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**SPEECH BY MR LIM BOON HENG, MINISTER WITHOUT PORTFOLIO,
AT THE FIRST CO-OPERATIVE LEADERS' CONFERENCE
(CO-OPERATIVE STRATEGIC REVIEW) AT YORK HOTEL
ON SUNDAY, 27 FEBRUARY 1994 AT 10.00 AM**

The co-operative movement has existed in Singapore for nearly 70 years. During this period of time, Singapore has made tremendous progress. Each age has its own problems, so it is necessary from time to time to examine how the principles of co-operation and mutual self-help can be used to solve these problems. From time to time also, it is necessary to take a hard look to see if the co-operatives are still fulfilling the objectives they were set up to do, or whether they are still needed in the light of changed circumstances.

The earlier co-operatives were thrift and loan societies. In today's better-regulated environment, it is not so easy to understand how important thrift and loan societies had been in the past - when bank loans were not so readily available, and loan sharks held sway.

Today thrift and loan societies have to compete with more savvy financial experts in investing of funds, and well-qualified managers of banks and other financial institutions. Quite clearly there is a mis-match. The only advantage of thrift and loan societies today is their very basic management, and hence low cost of operation. Individually it will be difficult for them to upgrade, but collectively - applying the principles of cooperation - they will be able to do so. Will that be the direction these societies will go? I am not pressuring our thrift and loan societies to do so, merely asking you to take a long hard look, understand what you are doing in the context of today's financial services, asking yourselves whether you know where you are heading, and whether you have the resources to do so.

Let me turn now to the co-operatives with which I am more familiar. These were the co-operatives set up by the labour movement as a result of the 1969 modernisation seminar.

The milestone seminar decided that the role of trade unions went beyond collective bargaining, and defined an additional social role. Therefore the labour movement set up a co-operative to operate supermarkets to combat profiteering, a taxi co-operative to help exploited taxi drivers break the monopoly of individual taxi owners, an insurance co-operative to ensure that insurance cover is provided for the workers who really need it more than those with higher income, and a child-care services co-operative to help working mothers.

Each of these three co-operatives followed the principle of cooperation.

COMFORT

Without an organisation taxi drivers would not have been able to arrange financing to buy cars and so break out of the grip of businessmen who owned taxis. COMFORT enabled them to do so, and COMFORT acted successfully as financier, and provided plans for taxi drivers to renew cars, and save for retirement.

Today there are other competing taxi companies. The taxi service is no longer dominated by a few businessmen. Instead, as far as COMFORT is concerned, the taxi drivers themselves own a substantial share of the organisation. COMFORT today has been transformed into a company. As it continues to grow, the taxi drivers, as shareholders, will benefit.

FAIRPRICE

To combat profiteering, that was what the supermarket co-operative WELCOME was set up to do.

In the early days, when there was indeed profiteering,

and when members of the co-operative were willing to volunteer their free time to help run the stores, it was easy enough for WELCOME to offer the cheapest prices.

Today, however, there is heightened competition. FairPrice, the successor to WELCOME and SILO supermarkets, has to contend with many other retail chains. Some of these chains also use another form of co-operation - franchising - to achieve economies of scale.

Profiteering in supermarkets is not as easy to do today.

To offer the lowest prices, a supermarket operator today has to be the most efficient. If two or more operators are at the same level of efficiency, there would not be much difference in their prices. What is likely to happen is that the operators will price some items lower, as loss leaders, in order to attract customers. I believe that is what is happening today.

NTUC FairPrice therefore has a tough job to meet the expectations of the public. Its very presence means that other supermarket chains retailers will find it very difficult to profiteer. Because NTUC FairPrice is not driven by the profit motive, it sets the benchmark in prices of household goods. This is why overall the prices of household goods has remained fairly stable. But many consumers expect NTUC FairPrice to be the cheapest for all items. To these consumers the benchmark price must be the lowest - it is not sufficient to know that the price is set fairly without any profiteering.

To be the cheapest for all items is certainly a worthy target, and NTUC FairPrice should aim for it. Whether it can do so is another matter. NTUC FairPrice will have to find ways of lowering the costs of operations. As it must pay competitive wages to attract and retain workers, it must raise productivity through store management systems and store lay-outs, and through the storage and distribution system. This I know the management

of NTUC FairPrice is doing, and it hopes to derive savings which it can pass on to consumers.

Increasingly FairPrice will find that being the largest single purchaser in Singapore is insufficient to get the lowest prices from suppliers. A smaller operator in Singapore with a chain of stores regionally may have bigger volumes and therefore greater clout in negotiations with suppliers.

If FairPrice is to be an effective price-setter in Singapore, it must therefore regionalise.

In the light of current public interest in prices of goods and services, the fundamental factors which determine prices must be well understood by those who wish to lead public opinion responsibly. The figures produced by the Department of Statistics in the consumer price index show that there is no serious problem in the prices of household goods. There would be variations from retailer to retailer, which test consumers. The more discriminating consumers will be able to get the best deal by keeping tabs with prices everywhere. The challenge for retailers is to offer the best buy given a basket of goods. Keen competition will narrow the price differences. The role of a co-operative supermarket chain is therefore to provide that competition.

INCOME

INCOME is a cooperative which has done well, to become one of the leading insurers in Singapore. It is still finding new areas to perform a social role. The current area of focus is medical insurance, and a managed healthcare system.

In areas where the insurance market has matured, INCOME, like FairPrice, will need to consider reaching a wider base in order to provide the best service to its clients.

NTUC CHILDCARE

For a long time childcare services was provided by the NTUC as a department of NTUC. The scale of operations, however, required that the department be corporatised so that it can be managed efficiently.

The need for childcare services rises with the raising of female participation in the workforce, and the emergence of the nuclear family.

For a long time NTUC provided the majority of places. Today it remains as the largest single provider, catering largely to the working class. As the largest single provider NTUC Childcare acts as a benchmark for both cost as well as quality.

With couples having few children, there is a tendency for private companies to appeal to the parents' willingness to spare nothing to give their children the best. There is therefore a case for a co-operative to act as a benchmark in pricing and quality, not only for the working class, but also for the middle income. This is a direction NTUC Childcare would need to explore.

Future Role of Co-operatives

I have used the four co-operatives operated by the labour movement as examples to show how each has changed with the times, or how each ought to change if they are to stay true to their objectives.

The next question I would like to address is: Is there a role for co-operatives in other areas? Are most social issues well taken care of, so that there is now no need for the co-operative movement to tackle them?

Every age has its share of problems. Therefore there are, and will be, ample opportunities for development of the co-

operative movement. Let me outline two areas which the co-operative movement should study.

AGEING POPULATION

Without doubt, the biggest issue developing before us is the ageing population. Today the structure of our society has changed, and ill-equipped to take care of the needs of our senior citizens.

Already the signs are there:

When elderly parents fall ill, children want them to stay longer in hospital because they are not able to take care of them at home.

The demand for hospice care is rising.

The numbers of elderly living alone, while small, is rising.

It is worrying to find that there are elderly dying alone, to be discovered some time later.

As I have publicly mentioned recently, care for the elderly was the responsibility of the children, supported by an extended family. Today, this is less and less the case. Easy home-ownership has dispersed families.

There will be demand for retirement villages - I must stress **retirement villages**, not old age homes. This is not only for the higher income, but for the bulk of the working class, and located where the children and grandchildren live, in HDB estates.

Should this be done by the private sector, or by the Government?

No doubt, upmarket retirement villages can be left to the private sector. What about retirement villages for the working class?

Should we not encourage the community to do it, rather than look to Government for a solution? Should it be run by a co-operative? There is no reason why such retirement villages cannot be run by a co-operative. If the land is provided at the right prices with appropriate leases, such villages can be provided to a multi-racial mix. Those eligible must have their children living in the same neighbourhood.

TRADESMEN

Today one of the most annoying problem most households face is getting day to day problems fixed by qualified tradesmen. These include sanitary pipe problems and minor electrical repairs. In a labour-short economy, the consumer is severely disadvantaged.

On the other hand, the tradesmen have no opportunity to upgrade themselves and to build up the resources to provide quality service.

It is a problem nobody wants to tackle, and it is left to market forces. It is an imperfect market that delivers poor service at high prices because of low productivity.

Cannot this problem be tackled by a co-operative that is owned also by the tradesmen themselves? Can they not be organised the same way as we did the taxi drivers?

SMALL RETAILERS

There is another area for which the co-operative model would be a good solution. This is the large numbers of small retailers who are individually fighting a more and more difficult battle against big operators.

If they can group themselves, as in a co-operative, they can compete more effectively. This solution has been adopted in other countries. However, it is not easy to organise our small retailers into a grouping. There are also reservations as to whether this means would lead to tax leakages.

In the meantime, another form of cooperation - the franchise concept - has been promoted, and has been shown to be an effective solution.

This underscores the point: that the small man can earn a living, if he cooperates with people of similar circumstances, to compete with the bigger operators.

I trust these are sufficient examples for you to consider, in your deliberations today.

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