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cc: (bcc: NHB NASReg/NHB/SINGOV)

Subject: [Embargoed] Speech by Mr Lim Boon Heng, 6 Jul 99, 9.30am.

Singapore Government

PRESS RELEASE

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Speech by Mr Lim Boon Heng, Minister Without Portfolio and NTUC Secretary-General
at the official opening of the International Co-operative Alliance's Regional
Consultation, at the Grand Plaza Parkroyal,

on Tuesday, 6 July 1999 at 9.30 am.

Mr Yang Deshou, Vice President, ICA

Mr Bruce Thordason, Director-General, ICA

Mr Robby Tulus, ICA Regional Director

Mr Tan Kin Li an, Chairman, Singapore National Co-operative Federation,

Fellow co-operators,

The first Regional Consultation Forum was held here in 1989, followed by subsequent gatherings in the Philippines, Malaysia and Myanmar. Singapore is pleased to welcome you back.

The co-operative movement is more than 150 years old. From its humble beginnings in the town of Rochdale, Lancashire, England, it has developed into a world-wide movement of close to 900 million members in more than 90 countries.

Singapore's first co-operative was started in 1925. Today, the Singapore National Co-operative Federation (SNCF) has 66 affiliates, with more than 1.3 million members.

The labour movement in Singapore is proud to have contributed towards the growth of the co-operative movement. Since 1969, we have remained focused in our aim to set up co-operatives to help workers stretch their hard-earned dollars. This has complemented the unions' traditional role in securing better wages for workers.

Now, the Singapore National Trades Union Congress, or NTUC, has 10 co-operatives. The combined turnover is close to \$2 billion a year. One in three in the workforce is a member of at least one of these cooperatives. Our consumer co-operative, NTUC FairPrice, is the largest supermarket retailer in Singapore. Our insurance co-operative, NTUC INCOME, ranks as the third largest insurance business in Singapore, in terms of asset holding. NTUC Childcare is the largest provider of child-care services.

The success of our co-operatives did not happen by chance. We learnt a lot from the experience of co-operative movements in other countries. In particular, we borrowed many useful ideas from the Swedish Co-operative Union, KF.

The government in Singapore has also supported the growth of cooperatives in Singapore. It recognises that not-for-profit co-operatives have an important role to play in moderating prices and meeting the needs of the population.

We were fortunate to have leaders that laid down sound principles to guide the development of cooperatives. We decided, at the onset, that our co-operatives must be professionally managed, and that they must be able to compete with private sector businesses on an equal footing. We have long adopted what might be called an economic model of co-operative management. Our co-operatives can only be effective in achieving their social mission if they are well run and generate adequate profits to build new capabilities and expand the business.

From its beginning, NTUC FairPrice has played a key role in stabilising the prices of basic commodities. This is not always apparent in the public mind. But when there are crises, people know. Over the years, NTUC FairPrice had calmed public anxiety when there were rumours of shortages of rice and other essential items. It

I bh19990706a

also played a key role in easing public worries about inflation arising from the introduction of the Goods and Services Tax.

Last November, after our unions agreed to wage cuts to get Singapore out of the recession, our co-operatives came up with a price cutting and relief package to ease the burden on consumers, especially the lower-income groups. By the end of this year, consumers can expect to save up to \$26 million. More importantly, our action led to other service providers reducing prices as well, to the benefit of even more consumers.

On the international front, our co-operatives contributed \$136,000 towards the food aid to the people of Indonesia, as part of the effort of the Red Cross International.

As we move forward into the new millennium, we will be confronted with two key sets of challenges.

On the business front, our co-operatives will have to deal with the threats and opportunities arising from globalisation and information technology. Competition is good. But the challenges are daunting, and the stakes high. Our co-operatives will have to develop world class capabilities in order to survive in the highly competitive environment. NTUC FairPrice will have to contend with global players many times its size. Likewise, NTUC INCOME must compete for customers in the virtual world of the internet, often against global insurance companies.

On the social front, we must continue to preserve our social identity. Co-operatives are set up to help improve lives, and to achieve certain social goals. This gives us our right to exist, and our place in society. We must never forget that. And we must always ask ourselves: how do we know we have really made a difference?

Through the years, as our co-operatives become more successful, we have sometimes been misunderstood.

Some think that "NTUC co-operatives are very rich". The truth is that we return almost all our surpluses to consumers and members. Our retained earnings are actually very low. Last year, the net surplus of NTUC FairPrice, after statutory contributions, was \$28.1 million. It returned \$21.5 million as patronage rebates to members, and another \$6.1 million of dividends to shareholders. What is left, as retained earnings, is reinvested in building new capabilities and enlarging the business.

Some think that "NTUC co-operatives try to corner the market". The fact is that in some businesses, we identify the needs and help to expand the market. For example, in the 1970s, NTUC INCOME was set up because there was a need to provide insurance coverage for our workers. And in the 1980s, NTUC Childcare was started to help the growing number of working mothers while NTUC Healthcare's Unity pharmacies

I bh19990706a

were established at a time when there was concern over rising prices of healthcare products. In the 1990s, NTUC Foodfare came on the scene, following complaints about rising prices of cooked food. In the new millennium, we aim to meet the needs of the aging population through NTUC ElderCare.

Consumers benefit from greater competition. Service providers have to deliver better value and better quality. We owe it to our members to keep cost of living affordable. Hence, we are in a number of key businesses that affect cost of living such as supermarket, healthcare and cooked food. We do not aim to make everyone our customer. We are happy that our pricing helps keep our competitors on their toes. In this way, we have indirectly contributed to making a difference to the lives of those who buy from our competitors.

NTUC co-operatives, starting from this year, have instituted a set of indicators, (an annual report card, so to speak), to measure their achievement in the social front. It's just like reporting profit and loss statements to shareholders each year. The aim is to demonstrate our commitment, and to constantly remind ourselves of our social objectives.

I wish to share with you this morning, our efforts in defining these social indicators.

The concept of social reporting is neither new, nor unique to co-operatives. A world famous company that has done so is Shell. It has stated publicly its commitment to strike a balance between its business objectives, the environment, and the community. It has defined its performance, based on a set of nine principles, spelling out clear targets and performance at the economic, environmental, and social fronts.

The NTUC co-operatives have now put in place a set of social indicators. These indicators aim to give meaning and substance to the social role of each of our co-operatives. The indicators measure our role in benchmark pricing, our reach and impact on society, and the privileges and benefits for our members and to the community at large.

For example, NTUC FairPrice is committed to providing the best price to consumers on average. It keeps track of a basket of 111 regular household items, and ensures that it is the lowest priced for 90 percent of the items in the list. It is also committed to the lowest price for the basket as a whole. FairPrice has an estimated share of 50% of the supermarket retail business. It exercises its influence to benchmark prices in the industry. It handed out \$21.5 million in patronage rebates to members last year. About 9,000 people benefited from FairPrice's community service programmes last year. This included bursaries worth \$600,000, and the distribution of used textbooks.

NTUC INCOME returned 98% of the surpluses in its life fund to its policyholders in 1998 and retained the other 2% in reserves. It ranks 3rd in the life insurance market, in terms of number of policies issued. It has a market share of 18%. Last year, INCOME contributed a total of \$1.1m to various community services projects.

I am pleased to officially release the social indicators of NTUC co-operatives. A copy of these indicators has also been circulated to the media. Over the next week, more details will be provided by the individual co-operatives. We will also be placing a series of media advertisements to communicate these indicators to our members, stakeholders, and to society at large, and to seek their inputs.

I note that the focus of this forum is on co-operative legislation and policies in the Asia-Pacific region. This Regional Consultation has been preceded by three sub-regional workshops held earlier this year. A number of issues relating to co-operative policies and laws, which need the attention of policy makers, were identified and these will be discussed thoroughly over the next few days. One further issue that should occupy the minds of co-operators is how to compete with global businesses. Today co-operatives are confined within national boundaries, and cannot develop the same economies of scale as for profit businesses. It is not an easy subject, but we must begin to study it.

The recommendations of your deliberations will be presented at the 5th Asia-Pacific Co-operative Ministers' Conference to be held in Beijing from October 11th to 16th.

It is now my pleasure to declare the ICA Regional Consultation open and may I wish all of a fruitful meeting and a pleasant stay in Singapore!

Thank you.

Benchmark pricing indicators of NTUC Co-operatives

National Archives of Singapore

NTUC FairPrice

Mission

To stabilise the cost of living in Singapore through retailing and trading operations.

Indicator

Price of a basket of 111 essential grocery products, compared with other supermarket retailers:

- In 1998, it was lowest in 93% of the items in its basket.
- Lowest price for the basket

NTUC INCOME

Mission

To provide insurance services to meet the needs of the people at the lowest possible cost and of the best possible quality and benefits based on co-operative principles.

Indicator

Share of life fund surpluses distributed to policy holders, as compared to other insurance companies:

- 98% of surpluses returned to policyholders, compared with an average of 95% for the industry.

NTUC Healthcare

Mission

To promote and provide quality healthcare services at affordable rates.

Indicator

Price of a basket of 33 common items, compared with other retail pharmacy chains:

- Lowest price for 90% of the items.
- Lowest price for the basket.

NTUC Foodfare

Mission

To stabilise cooked food prices in Singapore

Indicator

Based on price comparisons with food centres in similar locations:

- Lowest price for coffee, tea, soft drinks.

NTUC Choice Homes

Mission

To help more Singaporeans meet their aspirations to own private property by delivering quality housing at fair and affordable rates.

Indicator

Its Executive Condominium projects were priced at the middle range compared with projects launched during the same period.

NTUC Childcare

Mission

To provide affordable and quality childcare to working parents.

Indicator

To be the median in the market, in terms of fees:

- It has 21 centres which charges \$250 a month, which is at the 33rd percentile of 422 centres surveyed.
- It has 6 renovated centres which charges \$320, which is at the 66th percentile of 422 centres surveyed.

NTUC Eldercare

Mission

To provide affordable quality facilities and services for the elderly.

As Eldercare is newly established, it will set up social indicators only in a few years' time.

NTUC Thrift

Mission

To promote savings and thrift among its members and provide affordable financing to its members.

Indicator

Comparison of interest rates for the various financial institutions for various

I bh19990706a

products:

- Its interest rates for Savings/FD are among the highest in the market.
- Its interest rates for loans are among the lowest in the market.

NTUC Denticare

Mission

To provide quality dental services to working people at affordable rates.

Indicator

Sets its charges based on the minimum fees recommended by the Singapore Dental Association (SDA)

NTUC Media

Mission

To promote a better understanding of labour and current issues and enhance the image of the labour movement as a whole.

Indicator

Listenership rating for broadcasting arm and circulation volume for publication arm:

- 10% increase in listenership rating for its radio programmes.
- Circulation of 270,000 for Lifestyle Magazine.

National Archives of Singapore