

## **Speech by Thomas Chua for the Committee of Supply on the Ministry of Trade and Industry**

### **Supporting traditional industries to create value through trade associations and industry associations**

1. Chairman, the key point of my speech is to support traditional industries in creating value through trade associations and industry associations.
2. Singapore's business environment is continually changing. The emergence of new opportunities and new concepts have created conflicts with traditional industries; in particular, manpower shortage and rising business costs have been a bugbear for SMEs. In the past few years, the government has been rolling out support packages to help enterprises mitigate the pressure of economic restructuring. Local enterprises have also tried their utmost to think of ways to increase their productivity. Just as DPM Tharman has said, compared with other countries, our Singapore government is comparatively more generous in providing assistance schemes to enterprises. Then, how do we make full use of these generous assistance schemes and ensure their effectiveness?
3. Assistance schemes can only help to give financial support, but apart from capital, restructuring requires a change in mindset and broad

directions. While these efforts are very painstaking for an individual company to manage, leveraging on the strength and collective effort of trade associations would be much more productive.

4. In this regard, the Singapore Food Manufacturers' Association (SFMA) has done very well. The association has led its members to improve the capability of their industry, and has brought Singapore food products to the global marketplace through branding. For example, the Singapore Food Expo organised annually by the SFMA is one of the largest and most well-attended fairs in Singapore. It has also brought their members to expand in China under the Tasty Singapore brand. Last year it even organised the "Great Singapore Food Gifts Award 2014", an innovative and interesting way to attract the participation of even more businessmen and customers. In other words, SFMA has thus been supported by many government agencies, and is one of the beneficiaries of the LEAD programme.

5. This successful case assures us that trade associations can play a very important role in creating a deeper understanding of its respective industries, and in improving the overall industry image and competitiveness. We need to have more trade associations like the SFMA to propel the traditional industries. The government has already rolled out a package of assistance schemes for trade associations, which in fact largely benefit those which are larger and stronger.

Going forward, I recommend that the government renders its support to more industry and trade associations with the drive to upgrade themselves.

6. In general, the leaders of trade associations are businessmen who have the industry knowledge, and the government could seek their opinion when they are formulating their policies. In the past few years, the SCCCI has organised regular monthly dialogues with trade association leaders to understand the business sentiment. The majority of the trade associations raise 3 concerns with regard to their operations: one is the lack of working capital. Trade associations are non-profit organisations with limited working capital. Their expenditure is used to service their members and not to earn profits. I take this opportunity to bring up a pressing concern of trade associations. Currently, trade associations can only apply for the tax rebate under the PIC, but are unable to apply for the PIC cash grant. As the majority of the trade associations do not make profits, they do not need to pay tax, and the tax rebate is therefore meaningless to them. We hope therefore that the government could also allow trade associations to benefit from the PIC cash grant.
  
7. Currently the government assistance packages for trade associations are always formulated on the principle of “shared responsibility”. While receiving government support, the trade association must also bear 30% or 50% of the expenses. This is a stumbling block for some trade associations in taking up the grants or assistance schemes. These are the trade associations most in need of financial assistance.
  
8. The second point is that trade associations are badly in need of bringing in new blood. Many trade associations are actively working

at recruiting young members into their ranks. However, successful businessmen may not necessarily be ideal trade association leaders. Young people need time to mature, and need to be trained up by taking part in trade association activities.

9. The third point is the dire lack of permanent office premises and Secretariat personnel. Trade association leaders are entrepreneurs, not permanent working staff. The organisation of activities and planning of programmes requires the assistance of professional Secretariat staff. Currently, some trade associations do not have permanent premises due to the rental issue, and face the difficulty of recruiting experienced Secretariat staff.
10. This year's Budget has enhanced CIP, and extended and strengthened PACT. These two schemes were rolled out in 2013 and 2010 respectively. I wish to understand how many businesses have benefited from these schemes thus far. At the same time, I would also like to find out if the 30% ratio to be borne by trade associations could be further reduced. Reducing this ratio could allow more trade associations to take up the programme, but the KPI can still be maintained to ensure the programme's successful outcome.
11. I wholeheartedly agree with DPM's standpoint, as we need to guarantee the vibrancy of local SMEs after the next 5-10 years. Having said this, we should press on to enhance the capability of

stronger and more effective trade associations, and let them lead the traditional industries and SMEs in creating new value.