

# RUS 2019 - The Singapore way

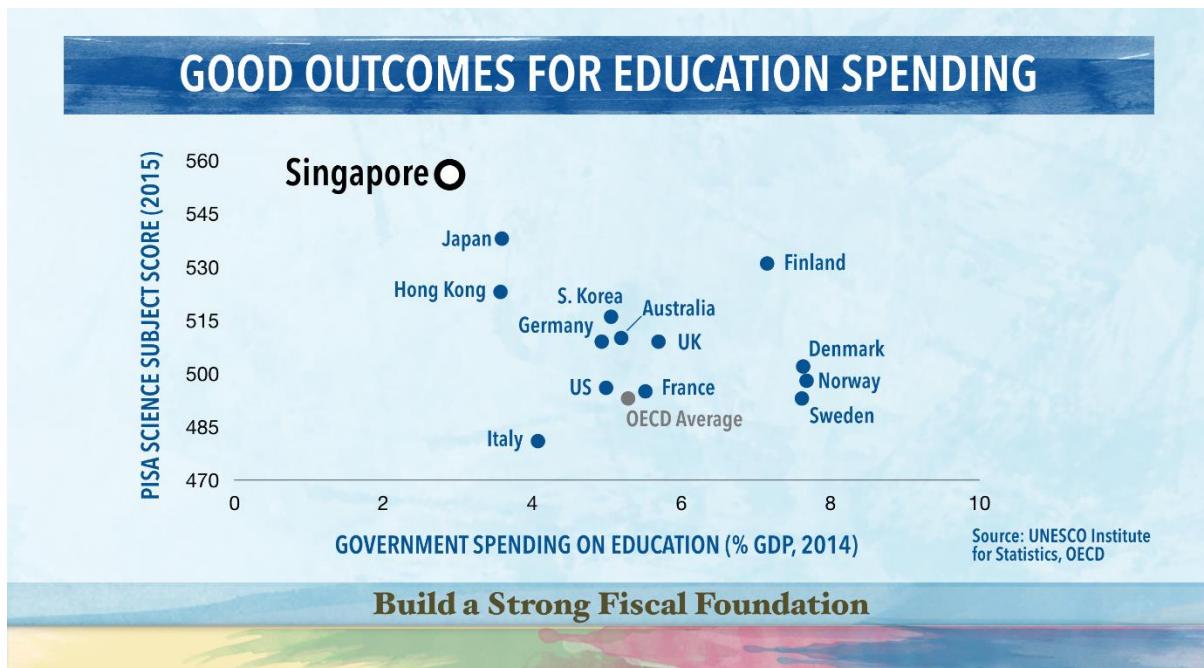
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## A. INTRODUCTION – THE SINGAPORE WAY

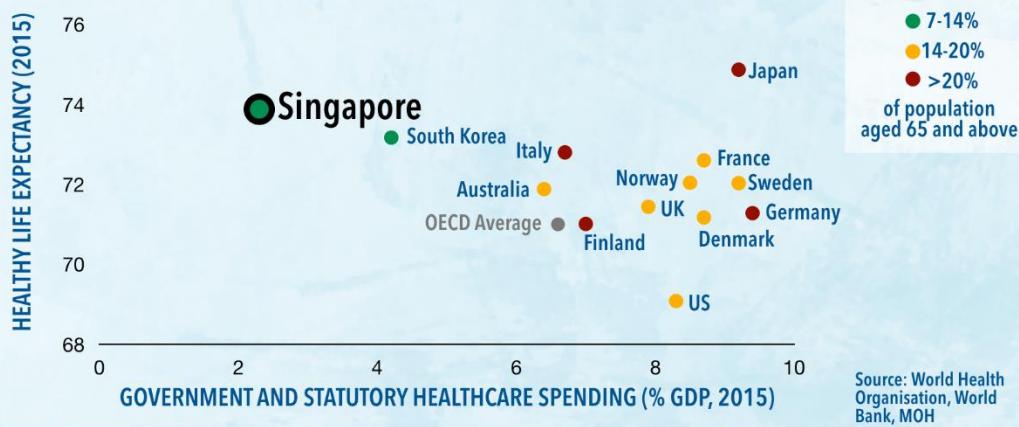
- A.1. Mr Speaker, I would like to thank Members of the House for the views shared during the Budget Debate. Over the last two weeks, I also noted thoughtful views from fellow Singaporeans, academics, journalists, and business owners. I am grateful for this feedback – some challenge our current thinking while others help us refine our policies over time.
- A.2. We all have the same objective. It is to **help Singaporeans to thrive, and build a strong, united Singapore**. As we commemorate the Bicentennial, let us take a step back, to reflect on how we got here today, and how we would like to move forward.
- A.3. Some MPs have provided good and useful overviews of the Budget and how they benefit various parties, such as Mr Liang Eng Hwa. Some have delivered vivid speeches during the Budget debates, such as the one about Ah Kong and Ah Seng. My speech will also not be as poetic as Senior Parliamentary Secretary Baey Yam Keng's.
- A.4. Listening to over 12 hours of your speeches in the last two days and this morning, I realise that it is not possible for me to address each of the points you raised. My colleagues will engage you in the specifics of policies within their Ministry's purview. Mr Speaker, Sir, with your permission, may I use some slides so that its easier for the chamber to follow my speech.
- A.5. In rounding up the debate today, I can value-add by picking up some of the common threads in your speeches, and to reinforce some of the key principles for this Budget and those before, which make up the '**Singapore way**'.
- A.6. So what is the Singapore way?
- a. First, we put people at the centre of our plans, strategies, and programmes.

- b. Second, we plan long term, while taking an adaptive approach to respond to changing circumstances and needs.
  - c. Third, we do all of this together, working in partnership.
- A.7. These principles reinforce each other, and have allowed us to do more with less. For instance, in the areas of education, healthcare, and policing, we have achieved very credible outcomes despite spending less than what other countries do. For instance, in the areas of **education**, I showed this slide at last year's debate. We didn't spend the most, but you can look at the outcome that our students achieved in this PISA score.



- A.8. **Healthcare**, again, we didn't spend the most, but we have the second highest life expectancy next to Japan. And you can see the OECD countries' averages on the right hand side.

## GOOD OUTCOMES FOR HEALTHCARE SPENDING



### Build a Strong Fiscal Foundation

- A.9. And **policing**, good outcomes in policing. Where again, with the spending that we have, just slightly above 0.6% of GDP, we are ranked one of the safest in the world. So these are all very credible outcomes despite spending less than what other countries do.

## GOOD OUTCOMES FOR SPENDING ON POLICING



### Build a Strong Fiscal Foundation

- A.10. I will now elaborate on each of these principles.

## B. PUTTING PEOPLE AT THE CENTRE OF WHAT WE DO

- B.1. The first principle of the Singapore way is **putting Singaporeans at the centre of what we do**. We empower people through education, create a good environment for families, help Singaporeans to earn and save enough for retirement, and support ageing with assurance. As Engineer Dr Lee Bee Wah put it so eloquently, all that we do, 完全是为了你, it is all for you.
- B.2. Many MPs, including Mr Louis Ng, Ms Jessica Tan and Mr Gan Thiam Poh, have given suggestions on addressing class divisions, inequality, and helping all Singaporeans do well, including the less privileged.
- B.3. The question is, how best to do so? As Mr Saktiandi Supaat put it, it cannot just be through a Robin Hood style of social transfers. We believe that the best way to take care of our people is to **build capacity**. That is:
- a. For our young, we give them a strong foundation in terms of a good education and exposure, so that they have the knowledge, skills and values necessary to chase their dreams.
  - b. For our workers, we invest in increasing their capacity, through upgrading and re-skilling. Crucially, we also build an economy that provides them with opportunities.
  - c. For those who have fallen behind and who need help to access opportunities, we provide stronger support systems. And this is with the ultimate objective to give them the confidence and dignity to succeed for themselves as far as possible.
  - d. For our seniors, we support them in their desire to age successfully.

B.4. We have been providing significant support and will continue to do so. Let me illustrate.

### [Our young](#)

B.5. Our **young get a high quality education**, which provides a solid grounding to chase their dreams. We make sure this is available to all our people, regardless of background.

B.6. We keep education **affordable**.

- a. Parents pay \$13 dollars each month, per child, for primary school fees. This is possible due to the significant subsidies provided to every child.
- b. On average, every child entering Primary 1 in 2018 would have received over \$130,000 in education subsidies by the time he or she completes secondary school.
- c. Those who go on to post-secondary education receive another \$15,000 to \$22,000 for every year they remain in school.

B.7. And beyond just making sure that everyone can afford education, we make sure that there is **good quality for everyone**, not just the top achievers or better off. In 2018, we provided at least 60% more resourcing for primary school students with a weaker foundation in literacy and numeracy, through learning support programmes in schools.

- a. Our commitment to maximising pathways to success is clear. We have specialised schools catering to the needs of Normal (Technical) students, those with interests in science and technology, or the arts or sports. Most visitors to our country are very impressed with what we have done for our ITEs, sometimes better designed and resourced than their universities. I think several members in this house and myself

have been bringing visitors to ITE, and they have been surprised to see what we have in the ITE. MOE will elaborate more on our plans to uplift our students at the Committee of Supply.

- b. What we do is not necessarily the case worldwide. In the US, public funding per student varies widely across states and within states. For example, within the state of New York, one school district can get three times that of another school district, based on how well-off each school district is.<sup>1</sup>
- B.8. I agree with Professor Lim Sun Sun who said that we need to help our students develop cross-cultural, digital and ethical, or CDE competencies. And this is on top of the ABC and the 123s that we teach them. Professor Fatimah Lateef also called on Singaporeans to develop strong networks to thrive in an age of change and disruption.
- a. Our schools provide this holistic education by making available Co-Curricular Activities, Applied Learning Programmes and Learning for Life Programmes, all of which are heavily funded by MOE.
  - b. When I was Education minister, I visited many school systems around the world. And what struck me in many of the school systems was that when I asked: “if your child wants to learn arts, music, dance, sports, what do they do?” In many of the school system, their answer was: “well they have to join outside class.” And when I asked: “how do you pay for it?”, they would reply: “Well, we as parents pay for it.” Whereas, in our school system, co-curricular activities to develop our students’ interests, and developing them in diverse ways are part of the school system and funded by the Government.
  - c. The Edusave Award for Achievement, Good Leadership and Service (EAGLES) and the Edusave Skills Award are just

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<sup>1</sup> Source: US National Center for Education Statistics.

some of the ways we recognise students who demonstrate excellence for achievements, beyond academic.

- d. And you never know where the path will lead you. Take for example Mr Wong Kah Chun whom PM spoke about at the National Day Rally last year. He grew up in a Chinese-speaking family, but through his school band, discovered a love for Western classical music and is now the first Singaporean to conduct the New York Philharmonic Orchestra.
- B.9. We also support our young people to build their cross-cultural competencies. In this and the last two Budgets, I set out plans that will help our tertiary students, young workers, and aspiring leaders to build friendships with peoples and understand our region better. These include the Global Innovation Alliance, the Leadership Development Initiative, and the Global Ready Talent Programme.
  - a. I was at the groundbreaking ceremony of Razer last week. I was excited that with Razer's expansion, we will be able to have many more opportunities for young Singaporeans, both here and overseas.
- B.10. We will continue to do more for our young. We have been investing more in pre-school – to make pre-school education better, more accessible, and affordable especially for the lower income. This will help our children build a solid foundation from an even younger age.

### **Our workers**

- B.11. Let me move on to how we **build capacity in our workers**, to help them pursue their career goals. I agree with NTUC Secretary General Ng Chee Meng and Mr Seah Kian Peng that for the Fourth Industrial Revolution, or Industry 4.0, to work for us, we need Worker 4.0 as well. Meaning, we need our workers to transform, and build capacity in tandem.

a. As Mr Desmond Choo mentioned, learning, and building capacity, does not stop after formal education. Learning takes place anywhere, anytime, from anyone. The workplace is a good place for our workers to learn.

B.12. As Mr Patrick Tay has mentioned, we provide support for our workers to reskill and upskill, to seize opportunities and do well for themselves.

a. The SkillsFuture movement provides this support for our workers to develop skills and pursue lifelong learning.

b. For those who are displaced, we help them **find a new job, and reskill where necessary**, through programmes such as Adapt and Grow.

B.13. The labour movement plays a key role in this.

B.14. I would like to thank the Labour MPs for all speaking on a common theme of “every worker matters”, and sharing their thoughtful views on what we should do to better support our workers. Senior Minister of State Heng Chee How spoke on putting workers at the heart of all we do. And I am glad that they recognise, in Mr Zainal Sapari’s and Mr Ang Hin Kee’s words, that this year’s budget is pro-worker.

a. The Labour MPs and Ms Sylvia Lim have spoken about various segments of our workforce – young workers, older workers, mid-career professionals, low-income workers, self-employed workers and those with caregiving responsibilities. MOM and MOE will address some of their suggestions in greater detail during the Committee of Supply.

b. A common thread in the comments, as Mr Arasu Duraisamy has noted, was how employers have a key role to play in helping their workers upgrade. Mr Melvin Yong commented that workers who go for training need to pull “double shifts” – training in the day, working at night. This is not easy to do. As

workers put in the effort to train, I urge all employers to give them full support.

B.15. I would also like to explain how we support our **low-wage workers**, in line with concerns raised by Dr Intan Mokhtar and others. Where possible, we want them to build capacity through upskilling, so that they can move up the wage ladder.

- a. This is why **we give Workfare, not welfare**. We have the Workfare Training Support scheme to encourage skills upgrading, and the Workfare Income Supplement, which I announced enhancements to this year.
- b. Through Workfare and the Progressive Wage Model, we help lower-income workers upskill and reskill, earn more and save more.

B.16. I am heartened to hear that Singaporeans, both within and outside the House are concerned about whether families of lower-wage workers can make ends meet. Some like Mr Mohamed Irshad have suggested that the way to address this is to allow younger Singaporeans to be given the Workfare Income Supplement.

B.17. At this point, I would like to explain the design of Workfare and why we provide more support to older lower-income workers.

- a. Much as we wish to help those who earn less, how we do it is important. Permanently increasing their capacity to earn more is the most sustainable way to improving their lot in life and helping them support their family members.
- b. This is best done by upgrading their skills and improving their chances of getting better paying jobs. What they learn today will be useful for many years down the road, and build a foundation for further learning. In the meantime, we help them take care of their families' needs, such as bursaries for their children or MediFund for their parents' hospitalisation bills.

- c. And where there are challenges with accessing skills training, I am confident that NTUC and our unions can come in to support.

### Support for the less well-off

- B.18. Education and employment support are part of the comprehensive system of social support which benefit our less well-off. On the whole, our broad-based schemes are **designed to provide them with more support.**
  - a. We help our workers **save for retirement through the CPF**, which provides a risk-free return, with extra 1% interest on the first \$60,000 of CPF balances. Those who are aged 55 and above receive an additional 1% for the first \$30,000 of balances. This structure tilts the benefits in support of members with lower balances. It is in the spirit of what Mr Saktiandi Supaat mentioned, of helping small savers grow their income.
  - b. We also help Singaporeans **own their homes**, with more housing subsidies for the lower income. There are few countries where young couples buy a home before they get married! In fact, in many cities, there is a huge gulf between those who own properties, and those who do not. We continually rejuvenate our estates and upgrade our flats, so that they remain vibrant and liveable homes for our people. These flats could also provide an additional source of income in retirement.
- B.19. At the same time, we provide other **targeted support for those from less advantaged backgrounds**, in different forms. Miss Cheryl Chan spoke about the need to uplift these groups.
  - a. We have put in place schemes such as KidSTART and the Fresh Start Housing Scheme, which help the lower income get back on their feet.

- b. For those in their old age, Silver Support provides a supplement for those who had low incomes through life and little family support. ComCare is available for those with greater needs.
- B.20. There is **always room to do even better**, as many MPs have mentioned. But **overall, it is a good system, which gives Singaporeans a good foundation in life**. That we still find the occasional cases which fall through the cracks does not behove us to knock down the system. It gives us – policymakers, public officers, social workers, community volunteers – the motivation to do better, through action.

### **Our seniors**

- B.21. Let me now turn to our seniors. Singapore is ageing quickly, quicker than many other developed countries.
- a. We made the transition from an aging to aged society in an exceptionally short span of 19 years.<sup>2</sup> In comparison, Japan – the world's most aged country – took 26 years. Other countries like France took more than a century – 115 years – and Sweden took 85!
  - b. Furthermore, by 2025, Singapore will become a super-aged country, with 21% of our citizen population aged 65 years and older.
- B.22. But this should not be viewed in a negative light. **Singaporeans can redefine ageing. We are already doing so.**

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<sup>2</sup> The World Health Organization (WHO) and the United Nations defines an “aging society” to be one where more 7% of the population is 65 years or older, an “aged society” to be one where more than 14% of the population is 65 years or older, and a “super-aged society” to be one where more than 21% of the population is 65 years or older.

- a. Our \$3 billion Action Plan for Successful Ageing was launched in 2016, taking in feedback from thousands of Singaporeans, both young and old, on what they saw successful ageing to be.
- b. Compare the title of this latest action plan with the title of the first committee on ageing we set up in 1982 – the Committee on the Problems of the Aged! Things have changed.

B.23. Learning from the many seniors I have met who inspire me, let me share how they are redefining ageing, by staying **active, staying healthy and staying connected**. If we help all our seniors to make this transition, it will benefit them, it will also inspire all our younger generations.

B.24. Our seniors want to **stay active**, be it through work, volunteering, learning something new, or keeping up with their grandchildren. And we want to support them in doing so. Opportunities to learn, grow and achieve do not stop at the retirement age.

- a. In fact, the National Silver Academy, which was part of the Action Plan for Successful Ageing, came about because our seniors told us that they wanted to keep learning and contributing to society. The Academy now provides a range of courses for senior learners, and supports inter-generational learning programmes.
- b. I am glad that we have support for this on both sides of the House. Associate Professor Daniel Goh and Mr Faisal Manap have also made a strong pitch for our seniors to be active, and continue to be the best that they can be.

B.25. Our seniors also want to **stay healthy**.

- a. Having the second highest healthy life expectancy in the world, we are in a good place.

- b. I recently met Ms Peng Lee Er (彭丽儿), one of our Merdeka Generation or “MG”, at a TV forum. She told me that she appreciated the Merdeka Generation Package (MGP) benefits as they provided assurance that her healthcare expenses would be taken care of. Even better, the benefits would be there but not used or what she called “备而不用”. Meaning that it was best if she could stay healthy, and not have to seek treatment in the first instance. I agree very much with her. The intention is for our seniors to focus on staying well. The MGP is there as an added assurance. I am glad to hear Ms Joan Pereira and Ms Irene Quay expressing support for this.
- c. I am always very happy to see groups of seniors coming together regularly in parks, or other public spaces, to exercise – doing line dancing or Zumba Gold together. In fact, I understand that many seniors are exercising regularly in over 400 locations across the island. This is a good sign, and I hope there will be even more of such groups in the years to come.

B.26. And last but not least, our seniors want to **stay connected** with one another, and with those around them.

- a. I am encouraged by progress made through the Community Networks for Seniors, which brings together government agencies and community partners to help us have the “ABCs” – where seniors stay active, and befriend and care for each other.
- b. Some 1,500 seniors have come forward as volunteers to befriend and help other seniors.
- c. Take the example of Mr Bernard Lai, who is a member of our Merdeka Generation. Besides juggling his work commitments, he is an active grassroots leader, a member of various sports clubs and a Silver Generation Ambassador!

- B.27. At the MG tribute event hosted by PM early this month, Dick Lee, Jacintha Abisheganaden, Mel Ferdinands and Rahimah Rahim – all MGs – gave a spirited rendition of Merdeka Sayang. I quote, “With our silver hair, we still contribute”. Another quote, “we work so hard, but still young at heart”. Indeed, these lyrics reflect the spirit with which we approach ageing. So “Fried Rice Paradise” just got better with age!
- B.28. Our Pioneers were the first generation of Singaporeans who were living and working in Singapore after we became independent. Our Merdeka Generation is the next, younger generation, better educated and healthier. So **we look to you to redefine ageing and forge a new path on what it means to be the independence generation.**
- B.29. Now, I have spoken of how we take care of our people. In essence, it is through building capacity in everyone – our young, working adults, seniors, – to be the best that they can be, while giving those who need help, even more support and help in a targeted way.

- B.30. Now, MPs have also brought up other important issues.
- a. Ms Joan Pereira and Ms Anthea Ong spoke of the importance of support for those with mental health conditions. This will be taken up at the MOH COS.
  - b. Ms Joan Pereira, Associate Professor Daniel Goh, and Ms Rahayu Mahzam have also spoken on how to better support women, especially those who are caregivers. As Minister Josephine Teo shared, many of our existing schemes do benefit women more. In particular, the CPF top-up in this year’s Bicentennial Bonus will support women who did not work and therefore had low CPF savings for retirement. It is a fitting recognition of their contribution.

## C. PLANNING LONG TERM

- C.1. We build capacity and adopt a long-term orientation in our planning. This is the second principle of the Singapore way. **We plan for the long term, because we plan for Singapore to be here in the long term.**
- C.2. We look ahead, often tapping on the knowledge of experts here and overseas, so that we can prepare for the future. Ageing, climate change, and changing economic trends are just some of the issues we have been preparing for.
- a. As I mentioned earlier, the first committee on ageing was set up in 1982<sup>3</sup>, when the proportion of Singaporeans aged 65 and above was only about 5%.<sup>4</sup>
  - b. We are looking at various infrastructural plans to protect us from rising sea levels due to climate change, the effects of which are projected to hit us sometime between 2050 and 2100. Given the long time horizon, it is difficult to project these spending needs now. Nonetheless, we are planning early, seeing what we can do, and will work out the resourcing accordingly.
- C.3. Our plans span many years – putting in place the right infrastructure, charting the course of our economy, and steadily building up our capabilities.
- a. Given the long gestation period of these projects, such as the airport and port projects, it is inevitable that they are subject to risks and uncertainties in the operating environment. So I share Mr Dennis Tan's concerns on this issue. However, these uncertainties should not prevent us from making "exciting investments". Rather, they are impetus for bold but deliberate planning.

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<sup>3</sup> This was the Committee on the Problems of the Aged.

<sup>4</sup> In 1980, the proportion of those aged 65 years old and above was 4.7%.

- b. Operating in challenging environments has always been our lot in life, which has taught us to plan carefully. Back in the 1980s, when we were building Changi Terminal 2, we also faced regional and economic uncertainties. But we persevered and overcame these challenges.

### Preparing for economic changes

- C.4. We do not shy away from making difficult decisions if they are necessary for the long run. This is why we have been pushing hard on economic restructuring, and have taken further steps this year to drive deeper restructuring.
- C.5. As Mr Darryl David and Ms Jessica Tan pointed out, there are significant shifts in the global economy, which means that **we will be stuck if we stick to business as usual**.
  - a. We are fortunate to be in Asia, where the growth is. However, the rapid growth of Asian economies will result in shifting comparative and competitive advantages in the region, which we will need to adapt to in order to benefit from this growth.
  - b. Supply chains are shifting. This is driven by new technologies, the shift of global demand to emerging markets, and the consolidation of supply chains within manufacturing powerhouses in the region.
  - c. At the same time, global value chains are becoming more knowledge-intensive, with research and development, software, design, and other intangibles forming a greater share of value created.
- C.6. We are well placed to ride on these changes. As a regional hub in many areas, such as finance, professional services and logistics, we are well-positioned as a base for businesses to capture the growing regional demand for such services. We also continue to

have a strong manufacturing base, despite increasing competition from other economies.

- C.7. We must **push ahead to strengthen Singapore's position as a Global-Asia node of technology, innovation and enterprise**. We will continue investing in research, innovation and enterprise development, and support our entrepreneurs and businesses to boldly venture into new markets. This will bring new opportunities to our people and firms.
- C.8. However, the window to achieve **deeper economic restructuring, to help more of our firms capitalise on this opportunity, is narrow**.
  - a. We have achieved strong macroeconomic fundamentals through policies introduced over the years. What we need now is to **double-down on improving productivity and innovation at the industry and firm-level**. In particular, through a targeted, tailored approach to get firms of different types to adapt and transform.
- C.9. We have made the difficult but necessary move of cutting the DRC levels for the Services sector.
  - a. Several MPs, including Mr Chong Kee Hiong gave feedback that some firms from the services sector find it difficult to automate their processes. But the reality, as Senior Minister of State Heng Chee How pointed out, is that our resident labour force growth will continue to slow. If we do not move decisively on improving productivity and building up a skilled Singaporean core in industries which are currently lagging, firms will find it harder to adjust in the future. As Senior Minister of State Chee Hong Tat described it, the DRC cuts are like 苦口良药, bitter medicine that makes us better off in the long run.

- b. Even as we cut DRC levels, we will help our firms in the transition, as Minister of State Zaqy Mohamad has outlined.

### Taking an adaptive approach

C.10. As we take a long-term view in our planning, we must also consistently review our policies to take into account new trends, new feedback, and new evidence. As Mr Christopher de Souza just mentioned, because of the rapidly changing world and our unique challenges, it is critical that we be able to draw from a broad slate of policies and avoid strict adherence to theories.

- a. We must be prepared to experiment and take calculated risks. If we do not succeed at first, we learn from our experience and try again. This is how we become better, as a people, and as a country.
- b. I encourage all Ministries to adopt this entrepreneurial mindset, and continue to keep trying out different solutions for the issues that face us. **We must be focused on exploring what works, discard what does not, and execute effectively, so as to achieve better outcomes for Singapore and Singaporeans.**

C.11. Hence, we adjust and calibrate our approach as we go along, to take in feedback and learn from outcomes, to make our schemes more useful and effective for firms and workers. For example, a common feedback from SMEs was that it was difficult to navigate government schemes and get support for business transformation.

- a. To help firms identify the support available to them, we launched one-stop portals like the Business Grants Portal and Startup SG.
- b. To reduce the number of schemes for firms to navigate, we rationalised grants that served similar objectives under the Productivity Solutions Grant (PSG), Enterprise Development

Grant (EDG), and PACT programme. This year, we will streamline eight financing schemes into a single Enterprise Financing Scheme (EFS).

C.12. Our policies have been gradually adapted to help Singaporeans better prepare for retirement as we live longer.

- a. CPF LIFE, Silver Support, and the Lease Buyback Scheme were introduced to boost the retirement savings of our seniors.
- b. MediShield Life, which started as MediShield, and CareShield Life, which will replace ElderShield for younger cohorts, will provide universal and lifetime coverage for healthcare needs. Later this year, we will expand CHAS subsidies to provide universal coverage for chronic illnesses. This last move, as Ms Rahayu Mahzam noted, shows the willingness of the Government to make changes when necessary. In fact, as Dr Lim Wee Kiak said, “we do have a universal healthcare system”.
- c. As a pre-funding scheme, MediSave too has to evolve as medical technology advances, as more options become available, and as the population ages.
- d. We will remain flexible and adaptive, to deliver the best outcomes for our people.

C.13. There have been questions, in and outside of this House, on **whether we will or should have packages like the Pioneer Generation Package or Merdeka Generation Package for future generations**. Some have even suggested names. Some asked in anticipation; others asked because they were worried about “who pays?”.

C.14. Policy-making in real life does not assume that we start with perfection. My earlier examples show that we do not let the perfect

be the enemy of the good. We do what is good, learn by doing, and adapt and improve continually.

- C.15. During Singapore's journey from Third World to First, our Merdeka Generation, and our Pioneers especially, did not benefit from the social safety nets we have today and the investments we can now make. They had fewer or no educational opportunities. They earned less. The CPF contribution rates started out very much lower. So a cohort-based approach to support them in their silver years is appropriate. You can say that we custom-made the packages to better meet their needs, and to honour them for what they have done for Singapore.
- C.16. For the younger cohorts, they too will have needs, but they are not of the same nature as the Pioneers or MGs.
- a. Today, more than 9 in 10 Singaporean youths can expect to go on to a post-secondary education. 9 in 10. This is compared to less than 2 in 10 among our youngest MGs, and about 1 in 10 for our Pioneers when they were at the same age.
  - b. The schemes we have put in place over the years – MediSave, MediShield Life, CareShield Life – enjoyed over their full working lives, will make sure that, by the time they reach retirement, they will be in a much better position than the Pioneers or MGs to look after their own healthcare needs. Of course, some among us will still need more help. The Government will look at the needs of each group, and tailor our policies and programmes in the future.
  - c. Senior Minister of State Chee Hong Tat has summarised this well. The Merdeka Generation Package is not linked to the election cycle, nor is it linked to the unexpected surpluses this term. It is a plan that has been carefully studied over a significant period of time. Not many countries in the world has gone through a similarly compressed period of accelerated

growth, leading to relatively wide divergences between the older and younger generations. Building on our substantial base of permanent healthcare schemes, a calibrated cohort-based approach is fair to different generations.

- d. If we continue to take a responsible and long-term approach to planning, younger Singaporeans need not fear that they will end up with a disproportionate share of the cost. But if we lose this discipline and make rash promises, like universal healthcare benefits regardless of circumstances, I would worry for our future generations.

C.17. I have outlined two aspects of the Singapore way – putting people at the centre of what we do, and planning long term.

## **D. PARTNERING ONE ANOTHER**

**D.1. The third principle of the Singapore way that I would like to highlight is partnership.**

- a. We have consistently been advocating this partnership for years. As Mr Murali Pillai pointed out, it is not just this Budget, but also past Budgets which had partnership as a key element. In Budget 2016, our theme was “Partnering for the future”. In 2017, it was “Moving forward together”, and in 2018, it was “Together a Better Future”.
- b. Previous Finance Ministers have had different ways of titling their Budget speeches, but partnership – working together – has always been key to our policies.

**D.2. As Professor Fatimah Lateef put it, “Partnerships to Prosper” involves partnerships at all levels – globally, regionally, and in Singapore, in our businesses, and in the community. Partnerships are also important for the arts community, as Mr Terence Ho shared.**

**D.3. We seek to be friends to all, and build strong international partnerships for mutually beneficial outcomes. We have been steadily strengthening our partnerships.**

- a. Free Trade Agreements allow our businessmen access to other markets. And this is particularly important in this period when there are significant trade tensions.
- b. Defence agreements allow militaries to build mutual understanding.
- c. Collaborations between officials and businesses build good will and better people-to-people connections. Examples are Suzhou, Kendal, the Chongqing Connectivity Initiative, Iskandar Malaysia, and the new state capital of Andhra Pradesh.

D.4. But of all the partnerships that we build, **the most foundational ones are the partnerships within Singapore.**

- a. A strong and united Singapore enables us, both the Government and our people, to build strong partnerships elsewhere.
- b. A strong and united Singapore assures our partners around the world, that we can be taken at our word, and will not cycle back on our commitments due to domestic divisions.
- c. A strong and united Singapore also sends a clear signal of our will and resolve to defend our sovereignty and safeguard our vital interests.

D.5. One **key partnership within Singapore is our tripartite arrangement**, which is a unique strength for Singapore. We must build on this, and strengthen partnerships between the Government, firms and unions.

D.6. Firms must build deeper capabilities together with their workers. The workers benefit from better jobs and better pay. A skilled, committed workforce gives firms a competitive edge. This is the smart thing to do.

- a. We will continue to provide support to firms, which more directly link their companies' growth and transformation with capability building for their workers, such as in the changes we made to the Enterprise Development Grant and the Productivity Solutions Grant.
- b. I am glad to hear about SNEF's efforts to help employers implement responsible employment practices as a means to enhance competitiveness and sustain business growth.

c. I am pleased to hear NTUC's Secretary-General Mr Ng Chee Meng and Senior Minister of State Koh Poh Koon talk about NTUC's plans, such as the setting up of training committees with partner companies to build worker capabilities. Our unions are not just into advocacy. Our unions take concrete and meaningful action which makes a difference to our firms and workers. We will continue to support our unions in this effort.

D.7. One example of how tripartite partnership can lead to positive outcomes is PSA.

- a. When I visited PSA earlier this month, on the first day of Chinese New Year, together with Senior Minister of State Koh Poh Koon, I was glad to see them adopting new technologies, such as the automated crane system.
- b. PSA has reskilled and upskilled over 1,300 workers who transitioned from the city terminals, to use the new technology at the Pasir Panjang Terminals over the past few years. PSA has worked closely with the Singapore Port Workers Union and Port Officers' Union in engaging and facilitating the change for the large pool of staff involved in this transition.
- c. Some of the crane operators I met had worked with PSA for over 20 years and commented that the changes led to better working conditions as they could work from a remote air-conditioned office, rather than in the crane cabin, high on top of the crane, as you can see from this visual.

D.8. Another example is ST Engineering's aerospace sector, which I visited earlier this week.

- a. To ride on the wave of Industry 4.0, ST Engineering has been investing in smart maintenance, repair and operations (MRO) initiatives at its hangars, to adopt data analytics, additive manufacturing and automation.

- b. I was encouraged to hear that its union-management Training Council worked closely with the NTUC Learning Hub to customise the SkillsFuture Digital Workplace course for her workers, to familiarise her workers with digital technologies, new work processes and automation. Over 200 staff attended the course in 2018, with another 600 staff expected to attend the course in 2019.
- c. I am glad to see ST Engineering building enterprise capabilities and deepening worker skill sets in tandem.
- d. This is the type of positive outcomes for workers, businesses and the Government, which we all strive to achieve.

D.9. Our Trade Associations and Chambers, as representatives of firms, have an important role to play in this effort.

- a. So I am glad to see more stepping up over the last few years.
- b. For example, through its networks with the global water community, the Singapore Water Association (SWA) introduced Imagine H2O, a leading water innovation accelerator in San Francisco to local industry players. This led to exchanges of ideas on commercialising innovative water technologies between our firms and Imagine H2O's start-ups. This association is also working with ESG to immerse Imagine H2O into the local water ecosystem. As an outcome from this exchange, Imagine H2O has assessed Singapore to be a strategic location to set up its presence for the Asian market, and it is in the midst of establishing presence here.
- c. I was glad to hear Mr Douglas Foo's affirmation that the Trade Associations and Chambers remain committed to enhancing the business community's capabilities, and collaborating with member firms, the Government, and the Labour movement. And I support his call for "TACs to further break down

individual walls, and work with one another to accelerate our common national interests". The enhancements to LEAD, which I announced this Budget, will further strengthen the role that TACs play.

D.10. The **Government will continue to play its part**. We invest in **building an environment to help firms with the capabilities thrive**, through steady investments in R&D, and strengthening economic linkages to the region. This **builds on our comparative advantages to help us, as an economy, to excel**. To do so in a way which works for each sector, we bring relevant stakeholders together to drive transformation through ITMs, and ITM cluster strategies.

D.11. We also take an **enterprise-centric approach**, which focuses on issues faced by firms at each stage of growth. This tailored and targeted approach allows our economic schemes to yield better results.

- a. For **firms which are ready to scale up and compete on a global scale**, we provide **more customised support**. This is to help them identify and overcome the unique challenges they face, and scale their businesses quickly. I announced the Scale-up SG programme and the pilot Innovation Agents programme this Budget, which will help in this area.
- b. Mr Liang Eng Hwa asked if the customised approach of the Scale-up SG programme meant that the Government is picking winners. This is not the case. The customised support that we provide is available to companies that show ambition and are willing to take the effort to transform themselves to scale up quickly.
- c. This support comes on top of many schemes which are accessible to firms, small and micro. For example, **schemes which help firms adopt digital technology solutions**, such as Start Digital Pack under SMEs Go Digital. And **where there**

**are market gaps, we provide support**, such as through the Enterprise Financing Scheme, to provide financing for younger and smaller firms.

- d. These schemes, together with a wide range of schemes under the Startup SG branding, provide a strong base of support for start-ups, which Ms Denise Phua asked about.

D.12. We will **build a caring and inclusive society together**. As pointed out by Ms Rahayu Mahzam, many Singaporeans and businesses have demonstrated their care and concern for fellow Singaporeans through their good work over the years.

- a. TSMP Law Corporation is one such example. In addition to providing pro-bono legal services for the disadvantaged, the firm also regularly partners VWOs to contribute time and dollar to a broad range of causes and activities.
- b. VWOs, like AMKFSC, SPD and Empower Ageing, have also done an excellent job in serving a broad range of needs in the community. As Ms Denise Phua said, their reach extends beyond what the Government can do. I thank them for their efforts, their hard work, and more importantly, heart work, in reaching out.

D.13. We help them to continue deepening their capability, and increase the impact of the good work they do:

- a. For instance, we started the VWO-Charities Capability Fund in 2002 to help VWOs train their staff, expand their reach and serve people better. In 2017, we set aside \$100 million for the 4<sup>th</sup> tranche of the VWO-Charities Capability Fund (VCF).
- b. The 250% tax deduction that we offer today on qualifying donations is also one of the most generous tax deduction schemes worldwide. Jurisdictions like Hong Kong, the US and

Australia provide only 100% tax deductions for corporate and individual donations.

- c. Matching grant schemes like the new Bicentennial Community Fund which I announced will also catalyse more funding to our IPCs. Together with the 250% tax deduction, effectively, every dollar donated can draw a Government contribution of up to \$3.50.
- d. The Minister for Culture Community and Youth will elaborate on our efforts to support philanthropy and volunteerism at the COS.

D.14. We will **keep Singapore safe and secure together**. That's another important part of our partnership.

- a. I am heartened that MPs like Mr Henry Kwek, Mr Darryl David, Mr Dennis Tan, Mr Mohamed Irshad and Mr Vikram Nair appreciate the geopolitical situation that Singapore is in, and support our commitment to make sustained investments in our security and defence capabilities.
- b. We have good men and women in our security forces and diplomatic corps. But they cannot be everywhere, or protect every flank.
- c. Every Singaporean has a part to play through national movements like SGSecure. We must stay alert, stay united, and stay strong against threats, be it terrorism or cyber warfare. Everyone must play a part in Total Defence.

D.15. And we will find the best way forward together. **But no one – not you, not me, not the Government, has all the answers.**

- a. Today, we consult, engage, and partner relevant stakeholders when formulating policy. I am glad Associate Professor Walter Theseira and Mr Ang Wei Neng have spoken on the

importance of feedback for more inclusive policymaking for the better of our society.

- b. There is always room for improvement, and Mr Ang has given robust feedback, which our agencies will take seriously. But let us not just stop at making criticism, but reach out to one another, recognise that we may have different views, but we can work together and find that middle ground, find the right way. We will tackle our challenges and construct better solutions, together. And as Mr Christopher de Souza reminded us, our political dialogues must not degenerate into political brinksmanship, as we are seeing in many developed countries.

## E. BUDGET - THE SINGAPORE WAY

- E.1. I have spoken about the Singapore way – our way – with people at the heart of our policies, planning for the long-term while adapting to near-term circumstances, and doing it together, working in partnership. **Our Budget reflects these principles, not just in the way we spend, as I had explained, but also in the way we fund our spending.**
- E.2. Many MPs in this house have called for more “M&Ms”. Not the sweet chocolate candy, but “more & more”.
- E.3. I too, like M&Ms. But our resources are finite, and our needs are growing and diverse. To square the circle, we need to use the **right tools for the right needs**, with these principles in mind. **And we need all of these tools, to balance our budget in the medium-term.** Let me talk about each of them in turn.

### Taxes

- E.4. First, taxes.
  - a. As individuals, we can all accept that we should pay for what we use. Similarly, each generation should pay for their own needs.
  - b. We had debated this at last year’s Budget, and I am glad that many of you agreed with this.
- E.5. Nevertheless, there have been some reservations raised over the approach and timing of our plans to raise taxes going forward.
- E.6. Ms Foo Mee Har urged the Government to postpone the GST hike for as long as possible. She suggested that the funds that we have set aside this term for various future expenditures like the MGP and the use of borrowing for future infrastructure expenditures could provide sufficient fiscal space to postpone the GST increase.

- E.7. I appreciate Ms Foo's suggestion to delay this. Let me assure her and Members of this House that the decision to raise GST was not made lightly. As the Government, it is our responsibility to anticipate, and plan ahead for future needs. When doing so, we need to distinguish between one-off factors, and underlying structural increases.
- E.8. The GST increase is needed to support structural increases in healthcare spending, among other important needs like pre-school education and security. Such healthcare spending is of a completely different scale and nature from the cohort-based package set aside for the Merdeka Generation or the Pioneer Generation.
- a. As mentioned earlier, the Government has systematically laid the foundation of a broad-based healthcare system that supports not only seniors, but all Singaporeans, regardless of their age and income.
  - b. We now provide significant subsidies in all care settings – up to 80% in our public hospitals and for long-term care services, up to 70% for specialist outpatient services, and up to 75% for polyclinics.
  - c. MOH expects to spend \$6.1 billion in 2019 alone – I repeat, \$6.1 billion in 2019 alone - to subsidise patient bills through existing permanent schemes that all Singaporeans enjoy. This does not even include spending to enhance our healthcare facilities, and to research more effective treatments.
- E.9. As our population ages, spending on **permanent** healthcare schemes and other parts of the healthcare system will **continue to increase structurally**.
- a. Funding this requires a *structural* increase in our operating revenues. In other words, the base of our healthcare spending

is rising, and over and above this rising base, we have special packages set aside for our Pioneers and Merdeka Generation.

- b. Every ageing society faces similar structural spending pressures. A recent OECD paper highlighted that in the median OECD country, public health expenditure is projected to increase by almost 5 percentage points of GDP between 2018 and 2060. 5 percentage points.
- c. The OECD's recommended approach is no different from ours. To address the growing fiscal burden from higher healthcare spending and demographic change, without further ballooning of public debt, there is a need for these Governments to raise primary revenues.
- d. The median OECD government is estimated to require additional revenues of 6.5 percentage points of GDP by 2060. What does 6.5 percentage points of GDP mean? To put it in perspective, we expect to raise about 0.7 percentage points of GDP with the planned 2 percentage point GST increase. So, you compare 6.5 percentage points to the 0.7 percentage points of GDP that we have. And you see the scale of the issues in many places.

E.10. We have yet to decide on the exact timing of the GST increase and we will exercise care when doing so. We will continue to monitor the prevailing economic conditions, trends in expenditure, and buoyancy of our revenues carefully. And as I said in the Budget Speech, we will also be preparing a transitional package when this comes in.

E.11. Next, related to the issue that Ms Foo Mee Har and other Members raised, I should also put into perspective the surpluses accumulated so far in this term of Government.

E.12. Forecasting is an inherently difficult exercise.

- a. Some revenue items are volatile, especially those dependent on sentiment-driven markets, such as Stamp Duty or Vehicle Quota Premiums. For instance, in FY2018, we had estimated that Stamp Duty collections would be lower because of property market cooling measures. But the property market defied our expectations.
- b. There can also be surprises on the expenditure side. The two-year suspension of the KL-Singapore High Speed Rail Project is a case in point.
- c. The unexpected surpluses over the last few years are not due to the introduction of Temasek into the NIR framework, as suggested by Mr Pritam Singh. The volatilities and uncertainties in revenues and expenditures, as I had just explained, account for most of this surplus.
- d. While the Government's approach is to look ahead, plan ahead, and prepare for the unexpected, it seems that Mr Singh would prefer to look backwards to find unexpected revenue surprises, and count on them to keep happening. I am afraid such an approach of hoping for the best is not how we secure Singapore's future.

E.13. While there is room for improvement, the accuracy of our revenue and expenditure projections has been reasonable, and respectable by international standards.

- a. Actual revenue and expenditure figures have generally been within +/- 4% of our original estimates.
- b. The Ministry of Finance is constantly looking for ways to improve our forecasts.
- c. But the experience of other countries also shows that this is not easy to do. Japan's revenue estimates, for example, had a margin of error of about 11% over the past 5 years. Hong

Kong, a small open economy like us, averaged slightly better, at 8%. Nonetheless, we will see how we can continue to improve.

E.14. Mr Liang Eng Hwa also asked how the Government intends to use the accumulated surplus.

- a. First, let me clarify that any surpluses we have do not simply “disappear” at the end of the term. They become part of our reserves which are invested to generate returns, part of which will form Net Investment Returns Contribution (NIRC). As Mr Murali Pillai explained, when our economy grows, we have an obligation to contribute to the reserves to be used for the uncertainties of the future.

E.15. We should also bear in mind that the business cycle can turn, and having some surpluses on hand can allow us to provide targeted support to segments that need help to tide over the downturn. For a major crisis, we can turn to Past Reserves.

- a. During the Global Financial Crisis in 2008 our accumulated savings allowed us to fund \$15.6 billion, or three-quarters of the \$20.5 billion Resilience Package, with the remainder being funded from Past Reserves. So \$15.6 billion, out of \$20.5 billion, were from Current Reserves.
- b. In 2017, to support the construction industry to tide over a period of cyclical weakness, the Government brought forward about \$1.4 billion of public sector infrastructure projects to start in FY2017 and FY2018.
- c. In planning for FY2019, we were also faced with the global economic outlook being downgraded by the IMF, as global trade tensions grew.

E.16. More fundamentally, we should not have the mentality of trying to spend everything that we have, before the end of each term of

Government. As part of our long term approach, we continue to review our plans for the long term and will deploy financial resources where necessary.

## Reserves

E.17. So on this note, let me briefly reiterate the role of our reserves.

E.18. Today, the Net Investment Returns Contribution, or NIRC, is already the single largest contributor of our revenues – larger than any category of taxes we collect.

- a. If we did not have the NIR framework, we would have had to double our personal income tax collection or our GST collection to raise the same amount of revenues. In fact, we would not even be able to raise the same amount of revenue, because it is now the largest category and doubling all the rest does not give you that same amount.

E.19. Our reserves are our strategic assets. We are a small country, exposed to global forces beyond our control. Our reserves will allow us to tide over a crisis, without being reliant on others.

- a. We should not under-estimate the need for a rainy-day fund. Singapore faces particular vulnerabilities, given our lack of natural resources.
- b. With an economy worth nearly \$500 billion a year, we should set aside enough to protect it and our people's livelihoods and future.

E.20. So, let us stay disciplined. Today, we take up to 50% of the expected returns for spending, and plough back at least 50% to grow the principal and generate more returns. In this way, both the current and future generations benefit from the reserves, and we can be confident of our future.

- E.21. Now, Mr Pritam Singh referred to a Business Times article and asked for more data on our reserves so “that Singaporeans can crunch the numbers themselves, and better understand budget policy trade-offs”.
- E.22. He has also filed a cut on transparency on GIC’s performance, which will be answered at the Ministry of Finance’s Committee of Supply.
- E.23. But let me explain why he is misinformed. Our reserves comprise assets invested by MAS, GIC and Temasek Holdings. The size of MAS’ and Temasek Holdings’ assets is public information. Only the GIC portion is not disclosed, and that is because with the GIC figure, you get the complete picture of our reserves.
- E.24. I was running the Monetary Authority of Singapore during the Global Financial Crisis, with ESM Goh Chok Tong as our Chairman. And let me tell you that in a crisis where the most powerful Central Banks in the world, and even some of the biggest financial institutions, were taken completely by surprise by the speed and scale of the turn in the markets and the global economy. Many things could have gone wrong. We not only rode through the crisis well, but emerged stronger. And having our reserves as a strategic asset played a key role in this. Let us not squander this strategic advantage that we have.
- E.25. Our reserves also serve as a strategic defence, to deter parties who wish to undermine the interests of Singapore and Singaporeans. Such moves go beyond currency speculation attacks, to other types of threats. As Mr Mohamed Irshad noted, we live in a VUCA world – volatile, uncertain, complex and ambiguous. Our reserves, like our investments in defence and security, give us the confidence to plan long term, knowing that we will have the ability to take care of our people, and to defend our sovereignty.

## Borrowing

E.26. Lastly, let me talk about borrowing.

E.27. Over the next decade, we are making significant investments in our infrastructure to enhance connectivity and create new growth opportunities for tomorrow. As I mentioned in the Budget Statement, the Government is studying the option of borrowing carefully, as a tool to finance major, long-term infrastructure, and will announce our plans in due course.

- a. In my Round-Up Speech last year, I mentioned a number of infrastructure projects which our Statutory Boards and Government-owned companies are looking to borrow to finance. This included the Integrated Waste Management Facility by the National Environment Agency (NEA), and the JB-Singapore Rapid Transit System Link, by the Land Transport Authority (LTA).
- b. In this year's Budget Speech, I mentioned our long term infrastructure needs. And as Ms Tin Pei Ling has noted, we also have to plan ahead for our ageing infrastructure. And all these are long term needs that have to be studied carefully. When ready, we will share more.

E.28. Now as these projects have lumpy upfront costs and benefits that span many generations, borrowing can be a fair and efficient tool to finance and spread out these costs, instead of raising taxes sharply to fund them. In this regard, there is a simple answer to Mr Pritam Singh's question about how borrowing will impact revenues available for future recurrent spending. It does not. **Borrowing does not create new revenues for recurrent spending.** It merely converts a concentrated lump of spending in a few years into a smoother stream of loan repayment with interest. And we must have every intention to pay back what we borrow.

E.29. In fact, it is irresponsible for a Government to borrow to spend on recurrent needs such as healthcare and security. Such borrowing shifts the burden of paying for today's needs onto future generations. This goes against the same principles of intergenerational equity that Mr Singh said he stands for. Mr Sitoh Yih Pin has rightfully cautioned against this, and has called for further safeguards to prevent excessive borrowing.

E.30. Now, I share Mr Sitoh Yih Pin's view. If we proceed to use Government debt, we will make sure that this is done in a disciplined and prudent manner.

- a. Safeguards will be put in place to ensure that the debt, its interest and repayment are sustainable, and in line with the Reserves Protection Framework.
- b. Borrowing or not, it does not change the fact that all Government projects should be cost-efficient, well-managed and must yield economic or social benefits.

E.31. Now, what do we have to show in 10, 20 years' time? An important question – raised by Ms Tin Pei Ling. Borrowing is a financing tool. If used sustainably, it allows us to build a better living environment for our people, and to make Singapore a dynamic and liveable city. This is not just a question about growth, but also one of sustainability, as emphasised by Dr Teo Ho Pin.

- a. Mr Pritam Singh asked if building Singapore will come at the expense of our green spaces. He should not take the word "building" so literally, as in bricks and mortars. We have always incorporated greenery in our urban plans. It is not only part of our climate change resilience efforts, it is part of Singapore's identity – a City in a Garden. The Ministry of National Development will share more details on their greening efforts as part of their Committee of Supply.

## A Fair and Equitable System of Taxes and Transfers

E.32. As we calibrate our fiscal tools, the ultimate goal is three-fold - to remain pro-growth; ensure that our overall system of taxes and transfers remain fair and equitable; and keep the tax burden on the middle income low.

E.33. There have been calls for the Government to do more in redistribution through the tax system, to address income and wealth inequality.

### *Multi-rate GST*

E.34. Mr Saktiandi Supaat suggested if we could tier GST for different goods, to lower the tax burden on the lower income.

E.35. This has been raised multiple times in Budget Debates over the years, but let me briefly reiterate the key arguments why a multi-rate GST is a less efficient way to help the lower income.

- a. First, it is difficult to define a “necessity”. Take bread, for example. There are the white, and wholemeal loaves that you can find at supermarkets, but there are also loaves sold at artisan bakeries. On top of that, there are so many other types of bread – floss buns, baguettes, kaya toast at your coffeeshop. Where do we draw the line?
- b. Second, better-off households tend to spend more in absolute terms, and thus benefit more from these reduced GST rates.
- c. Finally, the experience of many countries and relevant studies also show that a multi-rate GST system raises businesses' compliance and administrative costs significantly, which are then passed on to consumers.

E.36. Our approach is to have a flat GST rate, while providing structural offsets through the GST Voucher scheme. This is a permanent scheme to provide more help to lower-income households and seniors. It is also more targeted, as those who need help most get

it directly. This is in addition to other schemes and programmes to help the less well-off.

- a. Mr Yee Chia Hsing spoke about whether car ownership can be taken into account when means-testing, while Ms Jessica Tan and Mr Lim Biow Chuan asked if the Annual Value (AV) criteria can be removed
- b. No criterion is perfect, but if we put all our different schemes together, we have a system that is progressive and, as Mr Yee Chia Hsing said, fair. If we use vehicle ownership, should we distinguish among the make and model, and what the vehicle is used for?
- c. The Government will continue to regularly review the eligibility criteria to ensure our schemes benefit the intended groups, whilst being practical to implement. For those who have specific needs, the best approach is to appeal to the relevant authorities which will consider each appeal based on its own merits.

### *Wealth Taxes*

- E.37. Miss Cheryl Chan has argued for a number of other measures to address growing wealth inequality, such as the introduction of a net-wealth tax, or an inheritance tax. I spoke briefly about this during the Budget Debates last year.
- E.38. There are many types of wealth taxes. What works best depends on the country's overall tax system, and broader economic and social circumstances.
- E.39. Our approach has been to tax fixed assets, which as the name suggests, are fixed and less mobile. Indeed, a large portion of total Singapore household wealth is held in the form of housing assets.
- E.40. We have two types of taxes on property –Stamp Duty and Property Tax. We have been making them more progressive over the years.

- a. Owner-occupied properties enjoy a concessionary property tax rate, with the rate being higher for higher-end homes. The property tax rates are also higher for non-owner-occupied residential properties, such as those left vacant or rented out.
- b. In last year's Budget, I introduced a new tier for the Buyer's Stamp Duty, for value of properties in excess of a million dollars.

E.41. We will continue to monitor developments in this space.

#### Diesel tax

- E.42. At this point, let me address the concerns arising from the increase in diesel tax.
- E.43. Mr Dennis Tan acknowledged that the increase in diesel tax makes our environment more resilient, but asked if this is worth the price of potentially higher business costs. We must go beyond framing this as a simple trade-off, to a broader understanding of the longer-term approach we are taking to address the increasingly urgent issue of vehicular emissions.
- E.44. Diesel exhaust contains substantial amounts of particulate matter and nitrogen oxides, which are associated with an increased risk of lung cancer and respiratory infection. The long-term impact of excessive diesel use on the health of our family and children is significant. It is thus necessary to use a price signal to nudge diesel users towards cleaner and more sustainable alternatives.
- E.45. Diesel tax is only one part of a larger roadmap to discourage diesel consumption. In 2013, we introduced the Early Turnover Scheme (ETS) which has helped more than 40,000 commercial goods vehicles switch to cleaner and more fuel efficient diesel vehicles. In 2018, we introduced the Vehicular Emissions Scheme (VES) to further incentivise the purchase of cleaner vehicles, and discourage the purchase of pollutive vehicles. It is encouraging to note that

there were no new diesel taxis registered in 2018. The number of diesel taxis has also decreased by more than 30% from 23,700 in 2016 to 15,100 in 2018, as taxi companies switch to electric and electric-hybrid taxis.

- E.46. Mr Gan Thiam Poh suggested exempting vehicles and machinery from diesel tax if there are currently no non-diesel alternatives. However, this works against what we are trying to do. The increase in diesel tax will help nudge businesses, which are heavy diesel users, towards greater efficiency. For example, companies can consider adopting consolidated logistics and use better routing applications to optimise their deliveries. In the interim, we have provided a transitional offset package to cushion the cost impact till 2022, as businesses adapt to reduce their diesel consumption.
- E.47. Mr Ang Hin Kee and Engineer Dr Lee Bee Wah spoke about the impact of diesel duty on taxi drivers.
- E.48. We recognise the cost impact faced by taxi drivers. As Senior Parliamentary Secretary Baey Yam Keng said, all taxi companies have pledged to step forward to pass the entire savings from the Special Tax reductions to their drivers. There are also incentives being offered to encourage taxi drivers to switch to petrol hybrid taxis, as we strive for lower emissions.

## F. CONCLUSION

- F.1. This year, I had several good conversations with people about the Budget at various forums. Some asked me, “What about me? There did not seem to be anything in this Budget for me”.
- F.2. Even if there’s nothing new for you this year, you and your family have certainly benefited from every one of our Budgets. As I said, we must not look at our Budgets in isolation. One Budget builds on another.
- F.3. Let me outline how our Budgets benefit different groups.
- F.4. Our **young people have benefitted from stronger support in education, housing and parenthood**. They also **benefit from the opportunities that a vibrant economy brings**, as I explained earlier.
  - a. We provide up to \$80,000 in grants for new BTO flats, and \$120,000 for resale flats, and invest even more later on when estates undergo upgrading.
  - b. Parents can receive a maximum of between \$18,000 to \$32,000 in marriage and parenthood benefits for each eligible child, on top of paid maternity and paternity leave, tax benefits and pre-school subsidies.
- F.5. Our **middle-income families, especially those feeling ‘sandwiched’ supporting retiree parents and school-going children, would benefit from many schemes**. For example:
  - a. Their children receive significant education subsidies. Without these subsidies, families would have to pay more than 60 times the current fees for their children in school. University fees would also be four times what Singaporean students currently pay. And this is for a world-class education.

- b. The Pioneer and Merdeka Generation packages ease healthcare costs for their parents, and in so doing, help with their families' overall expenses.
  - c. This year, many will receive a number of top-ups, such as to their children's Edusave or Post Secondary Education Accounts, and their parents' CPF. And all who pay personal income tax will receive a rebate.
  - d. Some middle-income and upper income families also commented that the tax rebate of \$200 is insignificant, and of not much benefit to them. But we must not forget that **overall, income taxes are kept low, so that they can keep a large part of what they earn**. This is, as Mr Ong Teng Koon mentioned, one of the key things that help with keeping expenses manageable.
  - e. I shall share a story of a recent encounter with a Singaporean who came back from a developed country. He told, "Mr Heng, I am very happy to be back in Singapore. First, I am very happy to be back with my parents and family. But I am also very happy that I got a 32% pay raise." I said, "Wow! Your new employer has been most generous." He said, "No, my employer who sent me back from the headquarters kept my salary the same, but when I added up all the taxes I paid in that country – at the city level, at the state level, and at the federal level – it added up to 32% of my pay."
  - f. I thought that was a powerful story. You can look up the tax rates of many countries that have extremely generous welfare systems. But the moment you take your pay check, more than half is gone. So let us not forget this point.
- F.6. And, as Miss Cheryl Chan puts it, we must not see the Budget as simply a "bag of benefits that serves some people in one year or the other". **It is our strategic financial plan for the future.**

- F.7. And because we take a **long-term approach, we cannot see each year's Budget in isolation**. One Budget builds on the foundation of earlier Budgets. We have a multi-year plan, which tackles the priorities as systemically as we can. We plan ahead, like setting out the strategy for mitigating and adapting the impacts of climate change. We look at the needs of different groups of people, as needs evolve and grow. And we invest in growing our economy and in our people, so that we have the resources to do more for our people, and their children, and their children later.
- F.8. **So I am glad that many MPs have asked the question “what is in it for us, for Singapore?”,** rather than “what is in it for me?” Budget 2019, and our previous Budgets, are to build a better Singapore for all of us. All of us benefit from a Singapore which is strong and united:
- a. With a strong defence, to protect our way of life;
  - b. A clean and green environment, a liveable city and endearing home;
  - c. A vibrant economy, where opportunities abound; and
  - d. A strong community, where no one is left behind.
- F.9. My colleagues will share more on what the Government will be doing along these lines, during the Committee of Supply.
- F.10. As Professor Yaacob Ibrahim, Mr Darryl David, and Miss Cheng Li Hui have mentioned, our Bicentennial is an opportune time for us to reflect on how we have come so far. On what we have built together, and what more we can do, as individuals and in our organisations, to strengthen our society.

- a. I look forward to our VWOs, clan associations, and religious groups continuing to step forward – regardless of race, language, or religion – to uplift the disadvantaged amongst us.
- b. I also look forward to more people – academics, professionals, and indeed all citizens – providing constructive suggestions on how best to tackle critical issues confronting Singapore. And as Mr Christopher de Souza mentioned, strengthening our social compact.

F.11. The Bicentennial is also a good time to reflect on what being an independent, sovereign nation means.

- a. It means **fiercely protecting the precious freedom that we have to chart our own destiny**, even as our relationships with our neighbours and the world change.
- b. It means **appreciating that we have our own unique way of solving our problems – the Singapore way** – indeed, not be pressured to conform to theories which sound fashionable but do not work for us.
- c. It means **committing to give our best, building on what past generations have done**. Together, we can advance, and **make this little red dot shine even more brightly**.

F.12. So let us work together, to build a **strong and united Singapore**.