

THE OFFICIAL LAUNCHING OF SGS-THOMSON SDN. BHD. EXTENSION PLANT AND 20TH ANNIVERSARY CELEBRATION

MUAR, JOHOR, 9 JUNE 1994

Terlebih dahulu saya mengucapkan terima kasih kepada pihak pengurusan dan kakitangan SGS-Thomson Sdn. Bhd. kerana menjemput saya ke majlis menyambut ulangtahun syarikat ini yang ke-20 dan seterusnya merasmikan kilang tambahannya pada hari ini. Saya juga mengucapkan tahniah kepada pihak pengurusan dan kakitangan SGS-Thomson kerana memenangi 'The Prime Minister's Quality Award' pada tahun lalu.

2. I have been made to understand that this company, established in 1974, began production of epoxy transistors with only 250 employees. Today, the company with a staff of some 3,000 produces a wide range of semiconductors including discrete and standard integrated circuits, memories, etc. It has also incorporated testing and clean room facilities. In addition, the company with a cumulative investment of RM625 million, has also introduced various automated processes. Besides this plant, Thomson group's manufacturing projects in Malaysia include Thomson Electronics Parts (Malaysia) Sdn. Bhd., Thomson Audio (Muar) Sdn. Bhd. and Thomson Audio (Kulim) Sdn. Bhd. Reinvestment by the Thomson group of companies in Malaysia attests to its high regard for Malaysia as a competitive and an important base for manufactured products.

3. In our efforts to further industrialise, the manufacturing sector will continue to be the principal engine of growth for the economy over the next 30 years or so. Currently, it is the fastest growing and the most important sector. Last year, the sector's contribution to GDP was 30.1 per cent and its contribution to export was 71 per cent. For 1994, the manufacturing sector's contribution to GDP is expected to be 31.4 per cent while its contribution to exports would reach 75 per cent.

4. During the period January to April 1994, a total of 240 projects with investments amounting to RM5.84 billion had been approved for the manufacturing sector. Of this total, RM2 billion is accounted for by foreign investment while total domestic investment amounted to RM3.84 billion. In the corresponding period last year, 231 projects were approved with foreign investment of RM1.11 billion and domestic investment of RM1.82 billion.

5. However, in the case of the electronics industry, foreign investments still predominate. In the first quarter of this year, foreign investment in the 46 approved electronics projects amounted to RM425.9 million while local investments were only RM15 million. While the Government continues to

welcome foreign investment, domestic investment in the electronics sector is also encouraged. Malaysian now have sufficient expertise to go into this sector.

6. Currently, the electronics industry is a leading contributor to Malaysia's manufacturing sector in terms of employment and exports. During the period between 1988 and 1993 the electronics industry registered an output growth of 29.6 per cent per annum. During the same period, this sector's contribution to export and employment grew at an annual average rate of 30.4 per cent and 24.4 per cent respectively. Exports of electronic products have increased from RM13.1 billion in 1988 to RM46.7 billion in 1993. Last year, electronics exports constituted 51.9 per cent of total manufactured exports valued at RM90 billion. Semiconductor devices accounted for RM17.8 billion or 38.1 per cent of the total electronics exports in 1993. In the same year, Malaysia contributed about 24 per cent of the total global sales of semiconductors.

7. While we are proud of the fact that Malaysia has emerged as the world's largest producer and exporter of semiconductor devices, we should also aim for similar success in other products. As one of the development thrusts of the electronics industry is to diversify into the production of a wider range of electronic products to create both forward and backward linkages, it is hoped that investors will develop the growth of the non-semiconductor components, consumer and industrial electronics sub-sectors.

8. While we encourage small and medium-sized corporations to venture into the electronics industry, the larger companies are encouraged to produce higher value-added electronic products. This could be implemented through greater investment in R & D activities and improvement in design capabilities.

9. In the past, low labour cost was our competitive advantage for the development of the electronics industry. Given the present supply constraints in our workforce, manufacturers should proceed to greater utilisation of automation. Towards this end, technological capabilities would have to be constantly upgraded. In addition, quality standards to meet stringent demands of the international markets must be adhered to.

10. I am happy to note that SGS-Thomson has been consistently supportive and worked in consonance with the overall objectives of the nation's vision. I understand that since the mid-80's the company has shifted from labour-intensive operations to cost-saving automation, improving and streamlining the processes involved.

11. Through its research and development team here, SGS-Thomson has created equipment to reduce cycle time of production. I am told that this innovation has been adopted by other SGS-Thomson plants the world over. The company has also been a model for SGS world-wide in more ways than one. The SGS-Thomson Corporation world-wide is emulating the organisation by adopting the Total Quality Management concept and practice which won SGS-Thomson the Prime Minister's Quality Award in 1993. Within the SGS-Thomson group world-wide, the Muar plant also has the largest back-end manufacturing facility, churning out the largest product volume with the highest monetary value.

12. SGS-Thomson can also take pride in having contributed significantly to the industrial growth of Muar and to the development of the supporting industries in the vicinity. The organisation has participated in several ventures with local companies which saw substantial savings for all parties while simultaneously contributing to the economic development of Muar. These included embarking on joint supplier improvement programmes and supporting the local industries and government bodies in Muar by buying locally-produced materials for the company's consumption. A total of RM50 million is spent a year to develop local vendors.

13. In terms of creating job opportunities for the people in Muar, it is gratifying to note that the company has provided employment for 3,000 workers, of which more than 95 per cent are locals. I am told that the only expatriate among the 3,000 is the General Manager himself.

14. Selain daripada memenangi 'The Prime Minister's Quality Award', Syarikat ini juga telah dianugerahkan 'The Best Landscaping Award' kerana komitmennya kepada alam sekitar yang bersih dan 'The Benevolent Employer Award'. Ini adalah satu kejayaan yang cemerlang dan tahniah diucapkan.

15. Dengan ini saya dengan sukacitanya merasmikan kilang tambahan SGS-Thomson Sdn. Bhd. dan majlis menyambut ulangtahun Syarikat yang ke-20.