

**CHECK
AGAINST
DELIVERY**

THE 2007 BUDGET SPEECH

By

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PRIME MINISTER AND MINISTER OF FINANCE**

**INTRODUCING THE SUPPLY BILL (2007)
IN THE DEWAN RAKYAT
1 SEPTEMBER 2006**

**IMPLEMENTING THE NATIONAL MISSION
TOWARDS ACHIEVING THE NATIONAL VISION**

Mr. Speaker Sir,

I beg to move the Bill intituled "**An Act to apply a sum from the Consolidated Fund for the service of the year 2007 and to appropriate that sum for the service of that year**" be read a second time.

INTRODUCTION

In the name of Allah, the most gracious and the most merciful.

Allah promises prosperity to every living being in this world as contained in *surah Saba* verse 39, which is translated as follows:

“Say: Verily my Lord enlarges and restricts the Sustenance to such of His servants as He pleases: and nothing do ye spend in the least (in His Cause) but He replaces it: for He is the Best of those who grant Sustenance.”

1.

2. As caliphs in Allah’s universe, we are entrusted to manage the wealth that Allah has bestowed. Alhamdulillah, I am able to table the National Budget for 2007 in this august House, which incorporates budgetary allocations and programmes to achieve the national development objectives. This Budget is the first Budget, since the approval of the Ninth Malaysia Plan (9MP) by this House.

3. We are now at the mid-point of the implementation of Vision 2020. The journey ahead is full of challenges. We must be determined, dedicated and act with a sense of urgency to ensure we achieve the national objectives within the stipulated timeframe. The National Mission, enunciated under the 9MP, outlines five key development policy thrusts for the next 15 years. The theme of the 2007 Budget is “Implementing the National Mission Towards Achieving the National Vision”. This Budget is an action plan to spearhead the implementation of the National Mission towards realising Vision 2020.

4. The National Mission requires the private sector to resume its role of spearheading economic development as well as generate new sources of growth in technology and knowledge-intensive sectors. The 2007 Budget has put in place various incentives to accelerate the growth of the private sector. The transformation towards a technology and knowledge-intensive economy requires skilled workers with the necessary competencies to meet industry needs. Efforts will be intensified to improve the access to quality education and training at all levels.

5. Measures will also continue to be undertaken to reduce socio-economic disparity, particularly eradicating hardcore poverty by 2010. The implementation of the development programmes for the five identified regions will be accelerated with the objective of reducing rural-urban and regional disparities. In line with the Government’s commitment of ensuring continued well-being of the *rakyat*, socio-economic programmes will be implemented to improve the quality of life. The formulation of strategies and programmes in the 2007 Budget will be accompanied by the commitment to implement them effectively. Towards this end, efforts to improve the public service delivery system will be further strengthened.

THE MALAYSIAN ECONOMY

6. Economic growth is expected to remain strong, with Gross Domestic Product (GDP) estimated to grow by 5.8% this year, a credible performance, given the uncertainties in the global environment. Private investment is expected to increase by 10.1%, while private consumption remains resilient at 7.1%. The growth in private sector activities is supported by robust domestic demand. This is reflected by the strong performance of the manufacturing sector of 7.3%. The growth of the services sector is also expected to remain strong at 5.7%.

7. This encouraging economic performance has been accompanied by an improved balance of payments position, high levels of savings and liquidity, as well as a stronger ringgit. The current account in the balance of payments is estimated to record a surplus of 16.7% of Gross National Product (GNP), following higher export earnings of 11%. National savings remains high at 38.2% of GNP, enabling the financing of the major portion of the nation's development through domestic sources. Of the total national borrowings, 95% is from domestic sources.

8. The Federal Government's financial position continues to remain strong, following the increase in revenue, especially petroleum-related revenue, including higher dividends from Petronas. This has enabled the Government to increase expenditure to further encourage and support economic growth. The increase in revenues has also enabled the Federal Government budgetary deficit to be reduced progressively from 5.7% in 2000 to 3.8% in 2005, and subsequently to 3.5% of GDP in 2006.

9. The stronger growth of the economy has enabled the *rakyat* to enjoy a better quality of life. Per capita income has increased from RM18,040 in 2005 to RM19,740 in 2006, while the purchasing power parity has also risen from USD10,610 to USD11,870, during the same period.

10. The global economy in 2007 is expected to moderate, given the impact of persistent high oil prices, increasing inflationary pressures, higher interest rates and geopolitical tensions. Therefore, the world economy is projected to grow at a slightly lower rate of 4.7% in 2007 compared with 4.9% in 2006, while global trade at 7.5% compared with 9.6%, during the same period. These developments are expected to result in slower growth of economies in the region, including China, Singapore, Thailand and India.

11. In order to soften the impact of slower global growth on the Malaysian economy, the Government will, in the 2007 Budget, adopt an expansionary fiscal policy, besides implementing measures to further stimulate the activities of the private sector. I am confident that, with the full support of the *rakyat*, the strategies and programmes in this

Budget will be implemented successfully and the economic growth will continue to remain strong. In 2007, GDP is projected to increase by 6%. Private investment is expected to further expand by 10.5%. Public investment will continue to be expansionary, with a growth of 8%, following a significant increase in Federal Government development expenditure of 32.4%.

12. The manufacturing sector will continue to record strong growth of 6.8%, while the services sector, including ICT, tourism and education, is projected to increase by 6%. The agriculture sector is anticipated to grow by 4.7%, while the construction sector will further expand by 3.7% in 2007.

13. The Government is concerned about the impact of rising prices, especially on the low income group. Indeed, we have been fortunate to have experienced continued price stability with low inflation rate below 2% during the period 2000 to 2004. The recent increase in oil prices had resulted in the CPI rising to 3% in 2005 and 3.9%, during the first seven months of 2006. Nevertheless, the increase is much lower compared with other countries in the region.

14. To contain inflation, the Government will incur a total of RM19 billion this year in the form of oil subsidy and tax foregone, higher than RM16 billion in 2005. Based on the assumption that oil prices will hover around USD70 per barrel next year, the subsidy and tax foregone are expected to remain at the current level. Among the Government's efforts to ensure continued price stability is an intensification of enforcement of essential goods prices to ensure traders act responsibly and do not increase prices indiscriminately.

15. Prices of several other commodities have also recorded sharp increases, especially palm oil which has increased by more than half and rubber, which has increased almost three-fold, since 2001. This has resulted in higher income for producers of palm oil and rubber, including smallholders. Oil palm smallholders in FELDA schemes are currently earning a higher average monthly income of RM1,300 compared with RM760 in 2000, while rubber settlers are earning RM3,600 compared with RM720, during the same period. As commodity prices are expected to remain high next year, the oil palm and rubber smallholders will continue to enjoy higher income.

2007 BUDGET OBJECTIVES

16. The National Mission, which provides the development framework for the next 15 years, will focus on efforts at achieving Vision 2020 to make Malaysia a developed nation. The main objective of the 2007 Budget is to ensure that the National Mission is translated into programmes and projects to be implemented expeditiously and effectively. The National Mission is founded on five key thrusts as follows:

- First: To move the economy up the value chain;
- Second: To raise the capacity for knowledge and innovation and nurture 'first class mentality';
- Third: To address persistent socio-economic inequalities constructively and productively;
- Fourth: To improve the standard and sustainability of quality of life; and
- Fifth: To strengthen the institutional and implementation capacity.

2007 BUDGET ALLOCATION

17. The Government will ensure that public sector expenditure continues to support and generate higher value-added economic growth, develop skilled and knowledgeable manpower, as well as focus on socio-economic programmes to enhance the standard and quality of life of the *rakyat*. Towards this end, I propose an amount of RM159.4 billion be appropriated in the 2007 Budget. Of this amount, a sum of RM112.9 billion is allocated for Operating Expenditure, reflecting an increase of 11.6% compared to the allocation for 2006 and RM46.5 billion for Development Expenditure, an increase of 31%.

18. Federal Government revenue is expected to increase by 11.8% to RM134.8 billion. Of this, nearly 40% or RM53.7 billion is petroleum-related revenue, especially dividends from Petronas and petroleum income tax. This significant increase enables the Federal Government to undertake an expansionary fiscal policy to support domestic economic activities, whilst reducing the budget deficit to a more sustainable level of 3.4% of GDP in 2007.

19. Under Operating Expenditure, a sum of RM60 billion or 53.1% is allocated for Grants and Fixed Payments, RM25.8 billion for Emoluments, RM23.1 billion for Services and Supplies, RM2.1 billion for Asset Purchases and RM1.9 billion for other expenditures.

20. Of the proposed Development Expenditure, the largest allocation of RM20.8 billion is for the economic sector, which comprises agriculture, industry and infrastructure. A sum of RM14.2 billion is allocated for the social sector, including education, health and housing. The security sector is allocated RM6.8 billion, RM2.7 billion is for general administration and RM2 billion is for contingency reserves.

FIRST THRUST: TO MOVE THE ECONOMY UP THE VALUE CHAIN

The Private Sector as the Engine of Economic Development

21. Stronger collaboration between the Government and the private sector is a prerequisite for the successful implementation of the National Mission. The private sector must continue to be the catalyst and spearhead the nation's economic growth. The Government is committed to provide a conducive environment to spur greater dynamism in private sector activities. To enhance competitiveness of the private sector, it is important that the tax structure and incentives remain competitive and focussed.

22. To promote greater private sector investment, the Government proposes that the corporate tax rate be reduced by two percentage points in two stages. For the year of assessment 2007, the corporate tax rate will be reduced to 27%, and 26% for the year of assessment 2008. Although this measure will result in a significant reduction in revenue, the Government is confident that it will have a positive overall effect on the economy.

23. The Government has also reviewed several incentives and taxes with a view to improving existing incentives and reducing the cost of doing business. In this respect, the Government proposes:

First: venture capital companies, investing at least 50% of their investment funds in seed capital, be given income tax exemption for 10 years;

Second: the basis of determining the penalty on withholding tax be amended from total payment to that of withholding tax not paid; and

Third: to reduce the tax burden, *zakat* paid by cooperatives and trust bodies up to 2.5% of their aggregate income be given tax deduction.

24. An efficient system of tax administration is also vital to ensure the smooth and effective implementation of national development policies and strategies. To ensure greater compliance with tax legislation, tax administration must be simple and transparent, and it must be business and client friendly. Tax guidelines will be simplified and ambiguities in the laws, clarified. In this regard, the Government proposes:

First: the establishment of a customs tribunal to consider appeals on decisions made by the Director General of Customs;

Second: the Royal Malaysian Customs and Inland Revenue Board (IRB) to issue advance tax rulings to ensure certainty of tax treatment and transparency in tax administration;

Third: IRB to issue guidelines on audit and investigation framework for the purpose of clarifying the duties of IRB officers and responsibilities of tax payers; and

Fourth: the eligibility period to claim refund of sales and service tax, related to bad debts, be reduced from 12 months to 6 months, from the date the tax is paid so as to improve companies' cash flow positions.

25. The Government views seriously the under declaration and smuggling of high duty goods, such as motor vehicles, cigarettes and liquor. The Government proposes that in such cases, a minimum compound of five times of the total tax payable be imposed. In addition, the enforcement capacity of Customs will be further strengthened, with additional enforcement officers. I would also urge the private sector to work together with the Government to overcome the problem of smuggling.

26. In line with efforts to further strengthen public-private partnership, the Government is actively implementing the Private Financing Initiatives (PFIs) to stimulate private investment. In this regard, the Government has identified projects valued collectively at RM20 billion to be implemented on a build, lease and transfer (BLT) basis. The projects will be financed and owned by the Employees Provident Fund (EPF) and the Pension Trust Fund (KWAP) and leased back to the Government. Among the projects identified are government schools, quarters and office buildings.

27. In addition, the PFI Facilitation Fund of RM5 billion has been established to support projects identified by the private sector with significant spin-off effects on economic growth. Under this approach, the private sector will fully bear the risks, whilst the Government will only provide financial support to enhance project viability. The form of support will include sponsoring students to private institutions of higher learning, as well as providing land and basic infrastructure. In cases where the private sector undertakes the building of a township, the Government could purchase or lease a number of buildings to enhance the project's viability.

Generating New Sources of Wealth in Technology and Knowledge-Intensive Sectors

28. The Government will continue to emphasise the utilisation of technology and the development of high value-added industries. In this regard, sectors with high growth potential, such as ICT, biotechnology, modern agriculture, *halal* industry, tourism products and Islamic finance, will continue to be developed.

Commercialising the Agriculture Sector

29. Agriculture needs to be transformed into a modern, commercial and competitive sector. We need to focus on the commercialisation of R&D findings, utilisation of modern technology as well as improvement of the supply chain. In addition, we must optimise our rich biodiversity to generate high value-added activities, such as biotechnology and biopharmaceuticals.

30. The Government has allocated RM3.6 billion in the 2007 Budget for the agriculture sector, particularly to increase productivity and efficiency in agricultural production and expand marketing capabilities. A substantial part of the allocation will be used to:

First: increase the Fund for Food by RM300 million to a total of RM1.9 billion, to finance food production. To date, a total of RM1.6 billion has been approved to about 9,800 borrowers;

Second: establish a Non-Food Agriculture Credit Scheme, with an initial allocation of RM20 million, to encourage farmers to venture into non-food agriculture, such as floriculture and kenaf;

Third: implement livestock projects through the Veterinary Department, LPP, MADA and KADA, with an allocation of RM111 million. A sum of RM40 million is also allocated for the implementation of the Beef Valley project in Gemas, Negeri Sembilan; and

Fourth: develop the aquaculture industry, including the Ornamental Fish Cluster Projects in Penang, Kedah and Perlis as well as Freshwater Fishery Research Centre in Negeri Sembilan, with an allocation of RM92 million. Other aquaculture projects will also be developed nationwide.

31. Currently, some agricultural sector activities are no longer viable, such as planting of tobacco, especially in Kelantan. The farmers undertaking these activities should therefore shift to other crops or venture into other industries that can generate higher income. To facilitate this transition, farmers will be provided with access to financing facilities, including from existing funds under Bank Pertanian. In line with the Government's current policy, cooperatives are encouraged to participate actively in agricultural projects. Entrepreneurs undertaking these projects, especially in rural areas, are encouraged to work in partnership with the cooperatives.

32. Khazanah Nasional will establish an agriculture fund of RM200 million, to be funded jointly by the Government, Khazanah Nasional and the private sector. This Fund will be utilised to provide venture capital to finance new technology-intensive agriculture projects.

In addition, Bank Negara Malaysia will establish another agriculture fund of RM200 million to invest in integrated agriculture and livestock projects.

Promoting Biotechnology

33. Biotechnology, as a new source of growth, will be given greater emphasis. I had announced several initiatives for the development of the biotechnology sector in the 9MP. A sum of RM210 million is allocated in the 2007 Budget for the development of the biotechnology sector. Among the major programmes include technology acquisition through Biotech Acquisition Programme, with a matching grant of RM60 million; and commercialisation of R&D findings to be undertaken by companies and international corporations, with a sum of RM30 million provided under the Biotechnology Commercialisation Fund (BCF). In addition, RM59 million is allocated under the R&D initiatives for genomics and molecular biology, production of pharmaceutical and nutraceutical products, as well as promotion of agro-biotechnology activities.

34. The Government has established Inno Bio Ventures to invest and provide training in biotechnology. The Bio Innovation Centre in Nilai, Negeri Sembilan will be set up to provide site facilities and equipment for new biotechnology companies to undertake commercialisation and bio-manufacturing activities, such as biopharmaceutical and medicine technology.

35. To encourage new investments in biotechnology activities, the Government proposes several new incentives as well as enhance existing ones. These are, among others, as follows:

First: bionexus companies be given income tax exemption for 10 years, beginning from the first year the company is profitable;

Second: after the expiry of the ten year exemption period, a bionexus company will be taxed at a concessionary rate of 20%, for another 10 years;

Third: tax deduction equivalent to the amount of investment made in seed capital and early stage financing be given to companies or individuals investing in bionexus companies;

Fourth: stamp duty and real property gains tax exemptions be given to bionexus company undertaking merger with or acquisition of a biotechnology company, within a period of 5 years; and

Fifth: buildings for research activities related to biotechnology be given Accelerated Industrial Building Allowance, whereby the cost of constructing or acquiring the building is written off over a period of 10 years.

Promoting Halal Industry to the Global Level

36. Given Malaysia's potential to spearhead and further promote the global *halal* industry, the *Halal* Industry Development Corporation will be established under the Prime Minister's Department, with a launching grant of RM25 million. This Corporation will coordinate and ensure the integrated and comprehensive development of the industry. It will also coordinate efforts to review standards, develop the local industry, promote Malaysian *halal* products and services in international markets, as well as support investments in the domestic *halal* sector. The Malaysian International *Halal* Showcase (MIHAS) and the World *Halal* Forum 2006, which received a tremendous response, will be an annual event.

37. A sum of RM50 million is allocated to set up *halal* parks in Pasir Mas, Kelantan; Gambang, Pahang; Chendering, Terengganu and Padang Besar, Perlis. The SME Bank is also allocated a sum of RM20 million to finance entrepreneurs to develop these products.

Accelerating ICT Development

38. ICT will continue to play an important role as a catalyst in the implementation of national economic development plans. The development of the Multimedia Super Corridor (MSC) will be accelerated to further boost the ICT industry. Efforts to promote shared services and outsourcing (SSO) have resulted in Malaysia being ranked the third best location in the world, three years consecutively since 2003, after India and China. To date, there are 78 foreign SSO companies with a workforce of 19,500, operating in the country. Going forward, the SSO industry will continue to be developed with emphasis on high value-services, especially in logistics and financial services.

39. The expansion of the MSC, including to Malacca and Johor Bahru, has attracted new investments as well as contributed to the development of human capital and new growth areas. Cyberjaya will continue to be developed to become a major national ICT hub. Supporting infrastructure and social amenities will be provided, including affordable homes, health clinics, international schools and recreational activities to enhance quality of life in Cyberjaya. I understand that the Selangor State Government is undertaking measures to expedite approvals of development plans and conversion of land utilisation to speed up the implementation of these projects.

40. A sum of RM154 million is allocated to MDeC to undertake various activities. This includes the provision of more comprehensive services, ranging from registration to operations, as well as SME industry development programmes to enhance viability of ICT-based SME entrepreneurs. The Content Industry Development Fund will be established, with an initial funding of RM25 million, to finance ICT applications. MIMOS is allocated a sum of RM162 million for various programmes, including Mobile Broadband Engines, e-Learning applications and R&D pertaining to language technology, especially in Bahasa Melayu.

41. The Government is committed to reducing the digital divide amongst the *rakyat*, especially the low income group in rural areas. Currently, the Fund is utilised to develop basic telephony services and internet infrastructure. The Universal Service Provision (USP) Fund is funded from contributions by telecommunication companies to improve ICT infrastructure in rural areas. To further increase access to ICT facilities for the rural population, the scope of the Fund will be expanded to include broadband infrastructure in rural areas.

42. ICT development should benefit all *rakyat*. Our computer ownership and broadband penetration rates are low, at 21.8 and 1.9 for every 100 population in 2005, respectively. These rates are significantly lower compared with developed countries. To encourage the ownership of computers, the eligibility period for the incentive to purchase a computer, currently given once in every five years, be shortened to once in every three years, and the RM500 tax rebate be replaced with a tax relief of RM3,000.

Intensifying R&D

43. In undertaking R&D activities, the commercialisation of R&D findings will be given priority. In this respect, the Science Fund for basic and applied science research and the Techno Fund for funding commercialisation of research projects, announced in the 9MP, will be provided with initial allocation of RM194 million and RM354 million, respectively.

44. The MSC Grant Scheme (MGS) is allocated RM20 million to finance ICT-based R&D, particularly to produce high quality products. For R&D in agriculture, RM193 million is allocated to research agencies, including MARDI, MPOB, Malaysian Cocoa Board and Malaysian Rubber Board.

Promoting Product Branding

45. International markets are increasingly competitive. Given that our companies are actively involved in the global supply chain, we need to produce quality products under our own brands that meet international standards. We must be more innovative in creating brands that reflect the uniqueness of Malaysian products, especially in terms of technical

superiority and product packaging. Recognising the importance of strategic branding, the Government proposes double deduction on expenses incurred in advertising Malaysian brands, currently given to a company that owns the brand, be extended to a company within the same group that incurs such advertising expenditure.

Promoting a More Dynamic Services Sector

46. The services sector plays an increasingly important role in accelerating economic growth. It is the largest contributor to GDP with its contribution increasing from 47% in 1990 to 54% in 2000 and 58% in 2005. Compared to developed countries, this sector has the potential to grow further, especially in tourism, finance, education, health and telecommunication.

Accelerating the Development of Islamic Finance

47. Malaysia has progressed significantly in the development of Islamic financial services, especially in terms of the size of investments, efficiency in services, diversity of products, well-developed infrastructure and an increase in the number of institutions. We were the first to issue a global *sukuk* in 2002, which attracted investors worldwide, especially from West Asia. Malaysia was also the first country where supranationals have issued ringgit-denominated Islamic bonds, namely the International Finance Corporation with an issuance of RM500 million and the World Bank, RM2 billion. Presently, Malaysia is the largest issuer of Islamic bonds in the global capital market, accounting for USD30 billion, which is more than 70% of the overall global issuance of USD41 billion.

48. In line with the objective of making Malaysia a leading international Islamic financial centre, the Government proposes:

First: income tax exemption for 10 years be given to all Islamic Banking and *Takaful* entities that conduct their business in foreign currencies, and licensed under the Islamic Banking Act 1983 and *Takaful* Act 1984;

Second: an additional 20% stamp duty exemption be given on instruments related to Islamic financing for a period of 3 years. This additional exemption is given after providing for tax neutrality between conventional and Islamic financing;

Third: income tax exemption for 10 years be given to local and foreign fund managers, who manage Islamic funds for foreign investors;

- Fourth: personal tax relief on study fees, up to a maximum of RM5,000 per year, be extended to Islamic financial studies conducted in institutions of higher learning, including International Centre for Education in Islamic Finance or INCEIF;
- Fifth: tax deduction be given on expenses incurred in establishing an Islamic stock broking firm; and
- Sixth: tax deduction on expenses incurred in the issuance of Islamic products be extended from year of assessment 2008 to 2010.

Diversifying Capital Market Products

49. There is a need to further diversify capital market products in Malaysia to attract local and foreign investors. This is particularly important given the large investible funds available overseas, especially from West Asia, which is estimated at USD1 trillion. One such product is the Real Estate Investment Trusts (REITs). For this purpose, the Government proposes dividends, received by local and foreign individual investors and local unit trusts from listed REITs, be taxed at a rate of 15%; while foreign institutional investors, at 20%. This incentive will be given for five years. In addition, the tax treatment for REITs is further improved, whereby the undistributed income from REITs is exempted, provided REITs distribute at least 90% of their income.

Promoting Investments Abroad

50. Given the vast opportunities in Asia, particularly China, India and West Asia, as well as in Africa, the Government will continue to encourage local companies to invest overseas. It is the objective of the Government to create Malaysian-owned MNCs based in Malaysia with large global operations. Towards this end, the Government has strengthened EXIM Bank to play a more important role in providing financing for domestic companies investing abroad. The Government has increased the paid-up capital of EXIM Bank by RM2 billion to RM2.7 billion. With this increase, EXIM Bank will be able to increase the loans it is able to provide from RM3.7 billion in 2005 to RM6.5 billion in 2006.

51. Bank Negara has also provided RM1 billion for EXIM Bank to extend soft loans to entrepreneurs investing abroad. In addition, the Government will establish an Overseas Investment Fund (OIF), with an allocation of RM100 million to provide soft loans to domestic companies to finance start-up costs of doing business overseas.

52. To encourage banks to expand their operations overseas and establish a regional presence, the Government proposes that Malaysian owned banks be given tax exemption for 5 years on income received from their new branches or remittances from subsidiaries overseas, operating within the 3 year period, from the year of assessment 2007.

Tapping Tourism Potential

53. Malaysia has been successful in attracting foreign tourists. Tourist arrivals rose by 61% to reach 16.4 million in 2005 compared with 10.2 million in 2000, while tourism revenue increased to RM32 billion in 2005 compared with RM17.3 billion in 2000. In addition, the tourism sector has created some 451,000 job opportunities.

54. To further promote tourism, Visit Malaysia Year 2007 will be held with the theme "Celebrating 50 Years of Nationhood". A sum of RM149 million is allocated for this programme. For Malaysia to remain an attractive tourist destination, we will continue to upgrade tourist facilities and develop new tourism products. In this regard, the Government proposes:

- First: income tax exemption for tour operators, providing tour packages with at least 500 inbound tourists per year or 1,200 local tourists per year, be extended for another 5 years, until the year of assessment 2011;
- Second: tour operators be given excise duty exemption of 50% on locally assembled four wheel drive vehicles; and
- Third: income tax exemption to employees for local leave passage provided by employers, which currently, is given only for fares, be extended to include expenses on accommodation and meals.

Stimulating the Construction Sector

55. Growth in the construction sector has significant spill-over effects on the economy. The sector, which had contracted since 2004, is expected to recover this year. Public sector expenditure, especially for the construction of infrastructure facilities, housing and buildings, has largely contributed to the growth of the construction sector. The sector's expansion will be further accelerated with the rollout of projects under the 9MP, such as the construction of roads, quarters and other infrastructure facilities. A sum of RM27.5 billion is allocated for this purpose in 2007. In addition, several PFI projects valued at RM4 billion will be implemented in 2007.

56. Towards fostering a culture of maintenance, the Government will ensure the proper maintenance of infrastructure and public amenities. The Government will provide an additional sum of RM1 billion for the maintenance of buildings and public facilities. These maintenance contracts will be awarded to small contractors.

57. To further stimulate the growth of the construction sector, the Government proposes that the tax treatment for this sector be improved as follows:

First: expenses incurred by property developers within the defects liability or warranty period be allowed as deduction from the same project, and not only as deduction from other projects; and

Second: losses incurred in the last year of a project be allowed as deduction from profits received from the previous years of that project (carry back of losses).

SECOND THRUST: TO RAISE THE CAPACITY FOR KNOWLEDGE AND INNOVATION AND NURTURE 'FIRST CLASS MENTALITY'

Improving Access to Quality Education and Training at All Levels

58. The development of human capital is a prerequisite towards attaining higher value-added growth based on knowledge and technology. To further strengthen the education and training system, a sum of RM33.4 billion is allocated for operational and development expenditure, accounting for 21% of the overall 2007 Budget. Of this, RM6.7 billion is for primary education, RM6.2 billion for secondary education, RM10.4 billion for higher education and RM10.1 billion for training programmes.

Strengthening Primary and Secondary Schools

59. Total student enrolment in 2007 is expected to reach 3.2 million for primary and 2.3 million for secondary schools. To accommodate this increase, 22 new primary and secondary schools will be operational next year, while an additional 198 schools will be built, including fully residential secondary schools. For this, about RM1 billion is allocated. At the same time, RM90 million is allocated for the construction of two new *Maktab Rendah Sains MARA* (MRSM) and for the purchase of equipment for existing MRSM facilities. Several primary and secondary schools have been identified, which will focus on specialised fields, such as science and technology, technical and vocational, language and arts, as well as sports.

60. In line with the increase in the teacher-classroom ratio, focus will be given to improve the quality of teachers. Towards this end, a sum of RM782 million is allocated for teacher training, including the Pre-Service Teacher Training and the In-Service Teacher Training Programmes. In addition, RM56 million is provided for the Teacher Training Programme to be implemented in collaboration with foreign universities and Open University Malaysia. To provide housing facilities for teachers, especially those working in the rural areas, a sum of RM101 million is allocated to implement 67 housing projects.

61. To enhance computer usage in schools, a sum of RM288 million is allocated under the *Bestari* School Programme, which involves the procurement of computers and peripherals for the Access Centres in 1,000 schools and in all teachers' training colleges. To inculcate the reading habit among students, additional allocation is provided for the purchase of books for school resource centres.

62. To attract more Chinese and Indian students to national schools, the Chinese and Tamil languages have been introduced in some national schools. However, these subjects are being taught only for purposes of communication. From 2007, the Chinese language will be taught as a full subject in 150 national schools, while Tamil will be taught in 70 national schools.

Strengthening Higher Learning Institutions

63. The Government will establish Universiti Darul Iman Malaysia in Terengganu and Universiti Darul Naim in Kelantan, as well as upgrade Akademi Tentera Malaysia into Universiti Pertahanan Nasional Malaysia. Construction works will commence in early 2007. An allocation of RM195 million is provided to upgrade and improve facilities in existing universities.

64. To increase the number of professionals with the required skills, the Government will award scholarships to outstanding students to pursue courses, such as science, pharmacy, medicine and engineering at graduate and post-graduate levels, in local and renowned foreign universities. The Government will ensure students who obtain 10 A1s in SPM or its equivalent, from families with monthly income of RM1,500 and below, are given scholarships to pursue tertiary education.

Enhancing Skills Training

65. To further enhance skills development programmes, a sum of RM450 million is allocated for the construction and upgrading of polytechnics and community colleges. For training programmes under the Ministry of Human Resources, two Industrial Training Institutes and four Advanced Technology Training Centres will be constructed, with an allocation of RM148 million. In addition, RM214 million is provided for several training

programmes under MARA, including MARA Skills Training Institutes, Advanced Skills Training Institutes, *Giat* MARA Programme and UniKL. To meet industry demands, production-based education will be introduced in the German-Malaysia Institute and British-Malaysia Institute. In addition, the utilisation of the Human Resources Development Fund will be expanded to include internships and training programmes for graduates.

66. To further inculcate the reading habit and in line with life long learning, the Government proposes tax relief on the purchase of books be increased from RM700 to RM1,000 per year.

Increasing Employability of Graduates

67. Based on data from the Department of Statistics, there were about 31,000 unemployed graduates as at end of the first quarter of 2006. The Government is concerned with the difficulties faced by these graduates in seeking employment. Various programmes have been implemented to upgrade their skills to meet industry needs. The Capital Market Training Scheme For Graduates implemented by the Securities Commission since 2002, is aimed at providing work experience through apprenticeship schemes in the accounting and audit firms, stockbroking companies and public listed companies. To date, a total of 517 graduates has been trained and a majority has been absorbed by these companies. As the Scheme has succeeded in providing the graduates with knowledge and industrial skills, the Securities Commission will further expand the programme to train 1,000 graduates annually. In this regard, double deduction on allowance paid to participants of Capital Market Training Scheme for Graduates be extended to all companies under the supervision of the Securities Commission participating in this training scheme. This incentive is also given to such companies which implement their own training schemes that are certified by the Securities Commission.

68. To further increase the number of skilled ICT workers, the Government will introduce a specialised skills training programme to be conducted by established ICT companies. For this purpose, graduates especially with IT and engineering qualifications will be provided specialised training, encompassing among others, knowledge, skills, foreign language proficiency, communication and leadership. The training will provide these graduates with ICT skills and enable them to find employment as well as contribute towards the development of the ICT sector.

69. In addition, MDeC will continue to organise Job Camp training programmes for 1,000 unemployed graduates and undertake a Programme to Enhance Professionalism for 5,000 graduates, within a year, to meet the requirements of ICT based companies. Malaysian Biotechnology Corporation will also implement training programmes for

unemployed graduates in bio-life sciences. Initially, 200 graduates will undergo training under this programme.

70. The Electronic Labour Exchange in the Ministry of Human Resources will be strengthened to make it more accessible to job seekers. The Exchange will be linked with a job kiosk network, which will be placed at strategic places, for example, post offices, LRT stations and shopping complexes.

Empowering Women

71. Women are an important economic resource in national development. The accessibility of women to education and training has increased their employment mobility. Currently, we not only have many successful women professionals and entrepreneurs, we are also proud of their achievements in fields which were once considered the bastions of men. We now have a woman among the potential candidates to become Malaysia's first astronaut, another who has crossed the South Pole as well as a world squash champion.

72. Currently, the Government provides an annual grant of RM20 million for the NGOs to undertake women, family and community programmes. To further enhance their role, the Government will increase this annual grant to RM30 million. To further assist female employees in the public sector, the one-off launching grant given to ministries to set up childcare centres, will now be expanded to all government departments. The grant will also be increased from RM50,000 to RM80,000 for ministries and government departments. I urge the private sector to also provide similar facilities to their female employees.

73. To promote greater awareness of early cancer detection, more women will be encouraged to undergo mammogram. For this, the Government will provide a RM50 subsidy for every mammogram done in private clinics and hospitals, registered with LPPKN. This represents an approximately 50% of the cost of mammogram.

74. Recently, I launched a community programme to mobilise volunteers to undertake social activities, including the corporate sector. As an appreciation of their contribution, several award programmes will be held, including *Anugerah CSR Perdana Menteri*, *Anugerah Mayang* and *Program Rangkaian Rakyat*.

Resilience of Youth

75. The Government will continue to ensure our youths are resilient, possess leadership qualities and are equipped with entrepreneurial skills and knowledge. A sum of RM721 million is provided to implement various youth and sports programmes. Community sports complexes will be built to encourage sports activities. A sum of RM91

million is also provided for sports and training programmes, including scholarships for athletes with potential.

**THIRD THRUST: TO ADDRESS PERSISTENT SOCIO-ECONOMIC
INEQUALITIES CONSTRUCTIVELY AND PRODUCTIVELY**

Reducing Regional Disparity

76. Our development efforts will continue to focus on reducing growth imbalances between regions and between urban and rural areas. For this purpose, the Government has identified three corridors to be developed.

77. The *Northern Economic Corridor*, covering Kedah, Perlis, Seberang Perai and Northern Perak, has huge potential to be developed for commercial agriculture, agro-based and high technology industries. Sime Darby will lead the implementation of several new projects to support the development of the Northern Corridor, including creating a growth cluster, particularly for commercialised agriculture, high technology industries as well as tourism. To improve the investment climate of Perlis, the Government proposes Perlis be declared as a promoted area, whereby designated projects located in this State will be eligible for a higher level of income tax exemption, similar to projects located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak.

78. To spur the development in the *East Coast Corridor*, which includes Kelantan, Terengganu and Pahang, special emphasis will be given to implement projects that generate greater economic activities. In addition, the East Coast border areas, such as Tok Bali-Besut and Kemaman-Cherating will also be developed. Petronas will spearhead the development of the Corridor, particularly downstream industries based on petrochemicals, handicrafts and tourism.

79. Given the strategic location of the *Southern Johor Economic Region* (SJER), its potential will continue to be tapped by providing quality services and facilities to become a world-class metropolis. Khazanah Nasional has been entrusted to lead the development of the Region. A development allocation of RM2.3 billion has been provided for Johor in the 2007 Budget, a major portion of which is for the implementation of infrastructure projects in SJER. To drive the development of key industries in the Region, the Government will establish a strategic investment fund, with an allocation of RM200 million. The Fund will be utilised to spur investments in new industry clusters, particularly for private higher education and healthcare, on a joint-venture basis with the private sector. The Government will also use the PFI approach to promote investments in the Region.

80. In *Sarawak*, a state rich in natural resources, several projects will be implemented, including the upgrading of Jalan Kuching-Sibu from Simpang Julau to Sibu, the expansion of Kuching International Airport, the construction of Jalan Sibu-Bawang-Assan-Seredeng and the Integrated Deep Sea Fishing Port Tanjung Manis as well as palm oil-based cluster industry.

81. The Government will intensify efforts to bring about more balanced socio-economic development in *Sabah*. Towards this end, among the major projects to be implemented are the construction of Jalan Sapulut-Kalabakan, upgrading of the Kota Kinabalu and Labuan Airports, improvement of the Sabah railway, as well as the development of palm oil-based cluster industry.

Rural Development

82. The Government will continue to focus on rural development to ensure a more equitable distribution of wealth among the *rakyat*. The Government will accelerate the implementation of various rural development projects and programmes with an allocation of RM3.4 billion, including rural roads with an allocation of RM780 million, water supply with an allocation of RM251 million and electricity supply with RM200 million. In addition, KEMAS will implement several programmes, including pre-school education, community activities and skills training, with an allocation of RM615 million.

Poverty Eradication

83. The Government is committed to eradicate hardcore poverty, estimated at 67,000 households. At the same time, the Government will continue to reduce the overall poverty level from 5.7% in 2004 to 2.9% by the end of 9MP. For this, a sum of RM578 million is allocated in the 2007 Budget to accelerate the implementation of poverty eradication programmes and projects. Among the major programmes are:

First: *Skim Pembangunan Kesejahteraan Rakyat* for the poor, with an allocation of RM156 million, involving *Program Peningkatan Pendapatan, Program Latihan Kemahiran dan Kerjaya, Program Kecemerlangan Pendidikan, Amanah Saham Bumiputera Sejahtera* Scheme and *Program Pembangunan Taska*. These programmes will benefit more than 110,000 participants;

Second: *Orang Asli* Development Programme, including organised settlement, economic activities and social infrastructure, with an allocation of RM144 million;

Third: *Program Pembangunan Ladang Rakyat* by FELCRA, involving the purchase of 2,500 hectares of plantations as well as opening up new areas, with an

allocation of RM90 million. Income from this project will be distributed to participants to reduce hardcore poverty; and

Fourth: opening up of 2,000 hectares of rubber plantations in Pitas, Sabah by Sabah Rubber Industry Board, with an allocation of RM13 million, involving the participation of hardcore poor.

Developing Competitive Bumiputera Entrepreneurs

84. There is a need for the *Bumiputera* to enhance their entrepreneurial skills and optimise on the opportunities from the incentives and facilities provided by the Government. PUNB has successfully developed *Bumiputera* entrepreneurs in strategic industrial and trade sectors, particularly oil and gas, automotive, electrical and electronics as well as ICT. The Scheme for *Bumiputera* Entrepreneurs in Retail Sector or PROSPER was established since 2000, to develop *Bumiputera* entrepreneurs in retail business. So far, more than 1,000 retail businesses have been set up. In addition, funds from *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN), MARA and SMIDEC are also available for business start-ups and expansion. Bank Simpanan Nasional and Amanah Ikhtiar Malaysia will continue to provide micro credit facilities.

85. During the tabling of the 2006 Budget in this Honourable House, I had announced the establishment of *Yayasan Amanah Hartanah Bumiputera* to increase the participation and property ownership of *Bumiputera* in commercial properties in major urban business locations. *Pelaburan Hartanah Bumiputera Berhad* (PHBB) has been established and is currently in the process of acquiring several prime properties in various locations in Kuala Lumpur, to be developed as commercial buildings and offices. This includes Dataran Perdana in Jalan Davis, KTM land in Jalan Bangsar and Rubber Research Institute land in Jalan Ampang. With this property portfolio, PHBB will be able to issue capital market instruments in the future, such as REITs, to provide investment opportunities for *Bumiputera* investors.

FOURTH THRUST: TO IMPROVE THE STANDARD AND SUSTAINABILITY OF QUALITY OF LIFE

Housing for Low Income Group

86. Efforts to provide housing facilities for the *rakyat*, particularly the low income group, will be intensified. Jabatan Perumahan Negara will build 30,000 units of houses under the Projek Perumahan Rakyat, including houses for rent and ownership. Syarikat Perumahan Negara Berhad (SPNB) will also build 34,000 affordable housing units, 2,000 under Projek Pemulihan Rumah Terbengkalai and 2,500 under Program Rumah Mesra Rakyat. In

addition, a sum of RM2.2 billion is allocated to build 46,000 units of government quarters for uniform services personnel, such as Royal Malaysian Police (PDRM), the Malaysian Armed Forces, Fire and Rescue Department of Malaysia, Royal Malaysian Customs and other civil servants.

Efficient Management of Water Assets

87. To ensure adequate supply of quality water and to meet increasing demand, the Government has taken steps to identify and develop water resources as well as to further improve water supply services. Towards this end, Syarikat Pengurusan Aset Air Berhad (PAAB) has been established to develop these assets that will be leased back to water supply operators. With the establishment of PAAB, efforts will be focussed on reducing non-revenue water, improving water quality and increasing efficiency in the provision of water supply services. The setting up of PAAB is a follow up measure to the establishment of Suruhanjaya Pengurusan Air Negara as the regulatory body for water supply.

Corporate Social Responsibility

88. Public listed companies (PLCs) have achieved significant progress in corporate governance compliance. To inculcate the culture of corporate social responsibility (CSR), PLCs are required to disclose their CSR activities. Such activities, which are in line with the nation's socio-economic objectives, include providing business opportunities to domestic entrepreneurs, awarding contracts to *Bumiputera* vendors; ensuring ethnic diversity of employment; as well as developing human capital. In addition, the CSR activities will include contributions towards the well-being of the *rakyat*, especially the less fortunate. It can be expected that PLCs, which practise CSR, are likely to attract investors, particularly large domestic and international institutional investors. In this regard, EPF and KWAP will, in their investment decisions, consider favourably PLCs with good CSR practices.

89. Several programmes have been identified in which PLCs can participate, including developing human capital through Adopt A School Programme, training of unemployed graduates as well as providing scholarships. Among the efforts encouraged under the Adopt A School Programme include making contributions to Parent-Teacher Associations; sponsoring excellent students from low income families, providing equipment and facilities; as well as sponsoring tuition in English, mathematics and science, particularly in rural schools. In terms of enhancing community welfare, PLCs are encouraged to adopt a charitable institution, such as welfare homes and orphanages, old folks homes, shelter homes, dialysis centres and drug rehabilitation centres. They should also encourage their employees to participate in these programmes.

90. To encourage companies to participate in the CSR program, the Government proposes that the ceiling for tax deduction on contributions by the private sector to charitable organisations be increased from 5% to 7% of aggregate income. As had been proposed by the Honourable Members of this august House, the Government proposes this tax deduction be also extended to sports activities.

Recognising Employees' Contributions

91. The Government encourages private sector companies to provide special rewards in appreciation of the contribution of their employees, such as the excellent service, long service and workers safety award. In this regard, the Government proposes that tax exemption be given to special awards, either cash or in kind, received by employees, not exceeding RM1,000.

Fostering a Caring Society

92. The Government is cognisant of the difficulties faced by parents, especially those with low income, to meet the financial needs of their children's education. To reduce their financial burden, the Government has provided monthly school allowances to students from poor families in government primary and secondary schools. The Government will increase the monthly allowance from RM30 to RM50 for primary school children, and from RM50 to RM70 for students in secondary schools. This increase which will benefit 1.5 million students, will involve an additional allocation of RM310 million, resulting in the overall total school allowances of RM846 million.

93. Several Members of Parliament have proposed in this august House that the school examination fees be abolished. The Government welcomes this proposal and appreciates the efforts of the Honourable members in conveying the wishes of the *rakyat*. As such, the Government will abolish the examination fees for UPSR, PMR, SPM or its equivalent, as well as STPM, in all government schools, beginning with the 2007 school session.

94. The Government cares for the welfare of the less fortunate groups, such as the disabled, victims of natural disasters, hardcore poor and senior citizens. A sum of RM302 million is allocated for programmes to improve their welfare. To ensure that this assistance reaches the targeted groups, the Government will establish a mobile *Penyayang Services Unit* (MAYANG), to identify and deal directly with the target groups, in the provision of welfare services and assistance during disasters.

95. *Program Pemulihan Dalam Komuniti* has been implemented to enable disabled children to undergo rehabilitation, especially those who are unable to care for themselves. Currently, there are nearly 9,000 children provided with a monthly allowance of RM25 to

reduce the financial burden of their parents and guardians. As many of them are from the low income group, this monthly allowance will be increased to RM50.

96. Given the shortage of trained sign language instructors to assist those with hearing and speech disabilities, special programmes for sign language instructors will be conducted at designated schools, under the Ministry of Education. In addition, to address the special needs of autistic children, special education teachers will undergo training programmes.

Access to Health Services

97. To enable the *rakyat* to have better access to health services, a sum of RM10 billion is allocated for the provision of health facilities and equipment, services of specialists and training programmes. Three new hospitals will be built – in Shah Alam, Selangor; Pendang, Kedah; and Permai, Johor with an allocation of RM125 million. The Government will also improve the services of mobile clinics to generate awareness among the *rakyat* in rural and remote areas on healthcare and nutrition, as well as provide free medical examinations, especially for early detection of chronic illnesses, such as cancer, cardiac diseases, high blood pressure and diabetes.

98. To promote a healthy lifestyle, the Government proposes that the specific excise duty on cigarettes be increased by one sen per stick and for liquor with alcohol content of more than 40%, the specific excise duty be increased by RM5 per litre.

Environmental Preservation

99. The Government will continue to promote environmental preservation and ensure a more integrated and sustainable management of natural resources. Almost RM1 billion is provided for programmes to preserve ecological balance and splendour, as well as increase public awareness on the importance of environment quality. A major programme is the Irrigation and Flood Mitigation Programme, with an allocation of RM716 million. The River Management Programme, with an allocation of RM107 million, will be implemented to address flood and pollution problems and also enhance the quality of rivers.

100. The problem of solid waste disposal, including in several island resorts, has to be addressed urgently. The lack of proper management of solid waste disposal has resulted in environmental pollution and adversely affected our tourism industry, including in Pulau Pangkor and Pulau Tioman. To address this problem, the Government has allocated a sum of RM179 million for, among others, improving mini incinerators and upgrading existing solid waste disposal sites to ensure proper management of solid waste disposal.

101. The Government will continue to reduce the dependence on fossil fuels and diversify our renewable sources of fuels, especially bio-diesel. The use of bio-diesel, which is environmentally friendly, can improve air quality. To further develop the bio-diesel industry, Bank Pembangunan Malaysia will establish the Bio-diesel Fund of RM500 million.

102. In the 2006 Budget, a grant of RM50,000 per bus was provided for the acquisition of new monogas buses until the end of 2008. This incentive will be expanded with the provision of a grant of RM25,000 each to existing buses which convert to NGV by the end of 2008.

Ensuring Public Safety

103. To ensure public safety, the Government will enhance the capacity and role of the PDRM. A sum of RM4.9 billion is allocated to enhance the efficiency of its operations. The Government will also implement the Command, Control, Communication and Computerisation for Information Programme to install CCTVs in crime prone areas. An additional 2,000 police patrol cars will be deployed to ensure public security and increase public confidence. In addition, the number of posts for police drivers will be increased by 3,000. The existing *elaun gantian motosikal* for police patrols will also be increased from RM80 to RM120.

Appreciating Arts, Culture and Heritage

104. The Government will continue with its programmes to inculcate greater appreciation of the arts and culture. A sum of RM685 million is allocated for the development and management of arts, promotion of culture and heritage activities, including the construction of State Cultural Parks in Sabah and Kelantan, improvement works of Sultan Abdul Samad Building in Kuala Lumpur and the establishment of Silk Museum in Chendering, Terengganu, as well as campaign to promote positive values. In addition, measures to promote Malaysian handicraft overseas, such as *batik*, *tenun* and *songket*, will be intensified, including international exhibitions of Malaysian Textile Heritage.

105. We are blessed with a rich cultural heritage, as well as a pool of talented Malaysians in the creative arts. Media content development and creative arts, including film-making and animation, can be developed into a thriving industry, not only for domestic consumption but also for foreign markets. To further develop the industry, the Government will collaborate with the private sector to produce export quality media content. Towards this end, the Government will establish the Creative Industry Development Fund, with an initial allocation of RM100 million, and will seek private sector participation to jointly invest and develop the creative arts.

106. To further encourage private sector participation in sponsoring of local arts, cultural and heritage performances and shows, the Government proposes the current tax deduction on contribution up to RM300,000 be increased to RM500,000.

FIFTH THRUST: TO STRENGTHEN THE INSTITUTIONAL AND IMPLEMENTATION CAPACITY

Enhancing Public Service Delivery System

107. A transparent and efficient government delivery system is vital to ensure that the national development objectives are achieved. The dedication of civil servants is highly appreciated. An able and efficient civil service will contribute towards enhancing the nation's productivity and investors' confidence. As such, we need to redouble our initiatives to further improve the effectiveness of the Government delivery system by adopting the principles of disclosure, transparency, accountability and mutual trust. Towards this end, the SC has implemented disclosure-based regulations, while the Ministry of Housing and Local Government is in the process of implementing the issuance of Certificate of Fitness Occupation (CFOs), based on accountability and mutual trust.

108. Another area where these principles can be adopted is in the development of ICT infrastructure in rural areas. Currently, telecommunication companies contribute to the USP Fund, which is utilised by the Malaysian Communications and Multimedia Commission (MCMC) to develop fixed telephone lines and internet services in rural areas. Going forward, MCMC will disclose the list of rural telephony projects to be undertaken in the subsequent years. In the spirit of mutual trust, telecommunication companies will be allowed to utilise part of their USP contributions to directly implement the USP projects. However, they will be made fully accountable to implement the projects within the stipulated timeframe and cost set by MCMC. I hope other ministries and agencies will adopt these principles to improve efficiency in their public service delivery system.

109. We often hear of public complaints regarding delays in obtaining approvals for CFOs and licences. The relevant authorities should, in fact, facilitate and not frustrate the public when processing approvals. In addition, the lack of proper maintenance as well as poor garbage collection has resulted in environmental pollution and degradation, including of rivers. We are also aware of frequent occurrences of flash floods and landslides, resulting in the loss of properties and lives. These events should not have happened. Greater enforcement is required on those who pollute and degrade the environment, and take stern action against developers who pursue profits at the expense of public safety. All authorities involved, including local governments, state governments as well as other

ministries and departments are required to give special attention to overcome these problems.

110. The Government is cognisant of the need to further facilitate the payment of bills, such as electricity, telephone and water bills. Currently, Pos Malaysia is one of the main collection agents for 125 government agencies. Since Pos Malaysia has a wide network of 665 post offices and 254 mini post offices, this facility will be extended to include the payment of bills of other government agencies, such as quit rent, assessment rates and sewerage charges.

Simplifying Immigration Procedures

111. In the context of the shortage of skilled workers in several key areas, we need to attract more Malaysian professionals residing overseas to return and work in the country. They represent a source of skilled manpower that can be accessed immediately. The Brain Gain Malaysia programme has been implemented to attract Malaysians and international scientists residing abroad to collaborate on R&D technology clusters, including agriculture, bio-technology and ICT.

112. In addition, we need to attract the best brains to work in Malaysia, especially in new growth sectors. A key factor to attract foreign skilled workers is to expedite the issuance of visas and work permits. The Immigration Department has made significant improvements in expediting approvals of passports, visas and work permits. To further expedite the process, Immigration units will be established in MIDA and MDeC, with the authority to approve visas and work permits for expatriates. To further facilitate public dealings with the Immigration Department, two new Federal Territory branches will be established in Cheras and Wangsa Maju. For professionals and businessmen, the Immigration Department will provide special counters at Immigration offices in major cities. To date, there are almost 33,400 expatriates working in the country. The spouses of expatriates, with professional qualifications, will be allowed to work in Malaysia.

113. Efforts will also be taken to facilitate the arrival of foreign tourists. Tourist arrivals from India and China have shown a marked increase of 28% in 2005 compared with 2004. To attract more tourists, multiple entry visas (MEVs), given to all visitors from India and China for a period of one year, have also been extended to tourists from West Asia. To expedite and facilitate the visa application process, a new consulate office will commence operations in Mumbai, in addition to the existing offices in New Delhi and Chennai. In addition, visa on arrival will be granted to all foreign tourists for a stay of one month, except from certain countries, effective 1 September 2006.

114. To reduce congestion at the passport renewal application counters, the existing e-Passport Replacement Kiosks, currently operating in the Immigration Office in the Federal

Territory, will be expanded to Putrajaya, Shah Alam, Klang, Kajang, Johor Bahru, Ipoh, Penang, Sabah and Sarawak. These kiosks will process applications, verifications, approvals and e-Passport renewal payments.

Improving the Quality of Public Transportation

115. The Government remains committed to improving the efficiency of public transportation, especially in major cities. In the Klang Valley, Syarikat Prasarana Negara Berhad (SPNB) is implementing a programme to increase the capacity of buses and urban rail as well as other infrastructure. Overall, SPNB is expected to invest RM10 billion during the period 2006-2010. Syarikat RAPID KL has begun to implement a new bus service network. This new network will improve the integration between the bus and rail services and further facilitate their connectivity. For this, more than 1,000 new buses are being acquired. When implemented fully by the end of this year, the new network will provide bus services to 980 housing areas, an increase of 53%. At the same time, the waiting time has been reduced to between 15 to 30 minutes, compared with 1 to 2 hours experienced in several routes previously. It is the objective of RAPID KL to reduce the waiting time to 15 minutes for all routes by the end of this year.

116. To expand urban rail services, SPNB is in the process of increasing the number of trains by 140, and extending the rail connections from Kelana Jaya to Subang Jaya and USJ, as well as from Sri Petaling to Puchong, which is expected to be completed in 2009. A new rail route is being planned for implementation, connecting Kota Damansara to Cheras, which is expected to be completed by 2010. A double-track commuter rail line from Sentul to Batu Caves will also be implemented by KTM. With this, the urban rail in Lembah Kelang will be extended to 264 km from 206 km and its ridership capacity increased from half a million to one million passengers daily.

117. To alleviate traffic congestion in Kuala Lumpur central business district, two integrated transport terminals for bus and rail will be constructed in Bandar Tasik Selatan and Gombak on a PFI basis. To facilitate commuters using public transportation, integration of tickets has been implemented, with the usage of one-ticket system for all bus and rail services under RAPID KL, including the use of Touch n Go. This system is expected to be expanded to all public transportation systems in the Klang Valley.

118. To assist taxi and bus operators to acquire new vehicles and in line with current regulations which impose a limit of 7 years for taxis and 10 to 15 years for commercial buses, the Public Transport Development Fund will be established as a revolving fund under the SME Bank, with an initial allocation of RM200 million. This Fund will charge a concessionary interest rate of 4.5% per annum.

Recognising the Contributions of the Civil Service

119. The implementation of the National Mission requires the civil servants to play a major role and this necessitates a greater focus towards raising the level of public sector performance. Key performance indicators have been introduced in several agencies in the public sector since last year. The implementation of KPIs will be expanded to all ministries and government agencies under the 9MP. Follow-up measures will also be undertaken to ensure promotions and remunerations of the civil servants be based on the achievements of KPIs.

120. The Government appreciates the contribution and dedication of civil servants in facilitating and ensuring the successful implementation of national development programmes. To improve the quality of life of the lower income civil servants, the Government will increase the Civil Service Fixed Allowance for all supporting staff by RM30 to RM50 per month, effective 1 January 2007. This will benefit more than 1 million civil servants.

121. Currently, the Government has provided a cost of living allowance to civil servants who are not residing in government quarters. This allowance will be extended to those provided with government quarters, at the rate of 50% of the allowance given to those not residing in government quarters, effective 1 September 2006. This assistance will benefit more than 146,000 civil servants.

122. In the light of rising prices of houses, the Government will raise the housing loan entitlement for civil servants by 20%, effective immediately.

123. As an appreciation to civil servants who have contributed towards national development, the Government will provide a bonus for 2006. Civil servants earning up to RM750 a month will be paid two months bonus. Those earning more than RM750 a month will be paid a bonus of one month salary subject to a minimum of RM1,500. The bonus will be paid in two equal instalments in October and December, 2006.

Assistance for Pensioners

124. In addition, the Government is also cognisant of the impact of escalating cost of living on pensioners, especially those in the low pension brackets. Hence, the Government will provide a one-off payment to pensioners, as follows:

First: those receiving pension of less than RM750 a month will receive RM400;
and

Second: those receiving pension of RM750 a month and above will receive RM200.

This one-off payment will benefit almost 542,000 pensioners and derivative pensioners.

CONCLUSION

Mr. Speaker Sir,

125. The nation is entering the second phase of the implementation of Vision 2020. In the first phase, we have achieved significant progress and success. These achievements, together with the full support and commitment of the *rakyat*, will provide a strong foundation for us to enter the second phase of Vision 2020 with greater confidence.

126. In the journey over the next 15 years, we will face many trials and tribulations. Whilst we may have weaknesses and inadequacies and may make mistakes, we must always have an open mind and have the willingness to learn and relearn and be wiser from the learning. We need to continuously strengthen ourselves to overcome our weaknesses. We must remain united at all times, and continue to build a resilient nation of Malaysians, combining the strengths arising from the plurality of religious, ethnic and cultural background that we possess. We must, in all humility, be thankful to our Creator and never cease to appreciate His Greatness. In Him, we place our faith and trust to give us confidence and guide us through the challenges ahead. Life on this earth is too short for unnecessary bickering. The Almighty created this world for mankind to live in harmony and strengthen brotherhood.

127. Let us together move forward with unity of purpose to build a progressive and peaceful nation. God willing, we will succeed in bringing into reality the goals and aspirations of our National Mission to achieve prosperity and a better quality of life for all Malaysians. We must remain resolute, and strive with greater determination, diligence and sincerity, to become a developed nation by 2020.

Mr. Speaker Sir,
I beg to move.