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**SPEECH BY BG (RES) LEE HSIEN LOONG,
DEPUTY PRIME MINISTER AND
MINISTER FOR TRADE AND INDUSTRY,
AT THE 70TH ANNIVERSARY CELEBRATIONS OF
THE FOOCHEW COFFEE RESTAURANT AND BAR MERCHANTS' ASSOCIATION
AT NEPTUNE THEATRE RESTAURANT
ON SUNDAY, 10 NOVEMBER 1991 AT 7.30 PM**

Introduction

It is my pleasure to join you tonight to celebrate the 70th Anniversary of the Foochow Coffee Restaurant and Bar Merchants' Association.

Over the last 30 years, progress and change in Singapore have been rapid. Standards of living for the vast majority of Singaporeans have improved dramatically. Virtually all Singaporeans now own their own homes, possess hi-fi and television sets, and have their own telephones. Not too long ago, most of these were luxury items.

This transformation has meant that traditional businesses like coffee shops have had to upgrade their businesses. They have had to adapt to the new tastes and shopping habits of the population. In general, the coffee shops have done so reasonably successfully. But because of the swiftness of the change, some traditional businesses, especially the retail and provision shops, have found it difficult to adjust.

The Government will help traditional businesses to restructure themselves and cope with the new environment. But it cannot turn back the clock, to restore conditions as they

were 20 or 30 years ago. One crucial factor in our success has been the Government's adoption of free-market economic policies. This has encouraged the free flow of trade and investments, exposed both local and foreign enterprises to competition on an equal footing, and given workers and businesses the incentive to upgrade and get ahead. These policies will therefore continue.

Traditional Coffee Shops

Coffee shops and restaurants were traditionally family-run affairs, with the children helping out after school. Family members of the owners were willing to work long hours for low wages. Shop rentals were low, as most establishments were either owned by the operator or occupied rent-controlled premises. Competition was also less intense. At the low end there were the odd itinerant hawkers, and at the high end expensive restaurants which were beyond the reach of most Singaporeans.

New Circumstances

Circumstances today are different. Competition no longer comes only from the Foochow community. New food and beverage establishments are sprouting up. Hawker stalls at neighbourhood food centres have proliferated. Fast food chains like Kentucky Fried Chicken and McDonald's are increasingly popular with younger Singaporeans. More up-market but still affordable food centres are sprouting up in the tourist and shopping precincts of Orchard Road.

As Singaporeans have become more affluent, they are spending more on eating out. Families with both parents working go out for meals more often. On the one hand, this gives an opportunity to coffee shops to attract their business. On the other, it puts coffee shops in competition with restaurants and even hotels. Singaporeans are willing to pay more for the quality of service, food and ambience at

these places. The popularity of "High Teas" and dinners at hotels and restaurants testifies to this trend.

Meanwhile, coffee shops have to cope with rising rentals and wages. Rents have gone up not because the Government or the HDB artificially raised them, but because competing operators were willing to bid higher, in the belief that they could still make a profit. Similarly, wages have gone up not because the Government forced them up, but because other employers were willing to pay to get the workers they need. Singaporeans have become less inclined to work in traditional coffee shops, preferring instead the comfort of air-conditioned coffeehouses, offices or factories.

New Opportunities for Traditional Coffee Shops

These changes in our society and economy mean new opportunities for coffee shop operators. Many have sought to improve their business by making themselves attractive to their customers. They sell mineral water instead of Green Spot. They have replaced the old plain concrete floors with more elegant ceramic tile floors. They have spruced up their toilet facilities, and quietly removed the traditional spittoons from under the tables. Some coffee shops have even air-conditioned their premises, for the comfort of their patrons. Successful coffee shop operators take care to have a good mix of stalls offering good quality food within their shops. These changes help coffee shops to move up-market, keep their traditional role as places for Singaporeans to meet and chit-chat, and meet the changing demands of their clientele. They point the way forward for small traditional businesses.

Traditional Coffee Shops Have Generally Succeeded

Because of these pragmatic adjustments, coffee shops have remained viable despite strong competition from fast food chains and hawker stalls at HDB food centres. In recent

tenders for coffee shops at new housing estates such as Hougang and Bukit Panjang, bids of up to \$100 per square metre per month were received. For a medium-sized coffee shop of about 200 square metres, this means a monthly rental of over \$20,000 per month. Such high bids worry other coffee shop operators, but they reflect the confidence which these operators have in their business. According to HDB, very few tenderers for coffee shops have relinquished their shophouse tenancy, so the bids were realistic and the business in these locations was good.

Recently, many HDB shophouses have had their rents raised by up to 30 per cent. This may have caused some difficulty for some shops, but HDB cannot keep rents unchanged indefinitely. HDB has to move with the market, just as coffee shop owners have to charge their sub tenants market rentals for stalls. I doubt if many of these sub tenants enjoy rents fixed for three years at a time.

Thirty per cent appears steep, but rents are going up only after remaining unchanged for three years. Spread over three years, 30 per cent translates into less than 10 per cent increase per year. Even after the rental revision, many shop tenants will still be paying less than market rates. If the shops are re-tendered instead, they will probably fetch much higher rents, possibly up to two or three times more.

To solve this problem of periodic rental increases, the Government is planning to sell HDB shops to existing tenants. The HDB is still studying how to do this - which shops can be sold, and at what prices. HDB will give full consideration to views and feedback from tenants in working out the scheme. The tenants would of course like the sale prices to be as low as possible. But obviously HDB cannot give away the shops for free. The price of the shops will be determined as fairly as possible.

Conclusion

Progress for Singapore means new opportunities for traditional businesses. But to take advantage of these opportunities, the businesses have to adapt and be responsive to the changing needs of the consumers. So far, coffee shops have done well compared to other small businesses. This is to the credit of associations like yours, which have managed to keep coffee shops viable in modern Singapore.

Nevertheless, we should not be complacent. The tastes and spending habits of consumers evolve day-by-day. All businesses, big or small, have to be sensitive to the needs of customers, and tailor their services to suit them. If customers want faster, more courteous service or better quality food, then you have to provide it to them. Otherwise, they will patronise other shops which are better able to provide such services. It would be a pity if one day Singapore were to have only fast food outlets and no coffee shops. I am sure you will never allow that to happen.

Over the last 70 years, the members of the Foochow Coffee Restaurant and Bar Merchants' Association have faced and overcome many challenges together. I am sure that the Association will help members to cope with the current issues, and that the members will continue to meet boldly and successfully the many challenges ahead.

I congratulate the Foochow Coffee Restaurant and Bar Merchants' Association on the occasion of its 70th Anniversary, and wish you all the best as we enter the Next Lap together.

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