

SPEECH BY MR. J.M. JUMABHOY, MINISTER FOR COMMERCE  
AND INDUSTRY, AT THE LEGISLATIVE ASSEMBLY MEETING  
ON WEDNESDAY, SEPTEMBER 10, 1958, AT THE SECOND  
READING OF THE CONTROL OF MANUFACTURE BILL

I have His Excellency the Governor's recommendation to proceed with this bill and I move that the bill be now read a second time.

Hon. Members will recall that I outlined Government's adoption of a policy of selective protection for local industries in this House on the 13th August. When this bill had its first reading that day I stated in this connection that outside manufacturers wishing to manufacture their products here will, as a general rule, be required to come to an agreement with the local manufacturer or intending local manufacturer, if any, of the same product or failing which with interested Singapore citizens. I further indicated that such an arrangement should either be on a partnership basis with at least 49% of the shares held by the local interest or on the basis of the local interest manufacturing under licence of the outside manufacturer. If after a reasonable time there is a lack of response from local interest or if such arrangements cannot be made, the outside manufacturer will be given permission to set up his own undertaking.

It might well be asked why Government considers it necessary at this stage to introduce legislation to control the manufacture of goods. The reason, Sir, is simple. It will be quite obvious that if protection is given some outside manufacturers who up to now have enjoyed Singapore as a wide open market may suddenly find restrictions placed in their way. They would find that the local manufacturer who up to now was treated by the Singapore Government as an orphan, now is in a position to capture the Singapore market.

Also the operation of protection would act as an inducement to local capital to invest boldly in new industrial enterprises, because they could now hope through Government's intervention to get a fair share of the local market. Thus it is expected that larger sums will henceforth be invested by local capital in industries.

The result of all this would be that some of the outside manufacturers who up to now have been satisfied with supplying Singapore from outside may either have to gradually give up the Singapore market or be forced to open a factory here.

With the strong consumer preference in Singapore for imported goods, these outside manufacturers opening a factory here and manufacturing their well known brands and marketing them in Singapore again, could have a very tragic effect on local investors. Local investors who might have in the meanwhile invested huge sums and would just be getting on their feet could suddenly find ground cut from underneath their feet by these outside manufacturers, and their investment vanish into thin air.

If no check was exercised to prevent this happening, who would dare to take the risk and invest?

Up to now Government has had no powers to check or control outside operations, especially from the Sterling Area from opening factories here as and when they liked, provided they did not make big demands on immigration control.

This bill is aimed at giving Government the necessary powers to exercise such check

Government's aim at present is to ensure that all and sundry are carefully selected before they are allowed to come in. It is only equitable that where a local industry already exists, such local industry should not be allowed to be swamped by outside manufacturers of the same product whose sole reason for coming in would be to "jump" the protection. However, as I have already indicated, where there is no local industry and no local interest in the manufacture of a product, then the outside manufacturer will be welcomed with open arms.

In practice, control will be achieved by making it a condition that no person may set up a manufacturing concern here after the 13th August, 1958, without having first obtained a licence. The issue of a licence will not of course absolve the licensee from complying with the requirements of any written law in force. The licence will be issued on payment of a nominal fee which is not designed as a revenue measure.

As investment in a manufacturing process is likely to be considerable it is necessary to provide that a licensee is not at the mercy of politicians then is absolutely necessary. Thus a licence is made valid for 15 years; renewable thereafter for further periods of 15 years at the discretion of the Minister. The Minister will have the power to refuse the issue of a licence or to issue a licence subject to such conditions as he deems fit. In case of refusal the applicant has no grounds to grumble, because no investment has been made. However, once a licence is issued it is Government's intention that there should be as little interference as possible with the industry and the investor is assured of this by the fact that the licence is to be valid for 15 years.

There is provision in the bill for the Minister to revoke a licence if conditions are not complied with but in such cases the licensee is safeguarded by the provision that the Minister is obliged to inform the licensee in writing of such revocation and the grounds thereof and the licensee has the right of appeal to the High Court against the Minister's decisions. Until the High Court makes a decision, the Minister's revocation cannot be enforced.

It will be noticed that existing manufacturers on the 13th August, 1958, are exempted as regards goods they have been manufacturing as on that date, but it would be in their interest to apply and obtain a certificate to that effect under Clause 12(3) so that there could be no grounds for doubts later on.

One other aspect of the bill is that enabling the Minister to grant an exclusive franchise to a single manufacturer by restricting to him only the grant of a licence for a particular manufacture. Hon. Members will appreciate that it will be difficult to lay down hard and fast rules as to the criteria to be applied before any manufacturer may be considered for the grant of such a franchise. Each application for franchise rights will have to be most carefully studied and must of necessity be decided on its individual merits. However, the underlying basic principle that will be applied is whether the manufacturer concerned will find it uneconomical to operate having regard to the amount of his initial capital outlay and the size of the local market if a competitor were also to come into the field intending to manufacture the same type of goods. I should emphasise that the



grant of a franchise is not by any means intended to restrict or stifle local competition but is a measure which should be available for use very sparingly and selectively as and when the occasion arises. I can, therefore, assure the House that the granting of exclusive franchise rights will be kept to a minimum and will be subject to very close scrutiny.

Regulations relating to the scale of fees and other allied matters will be introduced as soon as possible after the adoption of this bill.

This bill will also act as the instrument through which Government could enforce its industrial policy from time to time.

SEPTEMBER 10, 1958.

(Time issued 1430 hours.)