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**SPEECH BY MR THARMAN SHANMUGARATNAM, MINISTER FOR FINANCE,
AT THE MAXA 2010 CELEBRATION DINNER ON THURSDAY 26 AUGUST
2010, 8.20PM AT RAFFLES CITY CONVENTION CENTRE**

MAXA Partners,

Distinguished MAXA Judges,

MAXA Finalists,

Distinguished guests,

Ladies and Gentlemen,

INTRODUCTION

1. I am delighted to join you this evening to celebrate the achievements of a group of exceptional companies in Singapore, who exemplify manufacturing excellence.

2. I would first like to thank the distinguished panel of judges for their work in identifying the best manufacturing practices amongst this year's MAXA finalists. And to the MAXA finalists themselves, we are honoured by your efforts and tenacity in your journey towards manufacturing excellence.

MANUFACTURING: INTEGRAL TO OUR ECONOMIC DEVELOPMENT

3. Manufacturing has been an integral to Singapore's own journey from 'Third World to First'. It is a key driver of Singapore's GDP growth, and has created meaningful and well-paying jobs for generations of Singaporeans. Our manufacturing landscape has transformed with each decade, from being a processing site for raw materials from the region 50 years ago, to being a site for

labour-intensive production when global offshoring of manufacturing took off in electronics and a few other industries from the late 60s, to a sector that is today a key global node in science and engineering-based, complex manufacturing. Manufacturing has also allowed Singapore to develop a strong services sector and to move seamlessly into a phase of economic growth that is driven by innovation.

KEEPING MANUFACTURING COMPETITIVE EVEN AS WAGES RISE

4. A recent Deloitte study, the '2010 Global Manufacturing Competitiveness Index' (GMCI), reported that the global competitive landscape for manufacturing is undergoing a transformational shift. It highlighted that the playing field has changed such that competitiveness in manufacturing is no longer driven by corporations alone, but is now dependent on partnerships with governments that create compelling macro-economic environments for manufacturing.

5. This is in fact the approach that Singapore has always taken. The Economic Strategies Committee (ESC) report in February this year makes clear our commitment to manufacturing as key driver for Singapore and a source of economic resilience for the long term. The Government will be an energetic partner, focused on providing an environment that companies find conducive for growing high-skill, high-value manufacturing operations.

6. We believe Singapore is positioned for a new phase of growth in manufacturing, as a base for local and global players to meet the opportunities of a rising Asia. Manufacturing should therefore continue to contribute between 20%

to 25% of our economy, even as wages and incomes move up over time. It is not pre-ordained that manufacturing becomes unviable as an economy becomes more developed and wages rise. Our ability to keep manufacturing as a major economic driver is more akin to Germany, Sweden, Japan, Switzerland and Finland - each of which have manufacturing at about 20% of GDP or higher, and have cities that blend high-value manufacturing with services - than to the US, UK and France where the sector now contributes between 10-15% of GDP.

7. The key to achieving this is to sharpen our focus on upskilling and innovation, so as to grow manufacturing productivity. We have to enhance manufacturing excellence, by training and upgrading our people, by developing or adapting new technologies, and through operational excellence.

8. The Government is providing substantial support to help companies do so. We have this year significantly enhanced tax incentives for productivity and innovation and set up the S\$2 billion National Productivity Fund. We are also sharpening our focus on the commercialisation of innovative technologies that can optimise manufacturing and supply-chain management processes. We have also strengthened our incentives to support business consolidation within the SME sector, to allow companies to develop the scale required for significant investments.

9. We should keep leveraging on our diversity. Our diverse base of research scientists and engineers, both local and individuals from all corners of the world, is an asset that needs growing. We must be a place where companies can recruit people easily for operations driven by new technologies and create other jobs in

the economy in the process. We must also ride on the diversity of our corporate eco-system - the MNCs from the US, Japan and Europe, global medium-sized industry leaders including an increasing number from Asia, and the emerging base of globally-competitive Singapore companies. Our diversity provides for a vibrant environment, with an easy confluence of talents, ideas and best practices. It helps our manufacturing community to constantly benchmark itself against global standards and keep a healthy pace of innovation.

MAXA

10. As the nation's highest manufacturing award, MAXA recognises top-class manufacturers that have the benchstrengths of operational excellence, innovation and sustainability to compete globally.

11. Our past winners exemplify manufacturing excellence, and in distinctive ways. For example, Keppel FELS, the 2008 MAXA winner, successfully developed a unique manufacturing methodology for its rig building operations that allowed flexible schedule planning and space optimisation. Tetra Pak Jurong, 2007 MAXA winner, displayed its commitment to world class manufacturing by substantially increasing productivity and reducing material and energy wastage. It has in fact since become one of the most sophisticated and complex Tetra Pak plants worldwide.

12. This evening, we welcome on board the 2010 MAXA Winner — Yokogawa Electric Asia Pte Ltd. Yokogawa has been a strong partner of Singapore for 36 years. The team has leveraged on a highly skilled workforce, enabling it to

successfully integrate the best of production management methodology from Japan with automation knowledge from Europe and the U.S. to achieve the highest productivity amongst Yokogawa's facilities worldwide. Over the past three decades, the Singapore plant has increased its output five-fold from S\$200 million to S\$1 billion. I am also pleased to see that Yokogawa's Singapore site has been designated the new Global Training Center for its employees in Japan and overseas offices.

13. MAXA also launched the inaugural Manufacturing Excellence Community (MEC) forum last year which serves as a platform for MAXA winners to share best manufacturing practices, and to inspire the industry towards excellence through plant tours and panel discussions. I was told that this year's forum on Productivity was well received by some 200 senior representatives from more 100 companies ranging from MNCs to local enterprises. I'm sure Yokogawa's Global Training Center will be of interest to others during future MEC sessions.

CONCLUSION

14. I thank all participants of MAXA for your commitment to manufacturing excellence and to taking Singapore into the top league of manufacturing players. Let's stay on course and press ahead.