

Release No.: 32/JUL
10-1/84/07/20

**SPEECH BY MR HOWE YOON CHONG, MINISTER FOR HEALTH,
AT THE INAUGURATION OF THE NATIONAL IRON AND STEEL MILLS
ROLLING MILL NO. 5 AT TANJONG KLING ROAD
ON FRIDAY, 20 JULY 1984 AT 3.00 PM**

National Iron and Steel Mills (NISM) has grown from strength to strength and has provided reasonable returns to investments ever since it was founded in August 1961 inspite of many periods of upheavals and crises. Its annual production has gradually expanded from 100,000 tons of steel products in 1964 to nearly 500,000 tons in 1983. NISM's capital base increased from an original investment of \$12 million to reach \$265 million last year. Over the corresponding period the Gross Domestic Product of Singapore increased 16.3 times, while the Gross National Product per capita increased 10.4 times. NISM can be said to be a very successful company whose results and performance kept pace with the economic development and growth of the Republic.

NISM shareholders should be satisfied with the many technical and managerial improvements the company has introduced over the years. Today the Company no longer has to depend on Government protection against the uncertainties of the world steel market. It has sufficient capacity to satisfy local needs for re-inforcement bars and wire rods used in building construction. In the difficult years following the 1973 oil shock its competitiveness was tested in the export markets. It can now live with competition, foreign dumping and can even export as much as 25 per cent of its output in some years. Without doubt NISM, with its expanded capacity and increased efficiency, dynamic management, and improved technology in production, energy saving,

and pollution control has made remarkable progress. The improvements have been both qualitative and quantitative. They have enabled NISM to retain a place of considerable prestige and pre-eminence in the local industrial community.

In response to the tight labour situation NISM has increased its production capacity through new production processes and methods, better management and marketing systems, mechanization and automation. What is particularly gratifying is that NISM continues to accept that people are its most valuable resources. Hence, it adopts an enlightened policy of providing training to upgrade the skills of its employees. Its management has been implementing measures that can contribute to profitability, increase staff productivity, bring about greater harmony in industrial relations and make better provisions for staff welfare.

All these have enabled NISM to gain recognition and to receive awards from both the National Productivity Board and the National Trades Union Congress. These are no mean achievements for a local company. It has succeeded in maintaining corporate growth while progressing into the era of high technology. At the same time it has remained profitable even when other steel mills, large or small all over the world, are experiencing grave difficulties. Credit and due acknowledgement must therefore be given to its very efficient and capable senior management.

Today's inauguration of the new Rolling Mill, MBM 5 is another example of their foresight in anticipating market trends. The decision to extend their rolling mill capacity was taken two-and-a-half years ago. It is therefore quite an achievement considering that only inhouse engineering staff and resources were used to complete a project of this size in so short a time.

This year Singapore celebrates its 25 years of Nation-Building. As we reflect on the enormous changes that have taken place over the last quarter of a century, we can draw many lessons from them. By applying these lessons to NISM we may get some pointers as to how best the Company can respond to meet the challenges of the next few decades.

The success of our efforts in nation-building brought rapid social and economic progress. It changed the structure of the economy and the society. Old methods and systems, old institutions and organizations, old structures and establishments were constantly being replaced by new ones. The way of life, the social frame work, the economic activities, the skyline and the settlement pattern of the population have been totally transformed.

In the economic field the traditional reliance on commerce and entreport trade has given way to industrialisation. Initially there was widespread unemployment. The urgent need was to provide jobs for the increasing numbers of young people coming into the labour market. By the mid 70's the situation had changed. The pressure for jobs eased. Unemployment was no longer the problem. Industries began to move from labour intensive low skill production into more sophisticated manufactures that were capital intensive and that demanded higher skills from the workers.

By the 1980's full employment was reached. With severe worker shortage, efforts are still being made to upgrade production techniques, to transfer the labour intensive industries nearer to the sources of raw materials, to adopt mechanized and automated production processes, and to replace labour with machines. Priority has now been given to industries requiring high technology with high value added components. All these will mean that future investments and expansion will most likely occur in the fields of electronics, computers, telecommunications, genetic engineering and bio-sciences.

My mention of Singapore going through the 60's, 70's and 80's - the same period that NISM has gone through - is an attempt to convey three messages:-

(i) Our Society and Economy do not remain static.

We must not ignore the constantly changing and developing social and economic trends. Corporate strategy must accept that established institutions and traditional structures are unlikely to remain unchanged for any length of time. Science and technology, social habits and customs, fashions and styles do not stand still. Most if not all the industrial organizations and commercial corporations that we see around us today are constantly being eroded as new ones are evolved to replace them.

(ii) Our Construction Industry is undergoing fundamental changes.

The construction industry on which NISM depends for so much of its prosperity is undergoing rapid and fundamental changes. Labour shortages, high wage costs, and lack of skilled construction workers have combined to accelerate the introduction of technological changes in the traditional form of building construction. Labour saving and more cost effective methods are being extensively adopted. Machinery and capital have replaced labour in the prefabrication and assembly line methods of building construction. These will revolutionize our building industry.

(iii) The local market for steel products may be reaching its limit.

Today the local building and construction industry is doing well, but much of it is being artificially stimulated. A situation will soon be attained in the not too distant future when other than HDB flats, almost every other type of buildings will be in excess supply. The export markets for steel products are unlikely to be attractive or favourable.

There will be many difficulties and obstacles like quota restrictions, high tariffs, high interest rates, and high transportation costs. Even with the MRT construction being accelerated, the demand for steel products is finite and will soon reach its peak. NISM may have to accept that the limit in the demand for steel products may soon be reached. Since it must plan at least five to 10 years ahead the directions of its future thrusts deserve serious re-examination.

NISM's major emphasis on the production of steel reinforcement bars and wire rods for the construction industry has been profitable all along. Its current involvement in re-inforced concrete, prefabricated or on-site construction systems, and the casting of floor slabs, concrete panels, columns and beams and other construction associated activities will probably remain profitable for the next few years. The nagging concern must be whether when the upper limit of the local building construction industry has been reached, and NISM has attained its maximum capacity in steel production NISM will be satisfied to remain where it is? To be satisfied must mean stagnation and eventual decline.

While earlier directives to NISM senior management to diversify has been heeded and as a result NISM, in addition to increasing its capacity for steel production and intensifying its steel supportive activities, has gone into engineering services, precast concrete building systems, property and investments, and even into semi-conductors, the question still remains whether the company is over reliant on the production of steel re-inforcement bars and wire rods for its prosperity? Is the company still too much dependent on the fortunes of the local building and construction industry even though this industry has changed and modernized itself?

Friends of NISM have always looked upon the company as a leader in the local industrial community. To remain in the forefront NISM must continue to improve and develop not only in steel but also in new areas of industrial and commercial enterprise as well. NISM cannot stand still, it must strive for improvement and progress. It must expand, diversify, adopt new technology and improve in sophistication. Capital and human resources appear to offer no difficulties in NISM. There is already an excellent track record of performance which can be the spring-board for expansion. Alertness to identify new situations, a fresh perspective of old problems and a pioneering spirit to venture into new fields are qualities to be encouraged in all members of the senior management team. Together they can apply their skills and devote their energies to recognise new opportunities, to seize new initiatives and to respond to new challenges. With proper leadership and adopting the right strategies, the future of NISM can be unlimited and full of promise.

All of us present will wish the new MBMS and NISM every success and prosperity.

oooooooooooooooooooo