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SPEECH BY MR CHAN CHEE SENG, SENIOR PARLIAMENTARY SECRETARY,
MINISTRY OF TRADE AND INDUSTRY AT THE OPENING CEREMONY OF
CASTROL (FAR EAST) PRIVATE LIMITED AT 6 HILL VIEW ROAD,
PRINCESS ELIZABETH ESTATE ON 17 SEPTEMBER '81 AT 4.00 PM

It gives me great pleasure to be here to officiate at today's ceremony to mark the opening of Burmah-Castrol House and the implementation of the extension and improvement of the plant facilities of Castrol (Far East) Private Limited.

Castrol (Far East) Private Limited was one of the pioneer companies set up in Singapore in the early '60s. At that time, the plant had a production capacity of about 4,500 tonnes a year.

Over the last 18 years, its business has closely followed market developments in ASEAN and the Far East. It is a credit to the company that it has taken steps to revamp and upgrade its operations. Automated filling and packaging machines have been installed. As a result, the company is able to increase its production without any increase in workforce.

It is also commendable that the company exports over 50 per cent of its output. This bears testimony to Singapore's viability as a manufacturing centre. Castrol (Far East) has flourished in an environment where there is a free enterprise system and where businessmen are free to organise their operations in the most effective way. The company has therefore been able to produce at competitive costs.

Two years ago, Singapore embarked on our wage correction policy to give the impetus to economic restructuring. The economic restructuring exercise is to enable us to move from labour-intensive operations to more capital-intensive and higher valued activities. In the fast changing economic environment restructuring in order to maintain our competitiveness is needed not only in

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the more labour-intensive industries but also in the capital-intensive ones, including the oil industry.

The international oil industry has found Singapore an ideal export base for refining and other activities because of the strategic location between the oil producing countries of the Middle East and the consuming countries of the Far East, and the political stability and sophisticated infrastructure facilities. We are today the third largest refining centre in the world. However, following the turmoil in the oil market in the last few years, demand and supply patterns are changing rapidly. Conservation and substitution are reducing the use of oil as basic fuel. Meanwhile, the natural tendency of oil producing countries wanting to move downstream into the refining of their own crude proceeds relentlessly. The recent price changes may have given these countries, which have access to cheap associated gas for fuel, cost advantages in doing this, even in refining for exports.

The oil industry in Singapore recognises the changed environment and the implications on the utilisation of its refining capacity. It is therefore seeking new ways to maximise the usefulness of its assets in the changed circumstances. One is to enhance its role as a balancing centre. This will however depend on the ability to alter product mix quickly to meet rapidly changing demand pattern for oil products. The refineries in Singapore are thus upgrading their operations by investing in secondary processing facilities such as hydrocrackers, vis-breakers and catalytic crackers. These secondary equipment will enable them to process heavy products into more valuable distillates. The industry is also making vigorous efforts to find new and untapped markets for processing contracts.

In the particular segment of the oil industry where Castrol (Far East) operates, we can expect the competitive environment also to be changing. The changed competitive environment will throw up new opportunities. There will be scope for companies like Castrol to exploit the new comparative advantage that Singapore has as a result of our economic restructuring. Our refineries are now producing 8,200 barrels per day of base lubricating oil. The supply of this raw material will be enlarged when

expansion and new projects are operational next year. I understand that one company is implementing a multi-million dollar project to manufacture lube oil additives. Castrol has expanded its production. We therefore look forward to a more active involvement by Castrol (Far East) and its parent company in the industrial development of Singapore.

On this note, I take pleasure in declaring open the new premises of Castrol (Far East) Private Limited. I wish its management and workers every success.

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