

THE 2006 BUDGET SPEECH

By

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"STRENGTHENING RESILIENCE, MEETING CHALLENGES"

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 2006 and to appropriate that sum for the service of the year"** be read a second time.

INTRODUCTION

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

2. Praise be to Allah for enabling me to present the National Budget for 2006 in this Honourable House. The 2006 Budget is the first annual budget for the Ninth Malaysia Plan and the second phase of Vision 2020. The Government is currently formulating major policies and strategies towards achieving the objectives of Vision 2020. Insya Allah, I will table the Ninth Malaysia Plan in this Honourable House early next year.

3. The 2006 Budget focusses on a number of specific measures to generate greater quality growth in the near term that can contribute towards laying a strong foundation for long-term sustainable growth. The theme of the 2006 Budget theme is "Strengthening Resilience, Meeting Challenges". This Budget emphasies various measures to enhance national resilience and our ability to meet emerging external challenges, arising from escalating oil prices, higher interest rates and increasing global competition.

4. The Government will undertake proactive measures, including the development of physical infrastructure, especially in less developed areas. In addition, special emphasis will be given to the development of the rural economy in line with the Government's objective to improve the quality of life in rural areas through the provision of adequate roads, water and electricity as well as improved educational facilities. Focus will be given to the development of soft infrastructure, including human capital capability as well as management and organisational systems. The need for a business-friendly environment to increase national competitiveness will also be addressed in this Budget. With these measures, we are confident that the economy will continue to remain strong as well as generate income and wealth so as to improve the well-being of Malaysians in the context of building a peaceful, prosperous and united nation.

ECONOMIC DEVELOPMENTS

5. The Malaysian economy remained resilient in the first half of the year, despite slower world growth and sharply rising international oil prices. The Gross Domestic Product (GDP) of the economy grew by 4.9% in the first half of 2005, largely driven by private sector activities. Private consumption and investment continued to increase on the basis of improved investor confidence. Gross foreign direct investment totalled RM8 billion in the first half of 2005.

6. We are fortunate that, within a short period of seven years after the 1997 financial crisis, the economy has fully recovered to achieve sustainable growth. GDP grew at an annual average rate of 5.4% during the period. Despite the less than favourable external environment, growth is estimated at 5% for 2005.

7. Economic growth was achieved in an environment of stronger balance of payments and manageable inflation as well as full employment. The surplus in the balance of payments remains high, averaging 12% of Gross National Product (GNP) during the last 6 years and is expected to increase to 15.7% this year, arising from significant increases in exports. The strong economic performance and fundamentals have enabled Malaysians to enjoy higher income and purchasing power. Per capita income is expected to increase to RM17,741 in 2005 compared with RM16,616 in 2004. Our purchasing power parity increased from US\$9,630 to US\$10,323 during the same period.

8. Global economic prospects are expected to be more challenging, following persistent sharp increases in oil prices and the less accommodative monetary stance of developed countries, particularly in the US. It is inevitable that global developments will have an impact on the Malaysian economy. However, the Government is confident that, with the measures in this Budget, growth will remain strong at 5.5% in 2006.

9. The task of nation building does not rest on the Government alone. Every Malaysian has an equally important role in ensuring the nation achieves further progress and prosperity. An important force that has brought the rapid pace of development thus far has been the strong support, sacrifice and dedication of all Malaysians. Moving forward, our ability to succeed in an environment marked by greater external vulnerabilities and challenges depends on our agility to make changes to our lifestyle, our determination to work harder, our ability to be innovative and creative, and more importantly, our willingness to make short term sacrifices for long term benefits. These commitments will provide us with the strength and opportunities to emerge from this environment much the stronger.

BUDGET STRATEGY 2006

10. The 2006 Budget strategies will focus on the following:

- First: Implementing proactive Government measures to accelerate economic activities;
- Second: Providing a business-friendly environment;
- Third: Developing human capital; and
- Fourth: Enhancing the well-being and quality of life of Malaysians.

FIRST STRATEGY: IMPLEMENTING PROACTIVE GOVERNMENT MEASURES TO ACCELERATE ECONOMIC ACTIVITIES

11. The Government has succeeded in lowering the budget deficit from 5.6% of GDP in 2002 to an estimated 3.8% for this year. More importantly, the reduction of the deficit has been achieved without sacrificing economic growth. For 2006, the fiscal deficit will be further reduced to 3.5%. Given the low level of deficit, the Government has now a greater degree of flexibility to focus on developmental efforts in order to sustain the growth momentum.

12. I propose a sum of RM136.8 billion to be appropriated in 2006 Budget, an increase of 5% compared to 2005. Of this, a total of RM101.3 billion is for Operating Expenditure and RM35.5 billion for Development Expenditure, which is 13% higher than this year's allocation.

13. Under the allocation for Operating Expenditure, a total of RM55 billion or 54.3% is for Fixed Charges and Grants, RM23.6 billion for Emoluments, RM20.6 billion for Supplies and Services, RM1.6 billion for Purchase of Assets and RM500 million for other expenditures.

14. For Development Expenditure, the largest allocation is for the economic sector amounting to RM14.4 billion, namely for the agriculture, industry and infrastructure sectors. A sum of RM9.9 billion is provided for the social sector encompassing education, health and housing. The security sector is allocated RM5.6 billion and RM3.6 billion is allocated for administration.

Accelerating Rural Development

15. The Government aspires to provide balanced and comprehensive development to all Malaysians. In line with the Government's objective to further improve the economy and infrastructure in the rural areas, an allocation of RM5.7 billion is provided for this purpose. A substantial portion of the allocation of RM2.7 billion is for the implementation of agriculture projects, particularly value added activities that can generate higher income for the farmers, RM1.2 billion is allocated for education, RM581 million for the construction and upgrading of roads and RM299 million for water and electricity supply.

16. The Government is aware of complaints of inadequate basic infrastructure facilities, particularly in rural areas. I am saddened by reports of fatal accidents involving school children while crossing dilapidated bridges. As a nation with world-class infrastructure, such incidents should not occur.

17. I urge the Honourable Members of Parliament, together with State Development Officers and District Officers to identify the list of basic infrastructure needs, such as small bridges, that are urgently required in every Parliamentary constituency. This list is to be submitted to the Implementation Coordination Unit (ICU) in the Prime Minister's Department before the end of November to facilitate implementation. To expedite the completion of these projects, local contractors, particularly small Bumiputera contractors, will be appointed to undertake them.

Optimising the Utilisation of Existing Infrastructure

18. The nation has achieved a high level of development, particularly in physical infrastructure. We have world-class infrastructure facilities, including highways, international airports as well as ports. While we will continue to build and improve our physical infrastructure, there is also a need to focus on optimising the utilisation of these facilities. Hence, the Government will emphasise the development of soft infrastructure, which includes human capital, management and organisational systems and a culture of maintenance.

19. The maintenance culture has to be more thoroughly inculcated. To supplement the allocation of RM4.3 billion provided to agencies for maintenance, the Government will provide a special allocation of RM1 billion for the maintenance of public facilities for next

year. In 2005, the Government has provided RM500 million that is enabling nearly 9,000 maintenance works to be undertaken by class F contractors, in addition to the allocation to Government agencies amounting to RM4.1 billion.

20. Efforts to upgrade human capital will be intensified through education and training to enable the people to master knowledge and skills, particularly in science and technology. For this purpose, a sum of RM29 billion or one-fifth of the 2006 Budget allocation is provided for education and training to benefit 5.7 million students. Of this, a sum of RM24 billion is for Operating Expenditure, with the remaining RM5 billion for Development Expenditure.

Improving Further the Government's Delivery System

21. The public sector plays a vital role as an enabler and facilitator to private sector initiatives by providing a more efficient delivery system and customer-friendly service. An area, which often results in delay in implementing projects, is the late issuance of sub-warrants from ministries to their agencies. Such late issuance must be avoided. In this regard, all ministries are required to issue sub-warrants authorising expenditure by their agencies, not later than the end of March of each year. The Cabinet will monitor this matter closely.

22. The strengthening of public delivery system will continue to be the main agenda. Besides increasing the capacity, work processes will also be improved. The capacity of the *flying squad* of the Ministry of Natural Resources and Environment will be strengthened with an additional 600 personnel. Emphasis will now be given to revenue collection, land conversion, sub-division and partition. Among others, the process of issuing strata titles will be simplified based on the issuance of Certificate of Completion.

23. A total of 334 posts will be established to facilitate one-stop centres in all local authorities in expediting the processing of licences and permits, as well as payment of assessment fees and fines. The capacity of the Malaysia Intellectual Property Office will be increased to expedite the approval for registration of applications for patent and trademark certifications.

24. Malaysia aspires to be a regional hub, especially in the services sector and knowledge-based industries. Therefore, it is important that we facilitate the travel of knowledge workers and business travellers to Malaysia. In this regard, the Ministry of Home Affairs is taking measures with the view to facilitating and expediting the issuance of visas, particularly for knowledge workers and professionals in the fields of ICT, financial services and high-technology industries. In addition, the Expatriate Committee and Inspectorate Units of the Immigration Department will be strengthened.

25. A Health Tourism Unit will be established under the Ministry of Health to improve the quality of health services to attract more foreigners to seek private health services in Malaysia. In addition, efforts will be focussed on obtaining international recognition and promoting local private hospitals.

26. In line with the move to enhance the delivery system, financially autonomous statutory bodies will be allowed to determine their own schemes of service. This flexibility will enable them to plan and manage their manpower as well as increase organisational productivity. The statutory bodies that have been identified are the Employees Provident Fund (EPF), Lembaga Urusan dan Tabung Haji, Lembaga Tabung Angkatan Tentera, SOCSO and Bank Simpanan Nasional. Meanwhile, Kumpulan Wang Amanah Pencen will also be converted into a statutory body with similar flexibility.

27. The use of ICT to facilitate dealings between the public and Government agencies will be expanded. In this regard, e-Payment transactions using credit cards at counters and online will be implemented at the Royal Malaysia Police Force (PDRM), Road Transport Department, Immigration Department and EPF as well as hospitals. This will expedite and facilitate payments and receipts as well as promote the use of e-Payment nationwide.

Improving Government Procurement System

28. The Government Procurement System will be improved through the introduction of new modalities in efforts to reduce cost, enhance transparency and ensure value for money. Towards this end, an e-Bidding system or reverse auction is being piloted in some agencies with the view of implementing this new approach to the public sector and some government-linked companies (GLCs).

SECOND STRATEGY: PROVIDING A BUSINESS-FRIENDLY ENVIRONMENT

29. The private sector has an important role in generating economic growth. In order to facilitate the private sector's role, the Government will ensure business-friendly policies and measures, as well as promote a more conducive environment.

Reducing Cost of Doing Business

30. The Government continues to undertake measures to further reduce the cost of doing business to allow companies to grow and remain competitive, especially in the regional and international markets. For this purpose, the Government has implemented several tax and non-tax measures, and remains committed to further increase and improve incentives to enhance the nation's competitiveness.

31. The Malaysian corporate landscape increasingly consists of large groups of companies that comprise many subsidiaries. The Government recognises that venturing into high-risk projects requires large capital outlay and there could be losses during the initial years of operation. Such potential losses could discourage companies from undertaking investments, which are beneficial to the economy in the long run. The Government, therefore, proposes to provide group relief to companies within a group, with a minimum of 70% ownership between them. The group relief allows 50% of a company's current year losses to be offset against the profits of other companies in the same group. In addition to reducing the cost of doing business, this measure is expected to increase the nation's competitiveness, as well as encourage more investments.

32. Pioneer Status has been granted to many companies, including multinationals, to attract investors to Malaysia. The main sectors that have already been granted with this incentive, in addition to the Multimedia Super Corridor (MSC), include the manufacturing and tourism sectors. To further enhance the effectiveness of this incentive, the Government proposes that accumulated losses and unabsorbed capital allowances during the pioneer period be allowed to be carried forward and be deducted from the post-pioneer income.

33. Although many areas in the Eastern Corridor have been developed, there remain several areas in the Corridor that have not. Therefore, to attract more investments to the Eastern Corridor, including Sabah and Sarawak, the existing tax incentives for projects located in this Corridor will be extended for a further 5 years until 31 December 2010.

34. In addition, the Government proposes the following tax incentives to further reduce the cost of doing business:

First: income from investment activities of investment holding companies listed on Bursa Malaysia be treated as business income and therefore, expenses of these holding companies would no longer be restricted for purposes of tax deduction. However, losses and unabsorbed capital allowances are not allowed to be carried forward;

Second: recognising the importance of corporate compliance, audit fees will be allowed tax deductions;

Third: given that revenues and profits are subject to fluctuations due to varying business conditions, the Government intends to provide greater flexibility in tax estimation. Presently, companies are required to provide estimates of current year tax payable which are not less than the revised estimates for the preceding year. With this flexibility, companies will be allowed to estimate

their tax payable at a level not less than 85% of the preceding year's tax estimates compared with 100% currently;

Fourth: simplify book keeping for small value assets. Presently, capital allowances on assets are amortised over a period of time. With this measure, companies will be allowed to claim full capital allowances in the year of acquisition for a total amount not exceeding RM10,000. However, the value of individual items for this purpose must not exceed RM1,000; and

Fifth: to further encourage developers to construct low-cost houses, estimated losses on low-cost houses will be allowed to be offset against estimated profits of other real property development projects for purposes of tax.

Strengthening the Capital Market

35. The capital market has expanded rapidly and plays an important role in providing cost effective financing to the corporate sector. This has reduced dependence on borrowings from commercial banks to finance their investments. Corporates have also benefitted from capital market financing through the issuance of equity and bonds. The size of the national bond market has increased almost three-fold from RM137 billion in 1997 to RM363 billion in 2004, with corporate bonds constituting 51% of the total. Meanwhile, the total equity raised amounted to RM66 billion during the same period. The rapid pace of expansion in the bond and equity markets has led to a vibrant capital market, which will further assist and facilitate the private sector to spearhead the growth of the economy.

36. The Government recognises the need to further enhance the quality of companies listed on Bursa Malaysia. In this context, one of the measures is to encourage mergers and acquisitions (M&As) with the objective of enabling companies to expand operations, increase liquidity, enhance their capital base and achieve better economies of scale. To encourage M&As, the Government proposes to exempt stamp duty and real property gains tax on mergers and acquisitions of companies listed on Bursa Malaysia. These exemptions are given for M&As that are approved by the Securities Commission (SC) from 1 October 2005 until 31 December 2007.

37. In addition, the Government also proposes to abolish Section 132G of the Companies Act 1965 to facilitate and provide greater flexibility to companies to undertake M&As and restructure their business. Section 132G was introduced in 1992, aimed at prohibiting asset shuffling whereby shareholders of listed companies could inject newly acquired assets into listed companies at excessively high value, thereby adversely affecting the interests of minority shareholders.

38. However, since the establishment of the SC in 1993, a number of regulatory measures have been formulated to prohibit asset shuffling. These include ensuring fair valuation of assets and consideration in the transactions. At the same time, several regulations pertaining to related party transactions requiring shareholders approval, as well as the Code of Corporate Governance, have been implemented. Therefore, Section 132G is no longer required to serve the purpose of protecting the minority interest.

39. Over the years, the SC has undertaken various measures to expedite approvals for corporate proposals. To further facilitate and expedite corporate proposals, prospectuses received by the Securities Commission will be reviewed on a post-vetting basis beginning 3 October 2005. This will allow companies to issue a prospectus within two weeks upon lodgment with the SC. However, SC will ensure that companies and their advisers conduct due diligence and provide accurate information in their prospectus. In addition, to reduce the time to market, companies involved in takeovers will be required to issue offer documents containing detailed conditions within 21 days from the date of notice of takeover compared to 35 days currently.

40. Business efficacy must be balanced with better enforcement. Therefore, the capacity and effectiveness of SC's enforcement in dealing with corporate misconduct will be enhanced. SC will continue to enforce laws to ensure investor confidence in the capital market. Any offence, under any laws, including the Companies Act and Penal Code, uncovered in the course of SC's investigations will be prosecuted.

41. To provide skilled managers and directors with integrity, especially for GLCs, a Management Leadership and Directors Academy will be established as a centre of leadership excellence. The Academy will produce competent directors and senior management who possess effective leadership qualities. The Academy will collaborate with world-class management institutions.

42. The issuance of Real Estate Investment Trusts or REITs is a mechanism that will enhance the liquidity of real estate companies with large fixed assets. It will also facilitate product diversification for investors. To encourage more REITs, the Government proposes to allow tax deductions on legal, valuation and consultancy expenses.

43. To further promote the corporate bond market, the Government proposes that corporates issuing bonds will be allowed tax deductions for discounts on an accrual basis for the period until the maturity date of the bonds. At present, tax deductions are only allowed upon the maturity of bonds.

Developing New Sources of Growth

44. To further strengthen and diversify the sources of economic growth, the Government will intensify its efforts to encourage the private sector to venture into new areas with high growth potential and competitive edge. These include modern methods for agriculture, biotechnology, nanotechnology, high-technology manufacturing as well as services, especially ICT, education and tourism.

Modernising the Agriculture Sector

45. As I have often emphasised, the agriculture sector should become a more dynamic sector. One way of achieving this is by increasing productivity and competitiveness through higher value added activities and utilisation of modern technology. The agriculture sector is allocated a sum of RM2.8 billion for development expenditure, primarily for agriculture, animal husbandry, fishery and forestry. To further increase effectiveness in implementing agriculture programmes, the Agriculture Department will be restructured and provided with an additional 255 new posts. In addition, Agriculture Counsellor Offices will be established abroad to promote Malaysia's agricultural products.

46. We have the potential to develop a viable and competitive *halal* industry at the global level. In this regard, research institutions like Malaysian Agricultural Research and Development Institute (MARDI), Malaysian Palm Oil Board (MPOB) and institutions of higher learning must aggressively promote R&D in *halal* products and establish joint ventures with research institutions abroad. The food safety and quality laboratories of the Ministry of Health will be streamlined and strengthened to provide more effective testing services to exporters.

47. The Government will also give priority to efforts to increase productivity and improve the quality of food production to ensure adequate supply and enhance export of food items. The Fund for Food (3F) will be further increased by RM300 million to ensure sufficient funding for the food production industry. A major portion of the Fund will continue to be provided for commercialisation of food production activities, including processing, packaging and marketing.

48. The Government will continue to modernise and diversify fishery activities to increase the income of fishermen and those involved in aquaculture. A sum of RM160 million is allocated for the development of fishery programmes, including upgrading of extension services, research and training, fish farming, fish breeding, deep sea fishing and ornamental fish.

49. Reafforestation is essential to ensure the sustainability of the nation's forest resources. The Government will establish a new company with an initial funding of RM200 million to develop forest plantations commercially. This is in line with the Government's strategy to produce timber on a sustainable basis.

50. The Government will continue to encourage GLCs, especially those involved in the plantation sector, to become the catalyst in the commercialisation of the agriculture sector, including smallholder activities. Priority will be given to projects that generate economies of scale, increase competitiveness and develop new technologies. For this purpose, the Government will provide an additional allocation of RM400 million to finance agricultural projects of GLCs.

51. Khazanah Nasional will establish the National Agriculture and Food Corporation with a capital of RM500 million, which will become a centre of excellence in agricultural supply chain management. Functions of the Corporation include matching and management of production, processing, marketing, distribution and related logistics. Focus will be given to activities such as commercialisation, branding, R&D, production standard setting and logistics as well as establishment of high-technology plantations. Facilities which will be provided include Collection, Processing and Packaging Centres as well as a network of cold rooms.

52. Cooperatives play an important role in the development of small businesses. The Government has launched the National Cooperative Policy to spearhead the development of this sector. In addition, measures to further empower cooperatives will be formulated in the Ninth Malaysia Plan.

Developing the Biotechnology Sector

53. The Government launched the National Biotechnology Policy in April 2005 to outline strategies and initiatives to develop biotechnology in Malaysia. The areas of biotechnology that have been selected as strategic fields include agricultural biotechnology, health biotechnology and industrial biotechnology. To encourage the participation of the private sector, various fiscal incentives will be provided.

54. The Government has established the Malaysian Biotechnology Corporation to spearhead the development of biotechnology in an integrated manner to implement the National Biotechnology Policy. The Corporation successfully organised the 2005 Round Table Biotechnology Meeting in the United States recently, which I chaired and which was attended by noted scientists, academics, entrepreneurs and venture capitalists. The meeting produced various ideas, views and recommendations that will contribute to our efforts to further develop this critical technology.

55. The Government is committed to develop biotechnology and is currently formulating various plans that will be implemented in the near future. The various projects that are being developed, include enhancing the capability of institutions such as MARDI, MPOB and Institute of Medical Research, as well as launching biotechnology excellence centres

in agriculture, health and genomics. Meanwhile, a Bioproducts Validation Centre costing RM30 million will be established in Johor Bahru. The Government will also set up a special fund, Malaysian Life Sciences Capital Fund under the management of Malaysian Technology Development Corporation for investment in biotechnology. The Fund will pool investments from various institutions, such as GLCs. The Fund will be launched with a RM100 million contribution from the Government. In addition, the Malaysian Biotechnology Corporation will collaborate with other agencies and ministries to attract more investments and joint ventures among local and foreign biotechnology companies.

Intensifying the ICT Sector

56. MSC was established to be a catalyst of economic growth based on knowledge and intellectual property. We must fully capitalise on the strengths of MSC, which has succeeded in attracting the outsourcing and shared services industry. To further enhance the development of Cyberjaya, which is a key component of MSC, the following measures will be implemented:

- First: the Cyberjaya development guidelines, including plot ratio, will be amended to facilitate the construction of more affordable homes;
- Second: public transport will also be improved, particularly in terms of providing bus services to cater for the requirements of shared services and outsourcing companies which operate 24 hours a day;
- Third: to encourage more office space for MSC-status companies, the Government proposes that the Industrial Building Allowance (IBA) for a period of ten years be given to owners of new buildings occupied by MSC-status companies in Cyberjaya; and
- Fourth: an ICT Development Institute will be established to increase the supply of knowledge workers by providing the skill sets required by the ICT industry, especially shared services and outsourcing companies.

57. Presently, multimedia companies operating outside of Cybercities (Cyberjaya, Kuala Lumpur City Centre, Technology Park Malaysia, Bayan Lepas in Pulau Pinang and Kulim HiTech Park in Kedah) do not enjoy tax incentives given to MSC-status companies. To further encourage ICT and multimedia activities including Regional Shared Services Centres, throughout the country, the Government proposes Pioneer Status of 50% income tax exemption for 5 years or Investment Tax Allowance of 50% be given to qualifying companies operating outside Cybercities. This incentive will only be extended to companies endorsed by the Multimedia Development Corporation (MDC).

58. The Government wishes to encourage Malaysian ICT companies to grow and penetrate global markets. MDC will work together with Permodalan Nasional Berhad (PNB) and Khazanah to identify and match leading MSC status companies with suitable GLCs to test bed their products. These GLCs will become reference sites to showcase the products of MSC-status companies when marketing to prospective customers globally.

Encouraging Research and Development (R&D)

59. The development of science and technology as well as R&D will continue to be encouraged to generate new sources of growth. An allocation of RM868 million is provided under the Ministry of Science, Technology and Innovation. The R&D Grant Scheme will focus on biotechnology, advanced manufacturing, advanced materials, ICT, nanotechnology and alternative sources of energy, including solar, to encourage innovation among local companies and developing new products.

Strengthening Small and Medium-Enterprises

60. I had announced the establishment of the SME Bank at the beginning of the year. Subsequently, the roles and functions of Bank Industri dan Teknologi Malaysia Berhad (BITMB) and Bank Pembangunan dan Infrastruktur Berhad (BPIMB) have been rationalised, following which, two separate banks have been established under one group. Firstly, Bank Pembangunan Malaysia Berhad (BPMB) will be the holding company, focussing on financing of capital-intensive and high-technology industries, maritime and infrastructure. Secondly, the SME Bank has been established and will commence operations on 3 October 2005.

61. To finance the expansion of BPMB's lending activities, including the SME Bank, a sum of RM9 billion will be raised from the capital market. Part of this financing will be used to increase the paid-up capital of the SME Bank to RM1 billion.

62. The SME Bank will provide financial facilities and advisory services to SMEs, besides enhancing their competitiveness in the domestic and international markets.

63. The SME Bank will also set up a venture capital fund of RM1 billion to finance SMEs which plans and are capable of undertaking business expansion. SMEs with strong growth and competitive edge will be provided capital injection.

64. Following the rationalisation of the functions of BITMB and BPIMB, the Export Import Bank Malaysia (EXIM Bank) will absorb the functions of Malaysia Export Credit Insurance Berhad. EXIM Bank will be placed under the Ministry of Finance. It will be strengthened and its scope expanded to play an important role in assisting and encouraging local entrepreneurs, especially Bumiputera entrepreneurs, to venture abroad.

The facilities provided include trade financing, overseas projects financing and credit insurance guarantee. For this purpose, a Fund totalling RM1 billion will be established.

65. To further reduce the cost of financing of SMEs, the Government proposes SMEs be given stamp duty exemption of 50% on documents for loans not exceeding RM1 million.

66. PROSPER has played an important role in the development of viable Bumiputera SMEs in the retail sector. PROSPER has approved 770 applications involving 1,600 Bumiputera entrepreneurs. In 2006, an additional 250 new applications are expected to be approved. In addition, to increase the number of viable Bumiputera SMEs in strategic industries, the scope of PROSPER will be widened to include wholesale businesses. The development of Bumiputera entrepreneurs in the wholesale business will assist Bumiputera small contractors to source their supplies in a more effective manner, particularly in the construction industry.

Enhancing Bumiputera Participation in the Property Sector

67. Efforts at increasing Bumiputera wealth and participation in the corporate sector have, thus far, focussed mainly on equity shareholding, particularly in listed companies. However, this measure alone may not be sufficient to increase Bumiputera ownership of the nation's economic cake. It is also important that efforts be pursued to increase their ownership of properties, including commercial properties. Investments in real estates, in particular those located in prime commercial areas, require large capital outlay. Therefore, to further promote Bumiputera wealth accumulation, there is a need to facilitate Bumiputera ownership of properties, particularly commercial properties. For this purpose, a Bumiputera property trust foundation, Yayasan Amanah Hartanah Bumiputera, will be established with an initial capital of RM2 billion for purchasing commercial properties, especially in major towns, with the objective of increasing Bumiputera commercial property ownership in strategic locations and providing greater opportunities for prime business locations for Bumiputera entrepreneurs. The Yayasan will be chaired by the Prime Minister. Details of Yayasan Pelaburan Hartanah Bumiputera will be announced by the Ministry of Finance shortly.

THIRD STRATEGY: DEVELOPING HUMAN CAPITAL

68. Human resource development must be enhanced to ensure the nation remains competitive and resilient, particularly in a global economy where knowledge, science and technology are highly valued. In this respect, quality education will be emphasised to equip Malaysians with knowledge, skills and positive values to become a workforce imbued with a culture of high performance. Quality education will also ensure that they remain relevant to meet current market requirements to face the increasingly competitive

international environment. A total of RM5 billion is allocated for education and training under development expenditure, including RM1.3 billion for pre-school, primary and secondary schools and matriculation, RM1.4 billion for higher education, RM1.1 billion for training and RM1.2 billion for ICT, curriculum development, hostels and teachers' quarters.

69. Emphasis will be given to skills training and technical expertise. A sum of RM493 million is allocated for the enrolment of students in technical, vocational and skills training, which will be increased from 72,000 students for this year to 98,000 in 2006. In addition, an allocation of nearly RM1 billion is provided for trade and industrial training at Institut Kemahiran MARA, Pusat Giat MARA, Institut Kemahiran Belia Negara, Industrial Training Institutes and Advanced Technology Training Centres.

70. To maximise the utilisation of training centres, the double-shift programme introduced in 2005 will be expanded. An allocation of RM63 million is provided for 47 existing training centres to participate in the programme, which will cater for an additional 9,300 trainees. The Workforce Technical Transformation Programme implemented by state Skills Training Centres and Institut Kemahiran MARA will be further enhanced with an allocation of RM175 million to train 12,000 students. The enrolment of polytechnic students will be increased from 78,000 students for this year to 80,000 in 2006. This will enable school-leavers with *Sijil Pelajaran Malaysia* qualifications to obtain skills training.

71. At present, the Government provides tax relief of up to RM4,000 for each child studying in local institutions of higher learning based on actual expenses. The Government proposes that the tax relief of RM4,000 be given automatically. In addition, the Government proposes to widen the scope of this relief to the following:

First: children studying at recognised institutions of higher learning abroad; and

Second: disabled children studying at institutions of higher learning. Taking into account the current tax relief of RM5,000 for each disabled child, parents will be eligible for a total relief of RM9,000.

72. To encourage lifelong learning, the scope of courses that qualify for tax relief of RM5,000 to individual tax payers will be broadened. Presently, tertiary level courses in technical, vocational, industrial, science and technology skills are tax exempted and this will be extended to professional qualifications and for courses in accounting and law.

73. Private institutions of higher learning (IPTS) play an important role in providing opportunities for more students to obtain tertiary education. IPTS also contribute towards the nation's objective of becoming a regional educational hub. As at end 2004, there were almost 6,000 foreign students in public institutions of higher learning (IPTA) and 26,000 foreign students in IPTS. To further increase their enrolment, the Ministry of Higher

Education will set up a special unit to assist IPTS in obtaining accreditation and recognition overseas.

74. As an incentive for IPTS to introduce new courses, it is proposed that the expenditure for the development and regulatory compliance for new courses by IPTS be given tax deduction to be amortised over 3 years. In addition, to increase the number of local scientists, the Government proposes that IPTS specialising in science courses be given Investment Tax Allowance of 100% for 10 years.

75. To assist unemployed graduates to participate in economic activities, the Government will implement several programmes as follows:

First: a Young Entrepreneurs' Scheme will be implemented by the Ministry of Entrepreneur and Cooperative Development in fields, such as ICT, tourism, *halal* products as well as food processing and packaging;

Second: Skills Training Centres at the state level will increase their intake of students and introduce new courses under the Industrial Skills Enhancement Programme. A sum of RM100 million is allocated for training of 4,800 trainees; and

Third: the PROSPER Graduate Programme will be implemented to encourage graduates to become entrepreneurs. Initially in 2006, a total of 200 graduates will be assisted in setting up businesses, with financing up to RM50,000 each.

76. To encourage companies to provide job opportunities for unemployed graduates, listed companies under the supervision of the SC that provide allowances to participants under the Unemployed Graduates Training Programmes will be given double tax deduction for a period of 3 years. These programmes need to be endorsed by the SC. It is expected that at least 1,000 unemployed graduates will be trained under this programme by listed companies in the PNB and Khazanah groups.

77. The Government recognises the need to elevate the status of the teaching profession. Measures have been taken to enhance the selection of potential teachers and their training and improve their career prospects and working environment. To further strengthen the measures taken, the Government proposes to upgrade the teachers' colleges to Teachers' Training Institutes (IPG). The Government will improve the level of training and curriculum, including attracting cooperation and expertise from foreign institutions. I am confident that with this measure, IPGs will produce graduate teachers who can meet the needs and challenges in our schools. In addition, the target of providing

secondary schools with 100% graduate teachers and 50% in primary schools will be met by 2010.

FOURTH STRATEGY: ENHANCING THE WELL-BEING AND QUALITY OF LIFE OF THE RAKYAT

Reducing Financial Burden of Malaysians

78. Since mid-2004, the prices of crude oil have risen sharply in the world market. Oil prices had surged to US\$71 per barrel on 29 August 2005 compared to US\$37 per barrel in June 2004 on the basis of rising demand, especially from China, India and the US. In addition, concerns over supplies, geo-political tensions in some major oil producing countries as well as adverse weather in the Gulf of Mexico have contributed to the price increase.

79. Given the impact of escalating international crude oil prices on domestic prices, the Government continues to provide sales tax exemption and subsidy for petrol, diesel and liquefied petroleum gas (LPG) to reduce the burden of Malaysians. Without tax exemptions and subsidy, the domestic price of petrol would have been RM2.80 per litre, RM2.15 per litre for diesel and RM2.50 per kg for cooking gas. These prices are about 70% higher than current retail prices. The Government is estimated to incur losses in tax revenue and subsidy amounting to RM16 billion for this year. This level is almost three times higher than the RM6.6 billion in 2003 and almost one and a half times higher than RM11.9 billion in 2004.

80. Apart from the Government's price subsidy, Petronas also subsidises gas prices for electricity generation, amounting to RM9 billion. As such, the Government's total subsidy this year amounts to RM25 billion or RM1,000 for each Malaysian citizen.

81. The Government has insulated consumers from large increases in petroleum prices. Over a two-year period, from 2004 and 2005, the Government has absorbed 80% of the increase, amounting to RM15 billion from revenue foregone and the provision of higher subsidy.

82. The Government will continue to ease the financial burden of Malaysians, especially the low-income group. In this regard, on 7 September 2005, I announced that there will be no further increase in price of petrol, diesel and cooking gas in 2005, no further increase in toll rates up to end of 2006, and a reduction in road tax effective 12 September 2005.

83. The road tax for diesel vehicles is higher than that of petrol, except in Sarawak. Effective 12 September 2005, the road tax for commercial vehicles, which predominantly

use diesel, and private vehicles with an engine capacity of 1,600cc and below, was reduced. I now propose as an additional measure that, with the exception of Sarawak, private diesel vehicles exceeding 1,600 cc be given a road tax reduction of 40% effective 5 October 2005.

84. I had also mentioned that the Government will increase assistance to the less fortunate. In this regard, I am happy to announce that the assistance for the old and the needy will be increased from RM135 to RM200 per month. The assistance for orphans and poor children will be increased from RM80 to RM100 per month per child. The maximum assistance per family is increased from RM350 to RM450 per month.

Eradicating Poverty

85. The Government is committed to eradicate poverty among Malaysians, and gives priority to efforts in further elevating the status and quality of life of the lower income group. This includes providing for low-cost housing, health, education and infrastructure as well as special programmes for the disabled and less fortunate. An allocation of RM700 million is provided for the following programmes:

- First: *Skim Pembiayaan Ekonomi Desa* for the training and guidance of entrepreneurs, marketing and promotion as well as business support services to increase the income of the rural population, including the hardcore poor;
- Second: Housing Assistance Programme to build and repair 4,000 houses for the hardcore poor in rural areas;
- Third: improving Taman Bimbingan Kanak-Kanak (TABIKA) KEMAS;
- Fourth: upgrading and renovating rural schools, especially in Sabah and Sarawak;
- Fifth: supplying electricity to about 550 schools and water to 260 schools. Upon completion, full coverage of electricity and water supply for schools will be achieved; and
- Sixth: allocating RM104 million to improve the standard of living of *Orang Asli*.

86. In the context of improving the welfare of children in rural areas, through the provision of nutritional and balanced food, the contribution for TABIKA under KEMAS will be increased from 60 sen to RM1.50 daily per student. In addition, a sum of RM10 million will be provided for the balanced meal programme, which will benefit 20,000 rural hardcore poor households. The Government will also increase reading facilities for

students in rural areas. The Special Programme for Rural Libraries, which was allocated a sum of RM30 million to provide 200 libraries in 2005, will be allocated RM85 million for the construction of an additional 400 rural libraries and the purchase of reading materials in 2006.

Providing Comfortable Homes

87. The Government will continue to enhance efforts to provide houses for low-income families. A sum of RM2.1 billion will be allocated for this purpose. Of this, RM1 billion is allocated to build 21,600 units of low-cost houses, encompassed in the housing programmes, namely, *Program Perumahan Rakyat Dimiliki*, *Program Perumahan Rakyat Disewa* and *Program Perumahan Rakyat Bersepadu*.

88. The Government will provide more housing for teachers and uniformed personnel, such as the armed forces, police, firemen and customs officers. A sum of RM1.1 billion is allocated for the provision of 26,000 units of quarters in 2006. In addition, the Government will also implement the PDRM 3-bedroom quarters project nationwide costing RM2.5 billion on a build-lease-transfer basis. The construction work will mainly be undertaken by Bumiputera small local contractors.

89. Efforts to encourage the use of Industrialised Building System (IBS) will be continued in order to achieve the objective of reducing dependency on unskilled labour as well as foreign workers. In this Budget, I propose capital expenditure on moulds to manufacture IBS components be given accelerated capital allowance to be claimed for 3 years. This measure will reduce the cost of building components such as pillars, beams, walls and floors. The Government will ensure that the IBS components meet the Malaysia Standard MS 1064. The adoption of the Standard will ensure quality and will also control construction costs.

Instilling Good Family Values

90. The Ministry of Women, Family and Community Development is allocated RM488 million to continue efforts in assisting women, family institutions, the disabled, elderly and single mothers.

91. Currently, the option of exemption on Real Property Gains Tax (RPGT) for a residential property is given to the husband, even if the property is owned by the wife. To ensure equitable tax treatment, the Government proposes that the option for RPGT exemption be given to the owner of the residential property, irrespective whether it is the husband or the wife. Instead of only one claim for each married couple, the Government

proposes to allow a husband and wife to each claim one property for exemption of RPGT on a once in a life-time basis.

Upholding National Culture And Heritage

92. The Government recognises the importance of preserving our heritage and culture, given that Malaysia is a multi-racial society with unique traditions and customs. In order to encourage more Malaysians to undertake artistic works, the Government proposes:

First: tax exemptions on income derived from royalty or payment in respect of artistic works or recording discs and tapes be increased from RM6,000 annually up to RM10,000 annually;

Second: exemptions on import duty and sales tax be given to equipment used in the performing arts industry; and

Third: income derived by non-resident professionals who train Malaysians in the fields of performing arts and creative crafts as well as related technical fields be exempted from withholding tax.

93. The Heritage Apprenticeship Scheme under the Malaysian Handicraft Development Corporation will be enhanced to enable more youths to become apprentices to practitioners with expertise in culture and arts, including carving and weaving. In addition, the Tunas Mekar programme, in which people with expertise and training in management, accounting and business are matched with skilled craftsmen and SMEs, will be enhanced. The collaboration can produce contemporary products, inject technology and modernise small and medium industries, as well as increase the marketability of products.

Promoting Healthy Living

94. Promoting healthy living will continue to be an important focus of the Government's efforts. For 2006, a sum of RM1.3 billion is allocated for development expenditure to the Ministry of Health. Among others, RM85 million is to complete the construction of hospitals in Alor Setar and Cameron Highlands and RM229 million for the building and upgrading of clinics nationwide. In addition, hospital laboratories and equipment will also be upgraded with an allocation of RM131 million.

95. To encourage Malaysians to adopt a healthy lifestyle, the Government proposes that tax on liquor and cigarettes be increased. Overall, the average increase in tax for liquor is 9%, whereas the average increase for cigarettes is 13%.

96. To curb social problems such as drug addiction, AIDS and crimes, PEMADAM will review rehabilitation methods and streamline programmes in rehabilitation centres. More aggressive campaigns will be organised by state governments, NGOs and individuals to curb drug abuse.

97. To carry out prevention, treatment and rehabilitation programmes as well as the management of 29 rehabilitation centres, a sum of RM207 million is allocated for the National Anti-Drug Agency.

98. The number of HIV/AIDS positive cases has risen to 65,000 persons this year. To overcome the problem, an advisory panel will be established in the Ministry of Health, comprising representatives of NGOs, including Malaysian AIDS Council and PENGASIH, as well as other Government agencies. The Panel will, among others, assist in formulating an integrated action plan to address HIV/AIDS, including conducting more HIV/AIDS awareness and prevention programmes as well as providing programmes for HIV/AIDS patients.

99. To ensure that the young spend their time productively, more community development activities will be carried out, including reviving *Rukun Tetangga* in all residential areas to curb crimes. In addition, an allocation of RM101 million is provided for *Rakan Muda* programme and RM600 million for the National Service Training programme. A total of 95,000 youths from all races will be trained under the National Service Training programme in 2006 compared to 65,000 in 2005.

100. The Government appreciates the contribution of NGOs in carrying out various activities to achieve Government policies and programmes. A sum of RM138 million is allocated to assist them in implementing these activities, including welfare organisations for the elderly, children, disabled as well as associations for sports and youths.

Enhancing Environmental Quality

101. The physical development of the nation will be balanced with environmental preservation to ensure sustainable development. A sum of RM1.9 billion is allocated for the implementation of environmental preservation projects. A sum of RM40 million is provided to prevent erosion of coastal areas, while RM370 million is allocated for drainage and flood mitigation nationwide as well as RM114 million for improvement of rivers and river estuaries. A sum of RM991 million is provided for repair of existing sewerage plants as well as construction of new plants. The solid waste management programme is allocated a sum of RM363 million.

Improving Public Transportation in the Klang Valley

102. To promote the use of public transport, the Government has taken measures to improve the efficiency of public transportation in the Klang Valley. In this regard, RAPID KL has commenced operations at the end of 2004. Currently, measures are being taken to acquire new buses to replace the aging fleet. A total of 250 new buses will be in operation at the end of this year. The present fleet replacement programme will be continued with an addition of 600 buses in 2006, including buses which utilise natural gas (NGV). Meanwhile, 120 existing buses will be refurbished.

103. In addition, *Touch n Go*, which is currently used in all rail transport, will be expanded to bus services. To improve the ticketing system, the Government will implement a single integrated ticketing system that can be used in all forms of public transportation in the Klang Valley. The new ticketing system will facilitate travel and provide cost-savings to consumers.

104. To expand the public transportation system in the Klang Valley, a study has been undertaken to identify the new rail routes in high density areas. In addition, a total of 10 new routes for buses has been implemented. The network of buses and rail will be integrated to ensure more efficient utilisation and its cost-effectiveness to consumers.

Diversifying Energy Sources

105. Given that crude oil resources will eventually be depleted, we must focus our efforts on measures to reduce our dependency on oil, particularly through the development of alternative energy resources, such as natural gas, biodiesel and solar. This initiative will also contribute towards environmental conservation.

106. Malaysia has gas reserves of 85 trillion square feet. Since gas is an environmental-friendly fuel, its usage must be encouraged. To facilitate vehicle owners to use gas, the number of retail gas stations currently totalling 51 will be doubled by 2007. To encourage trucks and buses to utilise gas, it is proposed that import duty and sales tax exemption be given on chassis with engines of monogas trucks and buses as well as conversion kits. A grant of RM50,000 per bus will also be provided for each monogas bus acquired until the end of 2008. Tax incentives will be given for the expansion of the gas reticulation network.

107. Biofuel based on palm oil can reduce the nation's dependence on petroleum and also has lucrative export potential. The Government is currently formulating a policy to encourage the widespread production and use of biofuel. The policy is also aimed at encouraging commercialisation efforts in biofuel technology by local research institutions.

As a start, the Government will set the biofuel mix at 5% of processed palm oil and 95% of diesel on a pilot basis. The standard for the “new diesel” will be developed by SIRIM. The Government, together with the private sector will set up 3 palm oil biodiesel commercial plants with a total capacity of 180,000 tons, principally for export. Before year end, the Government will formulate a National Biofuel Policy, which will encompass the formulation of a national industrial biofuel act as well as the provision of various incentives to encourage private sector involvement. The biofuel Act will be tabled in Parliament next year.

108. Presently, companies generating energy from environmental-friendly renewable resources, such as biomass, hydropower not exceeding 10 megawatts and solar energy are eligible for tax incentives. The Government proposes that the existing incentives for production of energy from renewable resources be enhanced by increasing the level of tax exemption under Pioneer Status from 70% to 100% for 10 years, and the rate of Investment Tax Allowance from 60% to 100% for five years. The period to apply for these tax incentives is to be extended until 31 December 2010. In addition, import duty and sales tax on equipment used for these activities, which will expire on 31 December 2005, will also be extended until 31 December 2010.

Energy Efficiency

109. Higher crude oil prices will result in higher subsidies for fuel and also for other sources of energy, such as electricity. We must not be wasteful in our consumption of energy. At the same time, we cannot rely on subsidies to maintain our competitiveness and thus should be more energy efficient in our production processes. In due course, electricity tariffs will need to be adjusted to promote greater energy efficiency and discourage wasteful and excessive consumption. However, the Government is committed to ensuring that there will be no additional burden, particularly for the lower income group, in meeting the minimum level of required consumption.

110. The Government will take the lead in energy conservation. I strongly believe that there is much scope for us to save energy. All Government agencies will be required to target a 10% savings in energy consumption for 2006. We are being wasteful if we keep our offices air-conditioned at excessively low temperatures and leave the lights on when no one is at work.

111. Beyond reducing consumption, the Government intends to further encourage investments in energy conservation. The Government proposes to extend the existing incentives given to companies providing energy conservation services for another 5 years until 2010. In addition, the Government proposes to provide building owners with an Investment Tax Allowance of 60% on capital expenditure for improving energy

conservation. Going forward, building development guidelines will need to promote 'smart buildings' which optimise building efficiency.

Regional Development

112. In the context of balanced growth, I would like to touch on the development of Sabah and Sarawak. The Government will continue to implement specific measures in these two states to further develop infrastructure and public amenities as well as various programmes to generate income. Sabah has been allocated RM2.3 billion in the 2006 Budget for the construction of roads, provision of water and electricity supply as well as for education and health projects. The major projects include the Sapulut to Kalabakan and Sipitang to Tenom roads and upgrading of Kota Kinabalu airport as well as the expansion of Universiti Malaysia Sabah and Queen Elizabeth Hospital.

113. For Sarawak, RM2 billion has been allocated in the 2006 Budget. Among the major projects to be undertaken are the construction of a road from Serdeng to Bawang Assam, the expansion of Kuching Airport, the development of the Sarawak Federal Administrative Centre and the expansion of Universiti Malaysia Sarawak. In addition, RM112 million is provided for water and electricity supply as well as roads for the rural areas. The total allocation of the RM2 billion does not include the Bakun hydro-electric project, which will cost RM6.1 billion for the period 2006 to 2009.

Strengthening the Police Force

114. The Report of the Royal Commission to Enhance the Operations and Management of Royal Malaysia Police was published on 16 May 2005. The Report, among others, recognises the need to enhance the capability of the police force in the context of preserving law and order. The Government has commenced the implementation of several recommendations, including the building of more police stations and quarters, as well as the provision of better equipment. In this regard, a sum of RM3.5 billion is allocated for operational expenditure of PDRM and RM493 million for development expenditure. This is in addition to the RM2.5 billion provided for the construction of quarters by way of Build-Lease-Transfer.

115. The Report also recommends improvements in a number of allowances, some of which have already been implemented, including incentive for detectives, uniform allowances for senior officers and claims on mobile phone bills. In addition, I wish to announce further measures to be implemented with effect from 1 January 2006, as follows:

First: reimbursement for the cost of tailoring of uniforms for lower ranked police personnel up to RM100 per uniform for 3 uniforms per year;

Second: increase in incentive payments for bomb disposal unit from RM50 to RM100 per operation; and

Third: incentive for divers currently enjoyed by the Armed Forces of Malaysia, Fishery Department, and National Science Centre will also be extended to PDRM as well as Fire and Rescue Services Department personnel. The incentive will be increased from RM50 to RM100 per month for divers and from RM150 to RM250 per month for clearance divers.

Assistance for Living Expenses for Civil Servants

116. In the light of rising cost of living, the Government will provide assistance for living expenses for Government servants in Grades 1 to 54, except for those living in quarters or receiving regional allowance, as follows:

- i. RM150 a month for those working in Kuala Lumpur, Putrajaya, Ampang Jaya, Kajang, Klang, Selayang, Shah Alam, Subang Jaya, Petaling Jaya, Johor Bahru, Georgetown and Butterworth;
- ii. RM100 per month for those working in 26 other towns; and
- iii. RM50 per month for those working in other areas.

117. The implementation of assistance for living expenses will commence on 1 January 2006.

118. Apart from the above assistance, several existing allowances will be improved and extended as follows:

- i. the civil service fixed allowance (ITKA) will be streamlined. As a result, the ITKA for all officers in Grades 41 and 42 as well as Grade 45 for lecturers will be fixed at RM300 per month;
- ii. allowance for Al-Quran and Fardhu Ain Classes (KAFA) supervisors will be increased from RM500 to RM750 per month;
- iii. allowance for KAFA teachers will be fixed at RM500 per month. Previously, the maximum allowance was RM288 per month for Peninsular Malaysia and RM336 per month for Sabah and Sarawak;

- iv. incentive payment of RM60 per month for nursing tuberculosis and leprosy patients will be extended to laboratory and medical technologists, medical laboratory assistants and hospital attendants working in the laboratories at the National Tuberculosis Centre and National Leprosy Centre; and
- v. incentive allowance of RM100 per month paid to workers at mortuaries will be extended to medical health assistants and health attendants working in mortuaries.

119. In appreciation of civil servants' contribution in meeting national objectives, the Government will pay a bonus for 2005. Civil servants earning up to RM1,000 a month will be paid a bonus of one and a half months salary and those earning more than RM1,000 a month will be paid a bonus of one month salary subject to a minimum of RM1,500. To assist Government staff in meeting additional expenses for the coming festive seasons at the end of the year as well as expenses for school-going children at the beginning of next year, the bonus will be paid in two equal instalments in October and November 2005. In addition, the Government will make a special payment of RM200 for pensioners in October 2005.

120. I do not want traders to take advantage of the payment of bonus and the raise in allowances of civil servants to reap excessive profits. In fact, even without increasing prices, traders stand to benefit. The higher disposable income of civil servants will increase demand for goods and services, thus benefitting traders, suppliers and manufacturers. As such, they must be responsible and honest.

121. The Government will take additional measures to curb price increases of essential items during festive seasons, namely October 2005 to February 2006. Details will be announced by the Ministry of Domestic Trade and Consumer Affairs. The capacity of the enforcement staff to monitor prices will be further enhanced with an additional 745 personnel. The Government will take firm action against profiteering, including the withdrawal of licences. In addition, enforcement by the Ministry of Domestic Trade and Consumer Affairs, local authorities, Customs, PDRM and Inland Revenue Board will be better coordinated, including joint operations. The public must cooperate and play an active role to curb profiteering. The Government remains committed to provide a stable economic environment, particularly in the context of protecting the public from short-term fluctuations in the prices of essential goods and to provide assistance as well as support to the lower income group.

122. Smuggling activity has resulted in leakages where subsidised diesel is sold to those who are not entitled and also to neighbouring countries. The Government will continue to step up enforcement and act firmly against smugglers. The provision of diesel subsidy will be closely monitored to ensure it benefits the target groups.

123. Malaysia cannot be completely insulated from adverse global economic developments. Nevertheless, the Government will continue to take the necessary measures to minimise its impact on our economy. The burden of adjustment will, however, need to be shared between the Government and the rakyat. In this context, the higher price of oil and other goods, for example, will require all Malaysians to make adjustments and sacrifices. This will include the necessary changes in consumption pattern. The higher oil price must serve as a wake-up call to diversify our energy resources, improve energy efficiency and productivity as well as enhance innovation and creativity.

124. All of us – individuals, families, traders and entrepreneurs – must be prudent in spending and avoid extravagance. We must increase and diversify our sources of revenue and income. We should constantly seek to increase knowledge so as to improve ourselves in the context of ensuring cost-effectiveness and efficiency as well as achieving progress. We should also strive to sustain our physical, spiritual and emotional well-being, as this, among others, will help reduce expenditure on medicine and treatment. If this becomes our way of life, we will become a nation that is successful, resilient and capable of overcoming challenges.

CONCLUSION

125. We are indeed grateful to Allah s.w.t for His guidance and blessings. The economy continues to remain resilient and we are able to maintain stability as well as strengthen harmony and unity. This achievement is the outcome of determined efforts from all Malaysians who have provided steadfast support to the Government to successfully implement development policies and strategies. The strong foundation of the economy will enable the nation to move forward with confidence into the second phase of Vision 2020. Let us all pledge to increase our efforts towards making Malaysia a developed nation.

126. As we move forward, we will face many challenges from the domestic and external fronts. In the context of the fast changing international environment, we cannot afford to be complacent. Indeed, we must be strong and resolute to continue to manage the success that we have achieved and aim for greater excellence, glory and distinction.

Mr. Speaker Sir,
I beg to propose.