger per month with effect from 18th November. This will have the effect of reducing somewhat the impact of the increase in the licence fees of such vehicles, in order to avoid causing undue hardship to the smaller operators.

The engine power tax in respect of motor buses will be altered by the new system as well, but this change will result in only nominal increases. For instance, a large bus of the type commonly operated in this country, with a diesel engine exceeding 2,000 cubic centimetres in cylinder capacity, will pay \$30 more per month with effect from 18th November.

Other minor changes taking effect from the same date will be fees for international driving permits which will be raised from \$5 to \$10 per annum and motor trade licences which will be increased from \$240 per annum to \$480 per annum for motor vehicles, and from \$120 to \$240 per annum for motor cycles and motor tricycles. This is the first change made in respect of these items since 1946.

One last change for next year is in respect of commercial vehicle licences. Hitherto, these have been issued without charge, but as from 1st January, 1966, public service vehicle certificates will be issued at \$20 per month in respect of buses and \$10 per month in respect of carrier's licences authorising the use of goods vehicles. To avoid causing hardship to hawkers and petty traders, who use small vans, such fees will not be applicable to goods vehicles with a maximum permissible laden weight not exceeding 18 cwt. The various changes proposed for road transport licensing as a whole should yield additional revenue of \$10 million.

Before I complete the taxation proposals, there is one other important public service which suggests review at present, viz. the telephone service. Under the present system of unlimited service rate, no charge is made on what are known as "local calls". This system has a number of disadvantages in that there is no relation between the telephone rental paid and the service provided. For instance, in normal circumstances, business subscribers use their telephones much more frequently than other subscribers. Although the former pay a higher annual rental for telephones, viz. \$270, as compared with \$180 for residential purpose telephones, the average number of calls made by the one class is about three times that made by the other. The difference in rental is not proportionate, therefore, to the greater use of the telephone service by the business community. The unlimited service rate also encourages a large number of non-essential calls which can, and does, put a strain on the service. It is common knowledge also that many subscribers in effect provide a telephone service not only for themselves, but for their friends and relatives who may have occasion to use their instruments. Those installed in coffee shops, for example, and other business premises are particularly prone to such free calls being made by customers and casual passers-by alike.

For all these reasons, it is proposed

that such local calls which are now free will be charged at the rate of 10 cents per call, without a time limit. In order to provide a measure of relief to the smaller subscribers, however, a "free call allowance" of 100 calls per month will be given. Any local calls beyond this number will then be charged at 10 cents per call. In other words, a subscriber need not pay any local call charges at all if he limits these to less than 100 per month when the scheme is introduced. The present rentals for telephones will remain unchanged and the levy of the 10 cent rate on local calls exceeding 100 per month, will bring in additional net revenue of about \$5.3 million on present assumptions. It is also proposed that for this basic 10 cent charge, subscribers will be permitted to call exchanges nearby, without having to pay the extra charges of 20 cents or 30 cents presently levied on such calls.

I realise that there are still very many applicants for telephones who have not yet had their requirements met because of a shortage of equipment. It is hoped to remedy this state of affairs, and to clear the backlog of applications as speedily as equipment is available. The various changes I have now outlined will be implemented as soon as the technical and administrative arrangements required can be made by the Telecommunications Department, and subscribers will be notified when the changes are to be effected. The changes will apply initially to the States of Malaya only. In making these proposals, I think Honourable Members would wish to be aware that whilst current revenue for this Department in 1965 is estimated at \$47.7 million, current expenditure is of the order of \$39.2 million, and development expenditure is put at \$22 million in the States of Malaya alone. It will be obvious that increased revenue must be obtained from the telephone services, not only in order that they may be able to pay their way, but to provide a reasonable margin of profit for improvements to the whole system in Malaysia, satisfactory though it is in many respects now.

In summary, therefore, the various customs duty changes which are now proposed, together with the changes in the transport licensing and telephone charges systems, should bring in additional revenue of approximately \$32.4 million. Whilst Sarawak and Sabah are affected by a number of tariff changes brought about by harmonisation, there are other duties which have either been reduced, or abolished altogether in these States. The States of Malaya, on the other hand, will be affected by increases in vehicle licence fees and telephone charges, and on balance, Honourable Members will I hope agree with me that we have tried with some success to frame a balanced budget, in so far as its impact on the community is concerned, in this particular field of taxation.

All the tax changes I have now enumerated are expected to yield an additional \$49.3 million in 1966. While there is some difficulty in apportioning the yield as between the different components of Malaysia, it is estimated that \$39.4 million will accrue from the States of Malaya, \$4.7 million from Sarawak and \$5.2 million from Sabah. Taking into account the additional sum which will accrue as a result of the tax changes proposed in this Budget, Federal Government revenue for 1966 should come to \$1,556 million. As I have said earlier, excepting the transfer of \$50 million to the Development Fund, and allowing for possible new policy decisions and unforeseen expenditure needs which might require, say, \$40 million over and above the amount proposed in the 1966 Expenditure Estimates, recurrent expenditure is estimated to reach \$1,634 million. I should add that the additional revenue of \$5.2 million, estimated from Sabah, will increase Federal grants to Sabah by 30% of this amount, i.e. by \$1.6 million. This payment to Sabah has been included in the Central Government's estimated recurrent expenditure of \$1,634 million. It will be noted that in spite of the tax increases there will still be a current account deficit of \$77 million. The overall deficit,

after taking into account development expenditure and special receipts credited direct to the Development Fund, will thus be \$581 million. This, as usual, will have to be met from loans and drawings on the Government's liquid assets.

While every effort will be made to raise more foreign loans, receipts from foreign borrowing, on present indications, are put at only \$50 million, though gross domestic borrowing could yield \$270 million. The total amount of loans expected to be raised in 1966 will, therefore, be lower than the very high level reached this year when a sum of \$340 million is expected to be raised. The main reason for the lower estimate next year is that it is highly unlikely that Treasury bills outstanding will increase by the same margin next year as it did this year. In any case, it is highly undesirable to finance continuing budget deficits, especially those incurred on current account, by means of Treasury bills. On these assumptions, and in spite of the expectation that receipts of foreign grants for defence and economic development in 1966 would amount to \$106 million, the rundown in the Federal Government's liquid assets in 1966 would still be of the order of \$261 million. When it is remembered that substantial tax increases were proposed in the last Budget and moderate tax increases are being proposed for this Budget, and a strenuous effort has been made in the course of this year to curtail expenditure, a rundown of this order in the Federal Government's liquid assets is clearly cause for considerable concern. If the figures which I have given so far indicate anything, they indicate that the pressure is mounting rather than lessening, and things will get worse before they get better. What we clearly cannot contemplate with equanimity under these circumstances is a deficit on current account. I mentioned this earlier in my speech and I make no apology for mentioning it again because this point cannot be too strongly emphasised.

## CONCLUSION

The First Malaysia Development Plan, 1966—70, proposes public sector expenditure of \$4,550 million during the Plan period compared to the \$3,200 million likely to be spent during the 1961—65 period. This represents a 42% increase. These figures, however, include defence and internal security expenditure which in the next Plan is allotted \$739 million compared to the \$311 million estimated to be spent during the current Plan period. In spite of the fact that this non-productive expenditure will therefore be more than twice as much in the next Plan, we still aim to provide for economic and social development expenditure of the order of \$3,800 million which is over \$900 million or 32% more than the amount estimated to be spent during the current Plan period. The level of development expenditure will clearly impose considerable strains on public sector resources.

It should be remembered that social development expenditure in particular generates additional recurrent expenditure, as completed projects must be manned and maintained, while debt charges will also grow since loans raised to finance the capital expenditure involved have to be serviced. In addition, there are the continually increasing calls made on the public purse by expenditure on defence and internal security and education. In spite of all this, one of the basic assumptions of the next Plan is that there will be a tight rein on recurrent expenditure so that the average increase in such expenditure would be limited to less than 7% per annum during the Plan period. This compares with an average increase of 10% per annum between 1960 and 1965. Projections made of Federal and State Government revenue plus surpluses of public corporations indicate that these receipts will not be rising as rapidly as expenditure. A careful examination was also made of the possibilities of increasing these by raising taxes and charges, and the implications of these increases on consumption growth and

the resource requirements of the private sector. As a result, the Plan aims at achieving a current surplus of only \$625 million in the public sector during 1966-70 or about the amount recorded for the period 1961—65.

Net domestic borrowing is estimated at \$1,225 million or more than 20% higher than the amount borrowed during the period 1961—65. The percentage increase aimed at does not appear ambitious only because the Rubber Industry Replanting Board, which had previously accumulated a substantial holding of Government securities, will be liquidating these during the next Plan period. The current surplus in the public sector and net domestic borrowing will thus help to finance \$1,850 million or 41% of the \$4,550 million of development expenditure proposed. After careful consideration, it has been decided that an additional \$800 million may be obtained by running down public sector assets and from Central Bank lending without adversely affecting the financial stability of the economy. The balance of \$1,900 million will, therefore, have to be financed from foreign sources, and the Plan aims to raise \$1,000 million of this amount in the form of loans and the remaining \$900 million in the form of grants for defence and economic purposes.

Herein lies the rub. The amount expected as foreign aid is a figure which is more than three times the amount similarly raised during the period 1961—65. In other words, we have to try to step up the scale of foreign assistance by a spectacular margin if the First Malaysia Plan is to succeed, because it is crystal clear that a Plan which depends for its successful implementation on obtaining nearly 42% of the total resources required from foreign sources would fail unless this scale of assistance or something near it is forthcoming. It is well that those of us who have anything to do with the Government or the economy of this country in any way, whether directly or indirectly, should digest these cold and hard facts fully. It is in



this context that one must look at our attempt to form an "Aid to Malaysia Club", if I may use a non-technical but nonetheless expressive description. The first step was taken in Washington last month when I attended the first meeting of the Consultative Group on Malaysia formed under the auspices of the World Bank. In the considered opinion of this institution, which after all is the epitome of financial expertise, experience and caution, the response was hopeful, to put it at its lowest. Indeed, it was so hopeful that after I left the meeting, the representatives of the potential donor countries present there at and 13 countries were represented had already begun to discuss among themselves the venue of the next meeting, which some of them felt should be held in Europe in the spring of 1966 after Parliament has passed the Plan. At this forthcoming meeting, assuming that there is no unexpected hitch in the meantime, we shall be able to get down to brass tacks, i.e. real business.

Two other features have also given us cause for sober optimism, although in a way they are inter-related. The first factor is that investment in the private sector, both domestic and foreign, during the period of the current Five Year Plan is expected to be in excess of the target of \$2,900 million set at the beginning of the Plan period. Secondly, the State Governments through the National Land Council have accepted as a matter of policy the need to alienate new land to private enterprise once again for further agricultural development. There is reason to believe that private enterprise is prepared to invest in this field if new land is made available to it promptly and on reasonable terms. If this surmise is correct, a liberal policy of land alienation, efficiently and expeditiously executed, could be a major contribution to our primary objective of a faster rate of economic growth. I did say earlier in my speech that our economy is likely to perform better in 1965 than it did in 1964 because our gross national product at current prices will probably

rise by about 8.5% this year compared to 7.6% for last year. There is cause for satisfaction here particularly as this has been achieved with commendable price stability at the same time and in the face of external aggression. This is, however, not enough because we require a much faster rate of economic growth in order to generate the additional revenue required to finance the expanding social services for our rapidly increasing population. This is only possible if year by year, therefore, there is progressive increase in the rate of industrial investment.

At the same time, Sir, it is not out of place for me to put in a word of caution. Although we have reason to be hopeful, this is no time to sit back and relax our efforts, because the pull ahead is going to be much more difficult. The difficulties that face us are formidable if we look at the cold arithmetic of facts and figures. While these hard facts cannot be washed away, they need not intimidate us. We have two choices in front of us. The first is to live for to-day and forget about tomorrow. We do this simply by spending today on the comfortable things of life rather than invest in those which will give us a better life tomorrow. The other alternative is for us to sacrifice today so that there will be more tomorrow, more not only for us but for our children. To all sensible citizens of this country, the choice should be clear. Let us hope that once it is made, there will be no turning back, because we cannot afford to turn back. We cannot afford to fail, if we are to be worthy of the trust and heritage for which those who came before us worked so hard and so long (*Applause*).

**The Minister of Transport (Dato' Haji Sardon bin Haji Jubir):** Sir, I beg to second the motion.

**Mr Speaker:** Honourable Members, pursuant to Standing Order 66 (2), the debate on the motion for the Second Reading of the Supply Bill, 1966, is adjourned till Saturday, 20th November, 1965. The House is now adjourned until 10 o'clock tomorrow.

*Adjourned at 5.25 p.m.*