

21/03/2001

`SMET close-down due to unprofitability'

Hamisah Hamid

ARMS maker SME Technologies Sdn Bhd (SMET), which laid off 202 workers last month, has closed shop as it was not making money due to its limited market.

Prime Minister Datuk Seri Dr Mahathir Mohamad said in the arms business, the manufacturers export their products but SMET was not able to do so.

"We have to market the products overseas ... but we have not been able to sell our arms to other countries.

"And we are not in that business anyway," he told a news conference after opening "Integrity In Business - The Way Forward" seminar in Kuala Lumpur yesterday.

Dr Mahathir was asked to comment on the closure of SMET, which had been producing Steyr rifles and other defence and engineering equipment since 1991.

SMET is a subsidiary of SME Industries Sdn Bhd (SMEI), which is owned by the Government through Khazanah Nasional Bhd.

The company had to lay off 202 of its workers in January and February when it ceased operations due to the termination of the RM350 million contract for 106,000 Steyr guns by the Defence Ministry.

Asked about former SMET workers who questioned the management's move in winding up the company while it was making money, Dr Mahathir said,

"No, it was not making money. We buy the arms which we ourselves produce but until when can we continue buying?"

The Government ventured into arms manufacturing to acquire the experience and skills, he added.

The Prime Minister said the skills the workers acquired could be utilised by other manufacturing sectors as theirs were not specifically based on weaponry.

"We will try to absorb them into some other manufacturing activities ... their skills can be used in the engineering sector," he said.

He was confident that the Government will be able to find jobs for SMET's former workers even if it was not at the SMEI subsidiaries.

Two of the SMEI's subsidiaries - SME Aerospace and SME Ordnance - are in the business of producing aircraft components and ammunition, respectively.

The workers, led by its union president Mohamad Hassan Othman, believed there was a "hidden agenda" behind the management's move as they said the company was profitable and had good expansion prospects.

According to the union, the main reason for the closure of the factory was to enable SMEI to invest SMET's profits to develop SMEI's aerospace sector.

Meanwhile, Dr Mahathir also said the US economic slowdown would result in retrenchments by companies that exported their products to the country.

"We believe that the downturn in the US will have an impact on Malaysia because 18 per cent of our exports go to the US.

"Now that the US does not buy (much of) our electronics products, a few companies, especially the foreign ones, have to lay off workers or close shop," he said.

However, he said the laid off workers would be able to find other jobs as the country's full employment situation offered many job opportunities.

A country is seen as having full employment when the unemployment rate is below 4 per cent. Malaysia's unemployment rate is between 2.5 and 3 per

cent.

"We had full employment even during the economic crisis," he noted.

"We have nearly 2 million foreign workers and our responsibility is more to our local workers, and if we find that the local workers can't find jobs, we will have to deport foreign workers," he added.

US-based disk-drive maker Seagate Industries had recently announced the closure of one of its facilities in Prai; a move which will affect 4,000 workers.

(END)