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**SPEECH BY BG (RES) LEE HSIEN LOONG, DEPUTY PRIME MINISTER
AND MINISTER FOR TRADE AND INDUSTRY,
AT THE 25TH ANNIVERSARY DINNER OF
CHARTERED INDUSTRIES OF SINGAPORE (CIS)
AT RAFFLES BALLROOM, WESTIN PLAZA
ON FRIDAY, 19 JUNE 1992 AT 8.00 PM**

I am very happy to be here this evening on the occasion of the 25th Anniversary of the Chartered Industries of Singapore. Having followed the growth and development of CIS for many years, I am delighted to celebrate 25 very successful years with the staff and guests of CIS.

Chartered Industries (CIS) has come a long way since its inception in 1967, as a manufacturer of small arms ammunition for the Singapore Armed Forces. Its first project was Project Doberman, a commission to manufacture 5.56 mm rounds for the SAF. Today CIS is a substantial, flourishing defence industry, and a key member of the Singapore Technologies group of companies. It has progressed from rifles and bullets into the manufacture of full-scale, high-tech armament systems. It has developed markets for many of its products overseas, even though it is still relatively young compared to defence industries in other countries.

Many people have contributed to CIS' success. I wish to pay special tribute tonight to the company's founder, Dr Goh Keng Swee. Among his many other contributions to the nation, as Defence Minister Dr Goh saw the importance of developing a local armaments industry, and was instrumental in turning the idea into a reality. One crucial decision was to set up CIS as an independent corporate entity. CIS established the model for all

the other defence companies which followed - ODE, SAE, SEEL, SAMCO, and many more. The easier path would have been to do it in-house, and establish an ammunition arsenal or ordinance foundry within MINDEF. This would have been less risky, at least from the point of view of CIS. As a non-commercial operation, the arsenal would have been shielded from competition, operated on a cost plus basis, and had no problems filling its order books with SAF business. Instead, CIS became a company run on commercial principles.

MINDEF established an arms-length relationship with these defence companies. Far from guaranteeing them a captive market, it required them to bid for MINDEF work in competition with other defence manufacturers, usually against foreign suppliers. CIS managers and engineers thus had the freedom and flexibility to operate unencumbered by bureaucratic red tape, with a firm eye on the bottom line and the right to retain and reinvest surpluses earned. This gave them strong incentive to maintain a lean and efficient operation, and deliver good service to the SAF, saving it millions of dollars in ammunition and weapons costs. Indeed, it forced them to do so.

This tough-minded philosophy made the job of the defence industries much more difficult. But the CIS team rose to the challenge. They won MINDEF contracts for arms and ammunition against external competition. CIS developed export markets for its products, satisfying its customers that it was more than competitive in terms of price, quality and speed of response and delivery. They did so without any government subsidies, in a business where "fair" trade is a meaningless term, and nearly every foreign supplier enjoys some privilege, hidden or open, from its home government.

Today the defence companies have become a major component of our Total Defence strength. They develop new weapons and upgrade old ones to suit the SAF's specific operational needs, whether it is the A-4SU fighter, the SM-1 tank, the FH-88 field

howitzer, the Victory class missile corvettes, or others too sensitive to name. They provide the SAF with the logistic and technological back up, and give the SAF the endurance to deal with a protracted emergency. MINDEF's requirements continue to be a major factor driving the company's activities and plans, although they are no longer the only one.

Outside the defence field, CIS has contributed significantly to the Singapore economy. CIS has put strong emphasis on manpower development. It has attracted, groomed and retained a strong team of engineers and researchers. CIS and the STH group have built up a strong indigenous engineering and technical capability, and established themselves among the foremost technology companies in Singapore.

CIS' success has benefitted not just the defence industries. Other manufacturing firms have also indirectly benefitted, as from time to time experienced staff leave the defence industries to join them. While training manpower for the industry's general use is not the primary mission of the CIS management, we should not overlook this social contribution when evaluating the company's record.

CIS has for many years offered scholarships and training to outstanding talent. This year CIS is instituting two new Fellowship awards. The "Goh Keng Swee" Fellowship will recognise Dr Goh's contributions to the defence industry, especially in nurturing and guiding CIS to become what it is today. It is awarded for post-graduate studies in engineering, science or technology, tenable at top overseas universities. The "Ong Kah Kok" Fellowship is named after your late Chairman, who was a Director of the CIS Board from 1971 to 1973, and Chairman from 1974 to 1978. It is for post-graduate study in management. I would like to congratulate this year's recipients, Mr Tan Choon Kwang and Mr Alex Lee Ngeong.

Besides developing manpower, CIS has also raised the

technology level of the manufacturing sector in general. Many technologies have dual military and civilian applications. CIS has exploited this synergy to developed a significant non-military business, much of it for export. Right from the beginning, CIS was responsible both for making ammunition and minting coins. A few years ago, CIS won a large subcontract job from Xerox of USA to design and produce stitchers and binders for its new flagship product, the Xerox 5090 Duplicator. CIS won this job against international bidders, because of its ability to design, manufacture and test the product under one roof. For the STH group as a whole, non-military sales now form about one third of its business.

It makes sense both for the defence industries and the Singapore economy that the defence industries should venture beyond military business. It gives the companies a broader operating base to buffer the uncertainties of defence sales. Military business is volatile. Overseas sales vary from year to year, depending on many factors beyond the company's control. The relaxation of global tensions is beyond question a favourable development, but defence companies around the world worry that it means less business for them. The SAF's requirements also fluctuate. Some are one time requirements - now that the SAF has equipped every soldier with a rifle, it will be quite some time before it needs to replace all the rifles with new ones. Others are contingency requirements - the amount of ammunition used during peacetime training is a tiny fraction of what will be needed in war. We cannot keep production lines and engineers idle for years, against the possibility that we may need them one day in an emergency. The equipment will rust, and the people will leave. The STH's non-defence business enables the group to contribute to Singapore's economic growth and development, instead of becoming a drain on the nation's resources.

The challenge for STH in diversifying away from strictly defence business is to choose the right areas to venture into, to maintain a coherent focus for the group as a whole, and to

strike the right balance between caution and risk. Identifying new business areas is not a one-time exercise, because the technology and markets are changing rapidly. It must be done year after year, as an integral part of the business. To stay in the business, the company must evolve with it.

This calls for a high order of commercial judgment. Not every venture will succeed, nor will every successful venture be profitable every year. Some risks have to be taken. As Dr Goh used to say, the only way to make no wrong decisions is to make no decisions at all. But taken as a whole, the STH group's business initiatives must steadily strengthen its core capabilities, and keep them relevant to market trends.

Overall, the defence companies have done this remarkably well. The successful flotation of several STH subsidiaries reflects the stock market's confidence in the group. The market has valued these publicly listed subsidiaries as being worth many times what the government initially invested in them. The valuations reflect both the business performance of these companies to date, as well as their potential for future growth.

In a few weeks' time, your Chairman, Mr Philip Yeo, will be retiring from the post. Mr Yeo has been Chairman since 1979. His style has never been merely to preside and oversee, as all those who have served under him, and all those whom he has served under, know. His restless energies and ceaseless efforts have set the tone for CIS. He has directed and inspired CIS to broaden its market base and develop its technical capabilities. Many of the company's initiatives were at his direct instigation. Under Mr Yeo's chairmanship, CIS sales turnover increased ten-fold. But more important than the expansion in scale has been the steady deepening of technical expertise and maturing of the CIS team. Janes Defence Weekly recently rated CIS as one of the top 10 small arms suppliers in the world, and one of the leading arms manufacturers in the Asia Pacific region. On 1 July, when LG Winston Choo takes over as Chairman from Mr Philip Yeo, he

will take over a sound and vibrant company.

For CIS, the reward for this success is another, bigger challenge: the opportunity to sustain the same quality of performance on a larger scale. CIS is now working on new types of munitions such as cluster bombs and armour penetrating rounds. It is developing innovative weapon and fire control systems using electro-optics and composite materials. It needs to establish itself as the technology leader in specific product niches, and find suitable partners to work with it on larger, more challenging projects.

CIS and the defence companies are well-placed to take advantage of the opportunities ahead. I congratulate Chartered Industries of Singapore on the occasion of its 25th Anniversary, and to wish the company another very successful 25 years.

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