

**SPEECH BY MR LEE YI SHYAN,
MINISTER OF STATE FOR TRADE AND INDUSTRY,
DURING THE COMMITTEE OF SUPPLY DEBATE UNDER HEAD V
(MINISTRY OF TRADE AND INDUSTRY) ON 4 MARCH 2011**

Mr Chairman,

DEALING WITH INFLATION

1. Let me first address the concerns on inflation, specifically Mr Muhammad Faishal's query on how inflation has affected the various income groups.

2. Singapore's headline inflation rate rose to 2.8% in 2010 from 0.6% in 2009. The lowest 20% income group experienced the lowest inflation rate of 2.4%, compared to 2.7% and 3.1% for the middle 60% and highest 20% income groups, respectively. Last year's inflation affected the higher income group more than the rest.

3. This year, the Monetary Authority of Singapore is expecting headline inflation to be between 3 to 4%. The four key drivers of inflation are:
 - a. Higher car prices
 - b. Rising accommodation costs
 - c. Higher wages and rentals and
 - d. Higher food prices and utilities

4. While some of these price increases, for example, the higher costs of food, utilities, and service-related items affect a broad segment of Singaporeans, the spike in car prices will only affect 3-4 in every 100 households which purchased new cars last year. Likewise for accommodation costs, 87% of households already live in housing that they own. The increase of imputed rental in the CPI will not affect their cash outlay at all.

Retail Price Watch Group

5. Mr Chairman, I will now speak in Mandarin.

零售价格监视小组

6. 连荣华先生询问，贸工部如何监控市场价格或任何垄断竞争的做法，政府是否有足够的资源和条例进行有效监控。

7. 主席先生，我们最近成立了零售价格监视小组，随时追踪日用品和食物的价格，防范垄断行为，推广省钱秘诀。小组的工作，有以下四个重点。

8. 第一，追踪价格波动。追踪价格的工作主要由统计局进行。目前，统计局定期跟进日常用品的销售情况，在全岛范围内追踪香米、鱼、肉、蛋、菜等价格，甚至包括小贩中心常卖的鸡饭和鱼圆面。这个月开始，统计局也将对小贩中心的食物价格进行监测，看看有哪些摊位已经开始涨价。我想，连荣华先生光顾的那家咖啡店，也可以加入调查的行列，小组也欢迎大家提供更多的“情报”，参与追踪的工作。

9. 其实，监视小组还想建议连议员到宏茂桥静山大牌527小贩中心的宝华饮料和阿弟饮料去享受五角钱咖啡。根据二月十五日的新报（NewPaper）的报道，静山还有一个叫老李咖啡，现泡咖啡也只卖六角钱。连议员说“一元为定”。我说：“一元未定”。因为我们的市场是：“**竞争激烈，各显神通，五六争辉，一元难尽**”。

10. 第二，确保市场高效运作。市场要有效发挥其功能，我认为，关键是获得大型零售业者的支持。大型的零售连锁商店，遍布全岛，如果他们不涨价，对稳定零售价格会起着积极作用。目前，职总平价超市已经作出承诺，接下来6个月，它所销售的500种自家品牌食品价格不变。除了平价超市、昇菘超市和牛奶公司属下的巨人霸级市场（Giant）、冷藏公司（Cold Storage）和首得惠（Shop

NSave) 等，也作出类似的承诺。我们希望更多的零售业者也能效仿，提供廉价的选择。

11. 第三，严厉取缔垄断和非法牟取暴利行为。新成立的小组也抱括了新加坡竞争局和消费者协会的代表，他们的责任是监督和打击那些企图以反竞争性或不公平手法牟取暴利，或货不对办的不诚实的商家。一旦监视小组发现哪些商店或摊位经营方法不当，竞争局或消协将采取行动，介入调查。

12. 第四，教育消费者，了解市场运作。几乎所有的日常用品和食品，都有相对廉价的取替品或品牌。小组将通过多种途径，加强与消费者的互动与沟通。我们的教育工作，主要是让消费者知道他们有多种选择，还有各种省钱的秘诀。小组从今天开始，启动了新的热线（6461 1880）和网站（www.pricewatch.gov.sg）。这会方便消费者的反馈和建议。希望公众踊跃地分享价廉物美的情报，当然也可以举报不合理涨价的商家，让小组了解涨价的原因和源头。

SMES NEED TO TRANSFORM THEMSELVES AND INCREASE PRODUCTIVITY

13. Sir, I would like to move on to address the concerns of SMEs facing rising costs.

14. As pointed out by some members, some SMEs may also face rising costs, especially wages and rentals. Many of the measures that Minister for Finance announced in his Budget Speech to help companies, such as the one-off SME Cash Grant of 5% of a company's revenue capped at \$5,000, corporate income tax rebate of up to \$10,000 and Productivity & Innovation Credit (PIC) will help SMEs cope with rising costs.

15. But even as they address the challenges of rising costs, SMEs should not lose sight of the more important task of raising productivity, by embracing innovation, automation and workers' training. To address short-term cost pressures, we need to re-invent our businesses for long-term competitiveness.

Q&M Example

16. Consider, for instance, **Q&M Dental Clinic** which has a chain of 40 clinics and two dental centres across the island.

17. Q&M faced the problem of increasing materials costs eating into their profits. It was difficult to reduce costs from their manual, "pen and paper" procurement system. The system was not only prone to human error, but also resulted in wastage and many unhappy staff who had to spend time doing tedious paperwork. These problems are not uncommon among SMEs.

18. Q&M decided to tap on SPRING Singapore's **Technology Innovation Programme** to develop a computerised procurement system with a database of nearly 4,000 products. This new system allowed each clinic to easily place orders, track its monthly expenditure against its budget, and reduce wastage through timely reminders on the expiry dates of their materials. It saved them many hours of manual submissions and queries. It led to higher staff morale and teamwork. With its new system in place, Q&M sees scope to eventually lower materials costs to around 5% of its revenue, from the current 8%.

19. By freeing up their staff from administrative chores, Q&M can now commit more time to human resource training as the next phase of their productivity efforts. Q&M has recently embarked on the Customer Centric Initiative and are sending their staff for customer service training to improve their customer service. What you see here is one good step leads to another, along the journey of improving productivity.

Jumbo Seafood

20. Let me give you another example of productivity improvement in one of our well known seafood restaurants: **Jumbo Seafood**. There was a time when they used to receive frequent customers' feedback on inconsistency of taste across their outlets, specifically chilli crabs. Their customers would prefer certain outlets, and shun others.

21. The reason was simple: that every day, each individual outlet's kitchen had to marinate and prepare their own sauces and food items. This was done before work, and in-between the afternoon and night shifts. The difference in taste and quality across the outlets was affecting customers' satisfaction, their brand recognition and market positioning.

22. Jumbo Seafood then decided to set up a Central Kitchen to prepare their sauces and fast-selling items. This allowed them to maintain consistency and freshness in the food quality across their outlets, and to cut down the repetitive work carried out in every outlet. Without having to prepare food each day before work and after the afternoon shift, overall working hours were shortened, and outlet staff had more time to rest and get ready for the intense night shifts. This led to higher worker productivity.

23. The Central Kitchen also reduced the need for large kitchen areas at each outlet, thus creating more space for tables to increase revenue (which means land productivity versus worker productivity). After setting up the Central Kitchen, Jumbo Seafood experienced a surge in sales, with more repeat customers and an improved market position.

24. In fact, F&B chains equipped with central kitchen are in a very good position to offer additional value propositions: off-site catering service and take-away sales. These new services will actually raise the sales per worker and make better use of the equipment and machinery (which means Asset

Productivity). This is one way to expand sales beyond the limitation of physical shop-fronts.

Summary of Government Assistance

25. To help more companies do what Q&M and Jumbo Seafood has done, the government will be injecting substantial resources over the next five years, including the \$850m **Enterprise Development Fund** announced by the Minister for Finance. This will be managed by both IE Singapore and SPRING Singapore. The fund will support broad-based efforts to help all SMEs, upgrade our industry clusters, help our high growth companies build up further capabilities, and spur entrepreneurship. It will also help our companies expand overseas.

26. The additional \$1 billion injection into **the National Productivity Fund** will give us more resources to support our industries and companies move towards higher productivity.

Effectiveness of EDCs and Simplification of access to grant schemes

27. The government will continue to ensure SMEs are aware of the various schemes. Ms Ho Geok Choo asked if our Enterprise Development Centres are effective in reaching out to SMEs to improve productivity, and whether our assistance schemes could be simplified.

28. The **Enterprise Development Centres** (EDCs), five of them now, play a key role both in reaching out to all SMEs, regardless of their membership with trade associations and chambers, or TACs, to improve productivity, and helping SMEs understand and navigate the grant application process.

29. The EDCs proactively engage the SMEs to educate them on relevant government schemes, and provide advice in areas such as finance, operations and management. Some EDCs have helped SMEs diagnose their productivity performance and develop appropriate plans to move ahead.

30. I am pleased to note that in 2010 alone, the 5 EDCs had provided assistance & business advisory services to about 10,000 SMEs, out of which some 900 SMEs also embarked on the **Productivity Management Programme** under the **SME Productivity Roadmap**.

31. In our grant application process, the government continues to simplify our schemes while having enough customisations to best meet the wide diversity of SMEs' needs.

32. Broad-based schemes are designed to be as simple as possible for SMEs to use. For example, consider the iSPRINT (Increased SME Productivity with Infocomm Adoption & Transformation) scheme, SMEs looking for packaged solutions pre-qualified by IDA to support basic business functions such as accounting and payroll do not need to submit any business proposal or grant application form. They can proceed with the purchase of the solution, implement it and make the claim through IDA all in about eight weeks. Since its launch, more than 750 SMEs have benefitted from the iSPRINT scheme, generating a projected \$400million in value-added over the next three years.

33. For deeper capability development involving larger sum of money, more customisation is needed to better understand the SME's needs so as to provide the right kind of assistance. For example, SMEs looking to build capabilities, such as branding, have to go through a diagnostic process to identify the key areas which need to be addressed and the most appropriate scheme for them.

34. Behind the scenes, we have further integrated the collaboration among agencies such as SPRING and IE to better serve their common clients more efficiently.

35. Although the government will do what it can to make the schemes easier to understand and access, I must also emphasise that SMEs themselves must be pro-active in wanting to improve before the right assistance can be provided.

Internationalisation

36. Over the years, IE Singapore has rolled out a number of programmes to take SMEs overseas. They include market studies, meeting potential partners and connecting up with Singapore firms in overseas markets. IE also runs programmes that help companies build specific strengths in branding, franchising, intellectual property protection and access to financing. For first timers, IE also runs the SME Market Access Programme. So far, 87 SMEs have gained from this programme.

37. One of them is **Bee Cheng Hiang**, a very well-known Singapore-based barbecued meat retailer with more than 130 overseas outlets, recently made its first foray into Seoul. To prepare for this, the company applied for Intellectual Property rights for its brand in Korea and tapped on the programme to reduce the associated costs.

38. As the opportunities in Asia grow, MTI and our economic agencies will step up efforts to open doors. We will also facilitate projects for SMEs through many bilateral G-to-G platforms and business councils we have established with various countries. SMEs should also tap on our wide network of 18 FTAs, including those with key Asian markets such as China and India, to enhance their market access. We will keep improving our outreach to SMEs on how to take advantage of the FTAs.

Role of Trade Associations and Chambers

39. Mr Teo Siong Seng has asked about the role of trade associations and chambers (or TACs), in helping SMEs make use of the productivity-related schemes and to expand overseas. Indeed, TACs are our important and

natural partners. As representatives of the various industries, the TACs understand the needs and aspirations of their members, and the challenges facing different sectors in improving productivity or expanding overseas. They also have many SMEs in their membership. TACs are thus well placed to advise SMEs on using the various government assistance schemes for productivity and internationalisation.

40. We have a long history of working with TACs. We continue to explore new ways in helping TACs. For instance, we are now exploring if TACs could pool the needs and interests of their members when applying to use programmes under **National Productivity Fund**. This may be one way to ease the administration burden on smaller companies.

41. The TACs have been playing an active role in leading business missions and trade fairs. Last year, the various chambers led a total of over 150 trade fairs and over 50 missions, benefiting some 3,300 companies in overseas markets.

Singapore as Orchid Exporting Hub

42. Before I conclude, let me address Mr Chiam See Tong's question on orchids.

43. MTI works closely with agencies like Agrifood and Veterinary Authority of Singapore (AVA) and IE Singapore to facilitate the growth of Singapore's orchid export sector. Our efforts have seen our global market share of orchid exports grow from 7.3% in 2007 to 11% in 2009. Today, Singapore is the world's third largest exporter of fresh orchids.

44. We promote orchid exports by negotiating free trade agreements that remove or reduce tariffs and non-tariff barriers imposed by our major markets. For instance, in Australia, one of our major export markets, we managed to

secure exemption from mandatory fumigation for Singapore orchid exporters. We will continue with such efforts.

CONCLUSION

45. Let me conclude. Our SMEs are the backbone of our economy, making up about 99% of enterprises in Singapore. Six out of every 10 workers in Singapore are hired by SMEs. Investing in our SMEs is investing in our future.

Additional Information:

Retail Price Watch Group (English Version)

46. Mr Liang Eng Hwa asked how MTI would monitor retail prices. This is where the Retail Price Watch Group, or RPWG, which I am chairing, will come in to help in a few ways.

47. First, the RPWG will keep a close watch on the retail prices of daily necessities using the price data obtained from the Department of Statistics (DOS). The prices of representative food items, such as Thai 100% fragrant rice, eggs, mackerel and cabbage, and hawker food items such as chicken rice and fishball noodles will also be singled out for tracking from outlets across the island.

48. Starting this month, DOS will also conduct the Hawker Food Price Survey to track the proportion of stalls with price increases.

49. Second, the RPWG will work with retailers to ensure that our market remains competitive by encouraging retailers to provide cheaper alternatives.

50. Third, the RPWG will increase consumers' awareness of cheaper alternatives and how to stretch their dollar. A website (www.pricewatch.gov.sg) and hotline (6461 1880) will be set up on Friday as part of this effort.

51. Fourth, the RWPG will keep a close watch on profiteering and anti-competitive practices. The Competition Commission of Singapore and the Consumer Association of Singapore, both in the RPWG, are empowered to act against errant businesses who try to profiteer through anti-competitive or unfair practices.

52. All these efforts will ensure the market's competitiveness and check against excessive price increases.

53. We have a good mix of the right people onboard the RPWG. The Mayors and chairmen of Citizens' Consultative Committees understand the community's concerns and can keep it informed about cheaper choices available in the local community.

54. I am also heartened by the ready response of our largest supermarket chains, namely, NTUC FairPrice, the Dairy Farm Group and Sheng Siong. NTUC FairPrice has committed to keep the prices of their 500 house-brands fixed for the next 6 months. Likewise, Giant, Cold Storage, Shop N Save and Sheng Siong have given similar undertakings. I hope to see more retailers and food outlets follow suit.

55. With a competitive market providing a wide range of alternatives, informed consumers will be able to exercise their choices and stretch their shopping dollars. Businesses that increase prices indiscriminately will risk losing their customers.