

Speech by Mr Png Cheong Boon, Chief Executive SPRING Singapore, at SPRING Singapore's Enterprise Development Year-In-Review 2012 Media Briefing at 11.30am on Tuesday, 19 February 2013, Solaris Pinnacle 1 & 2

Good morning,

Mr Philip Yeo,
Chairman, SPRING Singapore

Ladies and gentlemen,

Thank you very much for joining us at this media briefing.

On behalf of all my colleagues at SPRING Singapore, I wish you all a prosperous and productive Chinese New Year! Make more money at work, make more children at home!

At Demo Asia held at Biopolis in March last year, a group was gathered around a booth and watched in silence as the demonstrator laid a piece of blue pad, about this thick, on top of his mobile phone on the floor. He picked up a 5.5kg bowling ball and did the unthinkable. He let go of the bowling ball on top of the phone!

Everyone's face cringed as they anticipated the loud smash of the mobile phone on the floor. Instead, the bowling ball landed with a dull thud and rolled away. The demonstrator picked up the phone and showed that it was undamaged and in perfect working condition. The audience was amazed. So was I.

This is a true, cutting-edge material technology that is able to absorb shock and spread it out to reduce the impact. The material is pliable but it will harden upon impact. This unique property makes it an excellent material as a shock absorber.

There is the obvious application in bullet-proof jackets, anti-riot shields, helmets and joint guards to protect our athletes. But imagine using this material to make or cover common household furniture objects like tables and shelves. It can prevent a lot of accidents from head injuries and fractures, especially in children and the elderly. The possibilities for application are endless with this amazing innovation. The technology is recognized by the industry and has already won many awards including the Silver award in The Wall Street Journal's Asian Innovation Awards 2012.

What is more fantastic is that this innovation did not come from the US, Europe or Japan. It is invented in our own backyard by Dr Davy Cheong and Dr Elgin Yap of Sofshell Pte Ltd, a Singapore start-up company that SPRING has funded under the Technology Enterprise Commercialisation programme last year.

<SPRING's Achievements>

Nurturing innovative start-ups is one of the five key areas SPRING has set out to do last year to accelerate SMEs' growth. The other four areas are to upgrade

productivity and capability, develop human capital, collaborate with trade partners to drive industry growth, and simplify our assistance schemes.

Of immediate interest to us was of course the impact of the tighter labour market and increased business costs on SMEs' operations and growth, and how our programmes and initiatives can be of practical and timely assistance to the SMEs.

Well, I am happy to report that together with our partners in trade associations and chambers, we have been able to work closely with over 5,600 SMEs to overcome the uncertain economic conditions last year and helped them become more competitive through these five key areas.

Close to 19,000 new jobs were created, over 5,300 projects supported and \$110 million given out as capability development grants. Through these projects, SPRING has generated a total value-added of \$9.9 billion to the economy last year, more than doubled the \$4.4 billion in 2011.

Most of these projects have gone into supporting small and micro enterprises, which make up 70% of the SMEs. Small enterprises are companies with revenues less than \$10m and micro enterprises, less than \$1m.

Our business advisors at SPRING and the six Enterprise Development Centers at ASME, SCCC, SICCI, SMCCI, SMF and Northeast CDC have also assisted the SMEs in over 117,000 cases of management, trade and technical enquiries.

With the low interest rates, we are seeing fewer SMEs taking up government loans under the Local Enterprise Finance Scheme, the Micro Loan Programme and the Local Insurance Scheme. Some 4,500 loans at \$1.3 billion were administered by SPRING's 14 financial institution partners last year as compared with 5,100 loans at \$1.4 billion in 2011. We see this as a positive sign of improved funding liquidity in the commercial financing sector and will be monitoring the situation closely to ensure SMEs continue to have easy access to capital to meet their operational and growth needs.

Let me elaborate on each of the five key areas.

<Productivity and Capability Upgrading>

In the area of productivity and capability upgrading, we saw more SMEs embarking on various broad-based initiatives to improve workplace productivity. Schemes, such as EDC business advisory and Innovation & Capability Vouchers, remained popular with SMEs across a wide spread of industries from lifestyle, manufacturing and engineering, to services, biomedical and construction.

We have targeted four sectors in Retail, Food Services, Food Manufacturing and Furniture since 2011 to ramp up productivity and capability of the SMEs within each of these sectors over the next five years. More than 600 companies have benefited from SPRING's programmes by investing in automation, supply chain management systems, integrated point-of-sales systems, workflow re-design and development of new business concept development to improve business efficiency. In some cases,

such as automation in food manufacturing, the expected productivity gain can be as high as 70%.

Take the case of Home's Favourite, a small enterprise producing handmade pastries and cookies since 1997, with annual sales of \$2.3 million. Home's Favourite hires 8 full-time staff and 30 temporary staff to cope with regular production. During the holidays, they have to hire more.

Mr Jason Lee, the Managing Director of Home's Favourite, realised that more can be done to improve productivity of the manual production process. In 2012, he approached SPRING for a grant to invest in a cookie-making machine that can reduce the manual process and improve product consistency at the same time. When the machine is tested and fully installed later this year, the same cookie making tasks which required 20 pairs of hands previously can now be done by just one person operating the machine and ensuring product quality control. Output is further increased by 30% and the savings in manpower costs alone will be more than \$30,000 a month.

Home's Favourite is one of many successful stories in technology innovation. Chew's Group, which produces fresh eggs, has replaced the traditional inkjet marking of its eggs with a laser system. This has reduced costs in maintenance from \$81,000 to just \$400 a year and increased the rate of grading by 40% to 530,000 eggs a day. Another example is Lintech Engineering that uses a fully-automated robotic welding system for repair jobs in the oil & gas sector. They managed to reduce half the manpower and improve productivity for the same process by 300%.

Some 600 SMEs have made use of SPRING's programmes in business strategy formulation, branding & marketing management, product design, standards adoption, secondment of experts and technology innovation to create competitive advantages. SMEs, especially those in labour-intensive operations, should seriously consider undertaking such technology innovation as a means of overcoming the tight labour market condition and improving their competitiveness.

Another programme which I will encourage SMEs to make full use of is the Innovation and Capability Voucher. This is a direct grant assistance scheme which provides each qualified SME with a \$5,000 voucher to upgrade or strengthen their business capabilities in productivity, innovation, human resources or financial management. Since its launch in June last year, more than 1,500 SMEs have taken up the scheme to develop organisational capabilities and invest in technology innovations.

<Human Capital Development>

The other area SPRING is focusing on is to help SMEs optimise their workforce and develop their human capital through training and development.

We have the Part-Time Pool Programme that was launched in 2011 to help provide an alternative source of part-timers that can support the SMEs in Retail and F&B. The part-timers are provided basic training and assigned to SMEs based on their job

preferences, availability and locations. According to feedback, the pooling of the part-timers has allowed great flexibility in manpower scheduling and deployment in these two sectors, which tend to have cyclical demands throughout the year. The Part-Time Pool Programme now has more than 2,500 part-timers on its roster to support 119 food services and retail companies across Singapore.

Another scheme that supports Retail and F&B is the Core Executive Programme launched by NTUC and SPRING in September last year. The aim of this programme is to attract and groom fresh local tertiary graduates as well as Professionals, Managers and Executives who have been working for less than 3 years for managerial and supervisory positions in these two sectors.

For the Furniture industry, we have worked with the Workforce Development Agency and the Singapore Furniture Industries Council to develop 12 WSQ-certified courses to provide critical skill training such as carpentry and project management for SME employees in this industry. So far, over 250 trainees have successfully completed these courses and we are expecting to see more.

To add vibrancy to the sector, SFIC has organised *SingaPlural*, the first Singapore Furniture Design Week in March last year in conjunction with the International Furniture Fair Singapore and ASEAN Furniture Show. The event includes a series of seminars, exchange forums, exhibits and a design trail to showcase some of the best design talents in the industry.

In other areas of human capital development, we have trained more than 250 SME leaders in various advanced management and executive development programmes under SPRING's Business Leadership Initiative in 2012. Over 220 graduates from tertiary institutions were inducted into high-growth SMEs to build a talent pool of future leaders. A total of 425 SMEs have participated in HR capability programmes to strengthen their HR systems and processes, especially in the recruitment and retention of talents and manpower optimisation.

Jason Electronics is one of the companies that has decided to participate in the HR Capability Programme to improve the talent management of its 170 over employees. The company is a provider of integrated communication, navigation and automation systems for the marine and offshore industry, with an annual turnover of \$45 million. After the consultancy, Jason Electronics put in place a competitive salary scheme, improved its performance management system, implemented a training roadmap and develop individual career plans for the employees. The result is an improvement in employee engagement and a significant reduction in staff turnover by 50%.

<Collaborations with Partners>

The next area is in developing strategic collaborations with the trade associations and chambers to upgrade trade practices and drive industry growth. To achieve this, we have developed LEAP, the Local Enterprise and Association Development Programme, together with IESingapore. LEAP provides funding support to the trade associations and chambers to take on projects that will upgrade and grow their respective industries and enterprises.

Last year, seven new LEAD projects were undertaken at the value of \$15 million. To date, we have supported a total of 43 LEAD projects by 30 trade associations and chambers. By partnering these trade agencies, we have been able to address specific industry challenges and enterprise needs more effectively. For instance, the promotion and branding of Singapore food products overseas by the Singapore Food Manufacturers' Association, and the set-up of the Singapore Innovation & Productivity Institute as a national productivity centre for SME manufacturers by the Singapore Manufacturing Federation.

SPRING also works with the Enterprise Development Centres or EDCs that are located with the trade associations and chambers. The new EDC@North East CDC set up by the Association of Small & Medium Enterprises and the Northeast Community Development Council was launched last year. Through these five EDCs, we are able to reach out to a wider group of SMEs, some 16,000 of them, to provide complimentary one-to-one business advisory service, conduct Productivity Management Programme workshops and explain new tax incentives at the Productivity and Innovation Credit Clinics.

City Satay for instance has sought assistance through the EDC at the Singapore Manufacturing Federation. Through this engagement, City Satay was able to benefit from the Productivity Management and Inclusive Growth programmes. The outcome was a significant improvement in its satay skewering process by 70%, allowing each worker to make 80 more sticks of satay per hour. This may not have happened without the facilitation of the EDCs, who have helped to make our programmes accessible to more SMEs.

Besides trade associations and chambers, we collaborate with local polytechnics and research institutes to set up Centres of Innovation or COIs to help SMEs enhance their technology innovation capabilities. COIs are one-stop centres that provide advisory and consultancy on SME capability upgrade. Altogether, there are six COIs created in food, electronics, environment and water, marine and offshore, precision engineering industries and supply chain management, and supporting over 300 projects. The supply chain management COI is our most recent partnership with Republic Polytechnic. It was set up last year with a grant of \$3.4 million to upgrade capabilities of Logistics SMEs.

<Nurturing Innovative Start-ups>

In the area of nurturing innovative start-ups, it is particularly critical to the competitiveness of our small Singapore economy whether we are able to consistently generate a cohort of high-growth and super-innovative enterprises.

To promote an innovative and conducive environment for entrepreneurship, we are working with Action Community for Entrepreneurship or ACE to develop a suite of funding programmes that can help budding entrepreneurs kick-start their businesses and commercialise their ideas. A total of 26 start-ups were supported under ACE Start-ups and five Bluesky Exchanges organised for entrepreneurs to network. Last year, we launched the first ACE Overseas Chapter in Beijing to help innovative start-ups expand into the Chinese markets.

We have funded entrepreneurship activities in 56 schools from primary schools to polytechnics under the Young Entrepreneurs Scheme for Schools programme. In November last year, we organised the ACE Entrepreneurship Week in conjunction with the Global Entrepreneurship Week. Together with 18 partners, we organised 20 activities for 15,000 youths and another 10,000 through the social media to promote entrepreneurship.

Under the Incubator Development Programme, we provide funding to incubators and venture accelerators to help nurture and guide potential start-ups. In 2012, we funded nine incubators who managed over 350 start-ups. At times, SPRING will also inject capital into promising start-ups, such as Sofshell, under the SPRING SEEDS Capital programme. Last year, we invested in 12 new innovative start-ups at \$7.5 million. We also provide assistance to start-ups in commercialising their products and innovation under the Technology Enterprise Commercialisation scheme. In 2012, a total of 10 Proof-of-Concept and 24 Proof-of-Value projects were supported under this scheme.

<Simplification of Assistance Schemes>

The final area is to simplify our programmes and services and made them easily accessible by the SMEs. We have converted the 2-page ICV application form into a simple online application that can be completed easily within five minutes. The approval process is also reduced from five to two working days.

Simple-to-use self-help toolkits are posted online for SMEs to download and use. We are in the process of consolidating and streamlining the various assistance schemes and website. The details will be shared at the next Budget and Committee of Supply briefing.

<SPRING's focus for 2013>

What will 2013 hold for us?

A slowing global economy for a start. While there are signs of stabilisation, we cannot dismiss the downside risks. The economic outlook remains uncertain and businesses are rightly being extra cautious with their business plans. In Asia, there are some positive signs of better growth prospects, especially in some sectors like healthcare. We have to remain optimistic that Asia economies will not lose steam and continue to lead the global economic growth with its large consumer markets. We foresee that SME will continue to face similar challenges as they did in 2012.

This year, we will continue to work hard with the SMEs to achieve greater competitiveness through productivity and capability upgrade. A key focus area is to strengthen SMEs' abilities to attract talents and develop their human capital. We will continue to build up our relationships with the trade associations and chambers so that we can support more SMEs, especially the small and micro enterprises, through the EDCs. We will streamline our assistance schemes and make them more accessible to the SMEs.

Philip has said this before and I will like to reiterate. While SPRING is providing all the assistance and support to help the SMEs, to remain truly competitive, the SMEs themselves must begin to take charge of their own destinies and be enthusiastic in following a productivity and innovation-led growth. Only by being more competitive can we ride out the storm in better shapes than the others. The economy will always go through its cycles. We have to learn to make ourselves stronger so that we can ride out not just this storm, but all weather.

As for SPRING, we are fully committed to work with other government agencies and industry partners to support SMEs through this journey, stormy or otherwise.

Thank you!