

**SPEECH BY MR THARMAN SHANMUGARATNAM,
DEPUTY PRIME MINISTER & COORDINATING MINISTER
FOR ECONOMIC AND SOCIAL POLICIES,
AT THE OPENING OF SELECT GROUP'S CORPORATE HEADQUARTERS AND
LAUNCH OF THE FOOD SERVICES INDUSTRY TRANSFORMATION MAP
ON THURSDAY, 8 SEPTEMBER 2016, 10.20AM**

Mr Vincent Tan, Managing Director, Select Group

Ms Sim Ann, Senior Minister of State, Ministry of Culture, Community and Youth &
Ministry of Trade and Industry

Distinguished guests,

Ladies and gentlemen,

1. It is a pleasure to join you at the opening of Select Group's new corporate headquarters, and to use this opportunity to announce how we intend to go forward in the transformation of the Food Services industry in Singapore.
2. Select Group is in fact a prime example of the kind of enterprise-level business leadership and transformation that we aim to see across the industry. Select has made major investments in new technologies, process redesign and skills training.
3. It shows how companies in the industry can think ahead, and secure a good future for their business and employees.

Food Services: Need for a major makeover

4. We all know how important the Food Services industry is. Like in every city, it fills a vital domestic need, offering a wide range of eating options at different price points for our people.
5. Its diversity and quality also brings a distinctive flavour to Singapore's appeal as a tourist destination. You can't imagine Singapore without its food.

6. But a third dimension of the industry is also expanding. A growing number of our home-grown F&B companies are establishing their brands abroad. That too is important to our future.
7. The industry is hence also a significant employer. It employs 160,000 workers, or about 4.5% of our total workforce. If we include our hawker centres, the industry employs over 205,000 workers, or over 5% of total employment in Singapore.
8. But that is also the industry's biggest challenge. We are running out of manpower in the industry. Our strategies for the future have to address this squarely.
9. We must develop a food services industry that is highly efficient, with no loss in quality of food offerings, and with high quality jobs. It has to be a major makeover.

Going forward with our Industry Transformation Maps (ITMs)

10. To achieve this makeover, we are launching today the Food Services Industry Transformation Map (ITM).

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11. It will involve intensive collaboration. SPRING Singapore will take the lead within Government. We will partner our TACs including the Restaurant Association of Singapore (RAS) in particular, enterprises themselves and our unions such as the Food, Drinks & Allied Workers Union.
12. We are in fact transforming our whole economy. The Food Services ITM is one of 23 ITMs being developed under the \$4.5 billion Industry Transformation Programme announced in this year's Budget.

13. The ITMs lay out the growth and transformation strategies for the 23 key industries over the next five years. As communicated earlier, the whole idea is to bring together and build upon all our initiatives and players, to transform each industry. We are **bringing together our initiatives for productivity, innovation, SkillsFuture and enterprise internationalisation** for each industry, to ensure maximum effectiveness and impact¹.
14. We have done well so far in the externally-oriented sector of the economy – it has seen high productivity growth in the last 5 years. But progress has been slow in the domestic market-oriented sector, which includes Food Services.
15. No one of course thought this would be a quick journey. Indeed, everywhere in the world, the domestic-market oriented sectors tend to be slower to change. In our own case, we have also been sensitive to the fact that a significant part of the workforce in domestic services like F&B comprises older, lower-skilled workers. Most did not have the benefit of much education, but they are hardworking citizens, from the generation that grew up in the fifties and sixties. From a social perspective, it has not been a bad thing that they have been retained in the workforce, not displaced. However, many of our older workers will retire in the next 5-10 years.
16. We have to do all we can to accelerate change in the domestic-oriented sector. If can, borrow some lessons from the external-oriented sector, in its management methods. We must also actively promote disruptive business models in the domestic sector.

¹ There are hence four key areas that ITM strategies will integrate:

- a. Helping companies become more productive and optimise the use of manpower;
- b. Equipping our workers with the skills to capitalise on new technology and support the shift to greater value creation;
- c. Leveraging R&D and promoting technology innovation and adoption; and
- d. Helping companies to find new markets for their products and expand their operations overseas.

17. The Government will actively support industry transformation. But Government cannot engineer the transformation of the industry. Entrepreneurs, managers, craftsmen like the chefs in food services, and consumers themselves, will create a new industry over time.
18. It will also happen as some players move faster than others, and the less efficient and innovative players lose market share and drop out along the journey. There is no avoiding this restructuring of the market. As the labour market tightens, we can expect this restructuring to accelerate.
19. This will be a long journey, and we are organising ourselves to maximise the learning and innovation that will drive this journey of economic transformation. Let me explain briefly how we will do this.
20. The Council for Skills, Innovation and Productivity (CSIP) will take overall responsibility for the implementation of the 23 ITMs. To do so, the CSIP is setting up 6 subcommittees². Each of the subcommittees will oversee a group of ITMs within the same broad cluster of industries.
21. A few government agencies, TACs, and unions will be involved in each ITM. For clarity and accountability within the Government, we will have one government agency assume overall responsibility for each ITM, and will coordinate among agencies and with our tripartite partners. Similarly, at the cluster level, one government agency will take the lead.
22. The Food Services ITM is a good example. Together with the Retail, Food Manufacturing and Hotel ITMs, it falls under the Lifestyle cluster. Senior Minister of State Sim Ann and Managing Director of Select Group Mr. Vincent Tan will co-chair a team of experienced industry practitioners and unionists to oversee the implementation of the ITMs for the Lifestyle cluster.

² The 6 cluster subcommittees are Manufacturing, Built Environment, Transport & Logistics, Essential Domestic Services, Modern Services, and Lifestyle. They will be supported by 2 horizontals - promoting ICT adoption and Skills Development across the economy.

23. SPRING, which is the lead agency for the Food Services ITM, is also the lead for the Lifestyle Cluster. In this role, SPRING will coordinate across agencies – it is a long list, including IES, HDB, EDB, STB, JTC, WDA, IDA, URA, NEA, AVA, and A*STAR! The long list illustrates the many Government functions and capabilities that can help advance industry transformation – approving use of space, promoting ICT use, marketing the industry to tourists, and so on. Every agency must be involved in supporting industry transformation.

24. But it is also why we need both tight coordination in Government and clear accountability. Hence, at the end of the day, SPRING will take the lead and be responsible for the Lifestyle cluster's progress.

25. SPRING will also work closely with the Lifestyle cluster TACs and unions. (Besides the RAS, the TACs include the Singapore Retail Association, Singapore Hotel Association, Singapore Food Manufacturing Association, the Federation of Merchants' Association and various coffee shop associations. The unions include the Food, Drinks & Allied Workers Union, Singapore Manual & Mercantile Workers' Union, and Singapore Industrial and Services Employees' Union.)

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Food Services Industry Transformation Map

26. Let me now highlight the key features of the Food Services ITM. Its aim is to push ahead with more manpower-lean formats in the industry and upgrade jobs and job satisfaction, while maintaining the quality and range of our dining options. There are four main thrusts of the Food Services ITM:

- a. Developing innovative formats like Ready-to-Eat meals;
- b. Promoting mass adoption of technologies even within established business formats;
- c. Raising employees' skills and versatility, and making the industry more attractive through job redesign and clear progression pathways; and
- d. Expanding the footprint of Singapore F&B in overseas markets.

Adopting innovative food formats

27. SPRING estimates that by 2025 three out of eight dining experiences in Singapore will involve new formats such as grab-and-go and vending machines, as opposed to traditional dine-in options. It will be more efficient, and will also meet changing consumer demands.

28. Ready-to-eat (RTE) meals, for instance, are a viable alternative for consumers looking for convenience. The new generation of RTE meals is much more than just "microwavable food". Utilising "cook-chill technologies" as well as innovations in packaging material, the taste, quality and nutritional content of foods can be retained well in RTE meals.

29. Last month, we launched VendCafé in Anchorvale. The response has been encouraging, with an average of 400 meals served per day in the first month. Residents have given feedback that they welcome the additional amenities. However, some have expressed concerns about the noise patrons generate, sometimes late at night.

30. The problems are not large, but we have to work together to ease them. Consumers have to play their part by being considerate, and disposing their trash in the bins that are readily available in the void decks. I am sure we will see improvement in both the customer and community's experience as we roll out more VendCafés across the island.
31. Our coffee shops are also coming on board this transformative journey. SPRING and HDB have reviewed the tender requirements for new coffee shops. The requirements will now include productivity proposals, in addition to a good variety of affordable food. I urge operators to make use of this opportunity to rethink how existing coffee shop models can be redesigned. For a start, the new system will be piloted at two sites, in Tampines and Choa Chu Kang. The tender will open from mid-September onwards.

Uplifting productivity: Mass adoption of technologies even within existing business formats

32. Food services is part of the domestically-oriented sector of the Singapore economy that has seen little productivity growth in the last 5 years. The industry has no choice but to change. We have to make progress in productivity, individually in each enterprise and across the industry.
33. The manpower situation is already changing. The manpower growth we saw in Food Services in recent years³ – which was much faster than for the economy as a whole – is a thing of the past. Older Singaporean workers are retiring. Younger Singaporeans' aspirations are changing, and you can't find many young people who will do low-skill jobs and stay with the firm for long. Neither can we continue to grow foreign manpower.
34. We have to work on the basis that there will be no further manpower growth in the industry. The heavy reliance on low-skilled workers also cannot continue.

³ From 2010 to 2014, the Food Services workforce grew by 6% pa on average.

35. New entrepreneurs have to come into the business knowing how tough it is to find workers. The industry sees a high churn of enterprises. On average, 28% of food establishments are replaced yearly⁴.
36. Some churn in the industry is not a bad thing – it adds vibrancy, and reflects Singaporeans wanting to do their own thing as entrepreneurs. But every new enterprise has to be aware of the realities of the labour market before they get started. Innovation has to be the name of the game, from the time a business is created.
37. It does not mean businesses cannot grow. But it does mean that the more innovative players and those with the most appealing food offerings will grow and hire people at the expense of the rest of the industry. That's the reality of the tight labour market, with no manpower growth overall in the industry in the coming years.
38. To stay competitive, companies will need to embrace change in both the front and back of the business - every way of reducing the manpower required.
39. One of the ways forward is to embrace digital service, including electronic payments. In Sweden, cash transactions represent less than two percent of the value of all payments made. From retailers to street level vegetable and fruits traders, Swedish businesses have embraced the use of electronic payments via credit cards or mobile apps. This enables companies to increase productivity through payments integrated with business processes. We will be promoting this very actively.
40. We must transform the food services industry so that it achieves. SPRING together with its partners plans to have at least 50% of the industry having adopting technology-enabled operations by 2020. They estimate that it will make possible productivity growth in Food Services of 2.0% per year on

⁴ National Environment Agency, Licensing Record, from 2010 to 2015.

average from now till 2020. To help achieve this, SPRING will offer time-limited grant support for the accelerated adoption of various productivity initiatives.

Upskilling workers and redesigning jobs and careers

41. We must also redesign jobs to be more fulfilling, providing better career progression pathways, and raise wages as new technologies are adopted and skills are deepened.
42. Jobs will become bigger and more complex. For example, digital ordering will allow front-of-house staff to focus on customer engagement. This will mean that the role of an outlet manager could evolve and expand from managing guest services to engineering menus as well as managing productivity improvement within the outlet.
43. Every employer should encourage their workers to take advantage of the SkillsFuture initiatives & master-classes that are available to acquire relevant and emerging skills, and hence to progress in their careers. Companies can tap on the SkillsFuture Mentors Programme to help supervisors and managers to train employees.
44. We will also work with trade associations like Restaurant Association of Singapore to facilitate internships placements in both big and small companies.

Expanding the footprint of the Singapore F&B industry in overseas markets

45. As our domestic market offers limited opportunities to expand organically, food companies will need to grow beyond our shores. There is real opportunity for this. Singapore has a strong reputation as a global food player with stringent food safety standards. The “made in Singapore” brand is associated internationally as a stamp of both safety and quality.

46. And as our companies venture overseas and acquire greater scale, they generate higher value-added jobs in Singapore, even as the industry sees no overall manpower growth. Food Services offer exciting careers for Singaporeans, in Singapore and abroad.
47. There are already many ways to expand overseas. Food formats such as the RTE meals I mentioned provide an asset-lite way for companies to generate new income streams from abroad. RTE meals can be sold in supermarkets, existing eateries, or even via e-commerce platforms, enabling food businesses to expand their reach without opening physical outlets.
48. The government is committed to support companies both small and big as they expand overseas. Take Awfully Chocolate as an example. The company started with a single outlet and now has 14 retail kiosks and cafes in Singapore. As the business grew, they set up a central kitchen and expanded their product range and distribution channels. Today, you can find Awfully Chocolate's products in supermarkets in Hong Kong. Through a mix of franchise and licensing models, they have expanded into the key Chinese cities. IE partnered Awfully Chocolate by helping them open distribution channels and by introducing suitable partners with manufacturing and packaging capabilities.

Strong partnerships are key to the industry's transformation

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49. Central to transforming the industry is strong partnerships. It can only happen on a mass scale through partnerships between the government, industry and unions. The Select Group story illustrates that these partnerships can drive industry transformation.
50. We must also deepen the interactions between companies, research institutes and trade associations. I understand that the central kitchen in this new facility will significantly increase the Select Group's production capacity for RTE meals. The Restaurant Association of Singapore is helping more companies to tap on the opportunities in the RTE meals market – organising workshops and study

trips for them to understand the technologies and business redesign required for RTE meals. And research institutes such as the Food Resource Innovation Centre are also assisting companies in areas such as product development, shelf life evaluation and packaging.

Conclusion

51. Critically, the transformations we must achieve are not external to the enterprise, but internal. It is also about internal transformation that our leading businesses already display – to keep thinking ahead, redesigning processes, developing skills in every job, offering good careers. It is at the end of the day about individuals and relationships – among employees and with employers.
52. Select Group's story exemplifies the type of ethos we seek to promote in the Food Services ITM. I hope your success will be an inspiration to others. Once again, congratulations to Select Group and all your people over the years!

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