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SPEECH BY DR RICHARD HU, MINISTER FOR FINANCE,
AT THE SINGAPORE MANUFACTURERS' ASSOCIATION'S
59TH ANNIVERSARY DINNER AT THE ISLAND BALLROOM,
SHANGRI-LA HOTEL ON TUESDAY, 17 NOVEMBER 1987 AT 8.00 PM

Let me begin by saying how pleased I am to be the Guest-of-Honour at tonight's dinner. The theme for my speech tonight is "The Role of Manufacturing in Singapore in the 21st Century". I shall touch on some Programmes that can be undertaken to achieve that role.

An Overview

Since the early 1960's, Singapore has placed much emphasis on the manufacturing sector as a leading growth sector. Manufacturing has enabled us to create many jobs and service many international markets through the goods we produce and the services we offer. As a result of our deliberate cultivation of overseas investors to come to Singapore to set up production facilities, we have learnt new technologies and become international in our outlook. Manufacturing has led our growth for much of the two and a half decades of our nation's existence.

From manufacturing has also come about related services - technical support and servicing, transportation and freight, trade and commerce, and banking as we built up the infrastructure for our industrialisation programme.

As a measure of how important the manufacturing sector is to us, let me just reflect briefly on the recovery in 1986. In 1985, our economy slumped to negative 1.6 per cent as a result of a combination of many factors including

that of external factors such as the worldwide slump in demand and slower growth in the developed countries of the OECD; and domestic factors like our loss of competitiveness, the construction slump and internal rigidities, particularly in the labour market .

In 1986, however, the manufacturing sector recovered from the effects of the recession and became competitive after we had cut down our operating costs. Industrial output expanded by eight per cent after a slump of seven per cent the year before. Order books began to fill up. Profitability improved and activity rates increased. Our growth in GDP of 1.8 per cent in 1986 was led primarily by manufacturing and transport and communications. Although the pick-up in the economy for the first three quarters of this year is more broad-based, we see that same pattern repeating itself as manufacturing and transportation and communications continue to lead the rest of the economy.

Manufacturing is therefore a core component of our economy - a fact that the Economic Committee has recognised and emphasised. Here, I am preaching to the converted, but manufacturing must remain a core component in our next phase of economic development as we strive to improve upon what we have to become a developed country by the next century.

Manufacturing in the Next Century

We aspire to be a developed country by the turn of the Twenty-First Century. What will our economy look like by then? Let me share with you what I think is the "Big Picture".

Singapore will have become a Global City - a city of grace, beauty, culture and yet a city of international business savvy. Singapore will offer to our customers around the world the full range of business activities that will lend credibility to our role as a Total Business Centre.

We will have a manufacturing sector that would have moved considerably, if not completely, from labour intensive operations - just like the manufacturing sectors of all other developed countries. Manufacturing will be highly technologically-oriented even in the so-called mature industries.

Robotisation and Automation

The most notable feature of the manufacturing sector will be the extensive application of automation and robotics in the production process. On the production floor, there will be Flexible Manufacturing Systems or FMS in short. To be internationally competitive, the manufacturing sector of the next decade and into the Twenty-First Century will revolve around a single crucial concept - that of Automation. It is with this in mind that the National Automation Committee has been set up to formulate an Industrial Automation Masterplan for Singapore.

Information Technology and Manufacturing

Information Technology, or the technologies of computers, telecommunications and office systems, will be a standard feature not only in offices but also in the factories of the future. The Government has already set the wheels in motion to prepare for an even more pervasive use of IT. We are improving our infrastructure. The Telecommunications Authority of Singapore, the National Computer Board and the Economic Development Board are working very closely together to ensure that industry and business needs are congruent with IT infrastructural development. Already we see the application of IT in Computer Integrated Manufacturing (CIM) which would interconnect the factory, the marketing office and the corporation so that sales orders flow smoothly into the production processes.

Change in Personnel Management Styles

With increasing robotisation, automation and IT application will come changes in personnel management. This change in personnel management styles cuts two ways. The first is in the increasing reliance on management staff who are knowledgeable in industrial engineering. The more technologically-oriented manufacturing becomes, the more there is a need for managers who understand more management and technology tenets, or who at least are comfortable managing those with these technological skills. I think we will see the growth of a new breed of managers with cross-disciplinary skills especially in industrial and automation engineering in the near future.

On the other end, a more technologically-oriented manufacturing sector will mean a more skilled workforce comfortable with automation, robots and IT. We have taken steps to upgrade the capabilities of our population by way of more training and upgrading courses today. But what is equally important to the training process will be the benefits and welfare schemes of the companies. The reward mechanism for workers has two main components - wages and welfare/benefits. Wages we have addressed through a flexible wage system - the more they contribute to their employers' profitability and growth prospects, the more they will be rewarded financially.

In the same vein, the better they are treated as employees by their employers, the more they will work for you. Companies like Hewlett Packard are well known for their employee welfare and concern for their well-being. Companies like these suffer little discomfort from labour turnover and labour response to their recruitment exercises. I am reminded of the National Productivity Board's latest productivity advertisements - recognition for a worker's effort gives him that little extra to try harder, to do better.

Personnel management for the future will therefore entail more than salary or recruitment management. It will involve a little knowledge of psychology, sociology and, above all, the ability to empathise, to put yourself in the worker's shoes.

Innovation

To become more than just an offshore manufacturing location, we will have to focus more attention and put more effort into product/process design, development and innovation. A major determinant of business success is to be first in the market, and then to remain the first to satisfy the customer's demands. Sony has demonstrated that by being first in the field with many innovative products. Even when their competitors come into the market with similar product offerings, Sony has already gone further ahead with even newer innovations.

Being innovative does not necessarily result in higher market share. We must learn to become excellent marketeers - the first in the market has a better chance than the others.

The Challenges

What I have talked about earlier is what the manufacturing sector is likely to be in the next century. However, things just do not happen because you wish it so. There is a lot of hard work to be done now in order to get there. A lot of hard work that has to be done by the Government, our manufacturers, and the associations representing them.

What the SMA can do

All our manufacturers, large and small alike, must amass their resources to bring about changes to the manufacturing sector so that we may remain competitive and

current for the future. You have to constantly keep abreast of the technologies that I mentioned briefly for therein lies your future success.

The Singapore Manufacturers' Association (SMA) has contributed in the past to the growth of Singapore's manufacturing sector by providing a framework through which its member companies were able to sound their concerns and wishes. The SMA has also organised forums for members to hear about new technologies and trends.

For the future, the SMA must continue to act as the forum for the manufacturers of Singapore to learn, to interact and to discuss with Government, strategies that will benefit its members collectively. Through the SMA, members already have an organisation that looks after its requirements - I urge the SMA to think of ways in which it can help its many members, especially the smaller ones, to become technologically-oriented, to automate, to robotise and to innovate. The following are some of the areas the SMA can help:

- . educating its members on new trends and technologies;
- . helping members to improve their productivity;
- . organising its members to market internationally;
- . assisting its members to innovate and then market these innovations; and
- . helping its members to train new personnel managers and managers in general.

What Government can do

On its part, the objective of Government is to provide as conducive an environment as possible for business to grow and prosper in Singapore. To do this, we must ensure that we remain competitive in the world market both in terms of price and the quality of products or services that we offer.

I have not come here tonight to announce any change in charges levied by our Statutory Boards. However, it may be useful to make clear some of the principles that guide Government in setting the rate of such charges.

Our Statutory Boards operate on the basis of maximum efficiency and lowest costs. They do not seek to maximise profits, especially if they happen to be monopolies, but they must not incur losses. Otherwise we will distort the allocation of resources and do more harm to the economy.

The experience of the last recession clearly shows that Singapore is a price taker on the world market. The Government therefore monitors the cost of doing business in Singapore very closely. Unit business costs in manufacturing have declined 22 per cent since the second quarter of 1985 when the first cost cutting measures were introduced.

In 1985/86, Statutory Board charges were reduced significantly as a special concession to help businesses regain their competitiveness. We have now substantially regained our competitive position and the economy has recovered and a review is being considered. However, the Government takes note of the fact that we must not price ourselves out of the market. But if we are successful in raising productivity and keeping our infrastructure services efficient, our overall business environment will remain competitive.

Apart from price competitiveness, our success depends on access to technology and the markets of the world. We need therefore to continue attracting foreign investments that have the prospect of bringing with them technology transfer and market access. This does not mean that there is no place for our local investors.

Our local investors can avail themselves of many of the services provided by EDB, TDB, NPB and SISIR. They are equally eligible for the various incentive schemes such as Pioneer Status and Investment Allowance. They should also take the opportunity to work with foreign investors to benefit from their access to technology and markets. For this purpose, the EDB has a Multinational Company-Local Industry Upgrading Programme to help local supporting industries.

There are also a variety of assistance schemes for those local investors who are ready to embark on their own innovations and products. Examples include EDB's Product Development Assistance Scheme, and SISIR's newly established R and D Incubator Centre.

I have earlier mentioned the National Automation Master Plan Committee and the work they will be doing to come up with an industrial automation blueprint for the manufacturing sector. We have a Manufacturing Committee that is continuing the work of the Economic Committee in considering issues of importance to the further development of the manufacturing sector and making recommendations on these.

The TDB is actively promoting international marketing by bringing our local manufacturers abroad to meet with international customers. Manufacturing for international customers entails conformance with stringent international standards and there our deliberate cultivation of foreign investors has contributed by ensuring that our quality meets international requirements. I would urge local investors to make use of the Product and Market Development Assistance Schemes for this purpose.

With these thoughts, let us set out together on the journey that will bring us to the status of a developed industrial country in the 1990's. I hope I have given you some food for thought by sparking off some ideas on how we can work together on this journey.

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