

Singapore Government **PRESS RELEASE**

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SPEECH BY MR HON SUI SEN, MINISTER FOR FINANCE,
AT THE FOUNDATION STONE-LAYING CEREMONY OF THE SINGAPORE REFINING
COMPANY'S REFINERY EXPANSION ON PULAU MERLIMAU
ON FRIDAY, 2 NOVEMBER 1979 AT 3.15 PM

I am glad to be with you all here this afternoon to officiate at the foundation stone-laying ceremony of the Singapore Refining Company's Refinery Expansion works. This occasion is of some significance to me. Your Chairman in his opening address has rightly observed that my first direct association and involvement with an oil company was during the days when I was Chairman of the Singapore Petroleum Company. This island on which the Refinery now stands was then inhabited by mainly fishermen. Today I see it has become the home of a yet expanding Refinery complex.

Oil will continue to feature predominantly as our principal source of energy for a few more decades. If the increase in the consumption of petroleum is going to be matched by a corresponding increase in discoveries and proven oil reserves, oil exploration activities will need to be pursued vigorously in new potential fields as well as in areas once thought to contain reserves to be extracted at only very heavy cost. Fields considered uneconomical in the past will now be economically and profitably developed.

In the ASEAN region, there has been increased activity in the oil industry recently as a result of the present high world price of oil. Oil has been found in four of the five ASEAN countries and one of them continues to be a major producer and exporter of crude oil amongst the petroleum producing countries. The relative stability and cohesiveness of ASEAN provides a healthy investment climate and therefore the confidence to increase oil exploration and production in this region. Prospects are good that more oil and gas will be discovered in this part of the world. The Philippines recently announced promising oil discoveries in their offshore areas and plans are underway to commence commercial

production sometime this year. When fully developed, I understand that the indigenous crude oils will account for about 20 percent of the domestic requirements of the Philippines. The discovery of natural gas and condensate in commercial quantities in the Gulf of Thailand is another encouraging development. A submarine pipeline is proposed to be constructed to transport the gas to Bangkok where it will be used as fuel for the homes and industries. With such discoveries, ASEAN countries which at present produce around two million barrels of crude oil per day can be expected to expand their outputs given the necessary financial assistance.

Although Singapore does not have any known reserves of oil, she has become the third largest refining centre in the world. Given its political stability, rational economic policies and strategic location, Singapore with a total refining capacity of one million barrels per day is the largest refining centre in Asia, and ranks third in the world after Houston and Rotterdam. Although the first refinery here was only built in the early sixties, Singapore has been serving as an entrepot terminalling base for the import and re-export of petroleum products. It is interesting to note that Singapore has been a source of petroleum products in this region ever since that historic day in 1892 when a 5,000 tonne tanker sailed through the Suez Canal and discharged a quantity of kerosine into storage tanks on an offshore island.

Oil companies in Singapore refined a record 683,000 barrels of crude daily last year, up 15 percent over the 1977 refinery throughput figure. The refineries processed a total 249 million barrels of crude worth about Singapore \$7.5 billion. With the increased production, an additional 32 million barrels of crude was imported over the 1977 total of 213 million barrels. In value terms, the growth was slightly higher, at 16.4 percent for crude, as the oil companies spent Singapore \$960 million more for the additional supplies. Investment in the refineries amounting to over Singapore \$1.6 billion represents close to 40 percent of the total foreign investment in our manufacturing sector.

During the first half of 1979, the manufacturing sector performed more briskly. Industrial production expanded at a high annual rate of 17.3 percent compared with 9.4 percent in the same period last year. Petroleum refining, electrical and electronics

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were the leading industries. Due to the continued high output growth in the petroleum refining industry, this improvement can be expected to be sustained for the balance of the year. The manufacturing sector should also be able to achieve a growth comparable with that of 1978.

The Refinery Expansion of the Singapore Refining Company is important as it is significant to the Singapore Government. Singapore Refining Company's Refinery Expansion will involve a new investment of Singapore \$185 million bringing its total investment in Singapore to over Singapore \$400 million. This new investment will involve additional and new sophisticated refinery equipment, technology and processes. This is the kind of investment we would like to have more of in Singapore which results in higher capital investment per worker and higher value added.

When Singapore launched its industrialisation programme in 1961, our emphasis then was to promote labour intensive industries to solve our unemployment problems. As we come to the close of the Seventies with unemployment no longer a major problem, our new industrialisation programme will need to have as its objective the promotion of export-oriented capital intensive and higher technology based industries. The Singapore Government will spare no efforts in seeking out and in encouraging more of such capital intensive, skill intensive and higher value added industries to establish their operations in Singapore. The Ministry of Finance is also undertaking a comprehensive review of its depreciation policy on plant and equipment for tax purposes. The review will seek to convert the present method of granting annual allowance to straight line depreciation, and the schedule of depreciation rates for plant and equipment will be revised to reflect more realistically the economic life span of depreciable assets. The review will also consider extending accelerated depreciation allowances, at present given only to industrial enterprises, to all industries for their capital investment in appropriate types of assets.

I am also glad to note that the three partners of Singapore Refining Company have also entered into an agreement with the Port of Singapore Authority whereby the PSA will finance and construct a Multi-million dollar Single Buoy Mooring System (SBM) for docking very large crude carriers (VLCC's) discharging crude oil into the

refinery tankage on this island. It will cost up to US\$27 million or Singapore \$60 million to construct this SBM which is expected to be located approximately 2.4 kilometres southeast of Sultan Shoal Lighthouse. Here again, Singapore has the expertise and the services to offer in arranging the capital funds required. We have over the years built up a mature and sophisticated international banking and financial centre in Singapore. I am told that an additional six to seven million tonnes of crude oil will be handled through these pipelines and this additional tonnage must surely further enhance Singapore's reputation of being the third busiest port in the world after Rotterdam and Yokohama.

In concluding, I would like to congratulate Singapore Refining Company on this auspicious event and to wish the shareholders and employees of this very fine organisation every success in its future.

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