

**SPEECH BY DR VIVIAN BALAKRISHNAN, SECOND MINISTER
FOR TRADE AND INDUSTRY DURING THE COMMITTEE OF
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Entrepreneurship

Incentives for the Creative Industries

1 Mr Chairman, Sir, Dr Ahmad Magad quite rightly pointed out that deep pockets are needed for product development, especially in the creative industries.

2 The Government has put aside more than \$200 million with MICA and its agencies in order to provide a wide array of incentives, which are mainly grants and co-investments, to develop and encourage the creative industries. Besides content creation, the incentives also cover capability development, opportunities to showcase works at international platforms, cross-disciplinary innovations, and the engagement of consultancy services. In addition, in order to give the digital media a further boost, the Economic Development Board has committed \$500 million over the

next five years, with long-term plans for another \$500 million over the subsequent five years.

3 MDA's efforts with industry players have translated into production value of at least \$7 million in 2005 alone, and the value of work done in Singapore, we estimate, will grow over the next two to three years to as much as \$30-40 million.

Grants for IP

4 Dr Magad has also suggested that the Government explore offering grants for patenting product creations. I would like to highlight that the EDB manages the "Patent Application Fund (PAF) Plus" scheme, which offers grant assistance to help cover part of the cost of professional and official fees for filing a patent. Since its inception in 2002, we have had 348 successful applications and given out some \$2.6 million in grants.

Entrepreneurial Talent Development Fund

5 Dr Tan Sze Wee was concerned with the low take-up rate of the Entrepreneurial Talent Development Fund (ETDF). The ETDF

aims to nurture entrepreneurial talent by providing matching funding for business ventures started by students in the Institutes of Higher Learning (IHLs), ie, the three universities and five polytechnics.

6 The programme only began in 2004, and the IHLs needed time to set up their internal mechanisms to administer it. Consequently, the money disbursed in 2005 was not high. Some funds disbursed to the IHLs have also not yet been fully utilised. Spring has taken this into account when estimating a lower draw for FY 2006. This is in no way an indication that the programme is slowing down.

7 In fact, I am sure Members of this House would agree with me that we should be more concerned with quality rather than quantity. Thus far, we are heartened by its results. Just the other day, I was shown an example of a student venture under this scheme. It is called MXR Cubes. It offers "mixed reality" or "augmented reality" books and toys, in which two-dimensional texts and pictures are converted into 3-dimensional interactive products. This product has been described as "the next generation of children's book", and their work has been featured internationally by CNN, CNBC and BBC.

These are the types of products and enterprises from our universities and polytechnics that we want to support.

8 SPRING is currently working with the IHLs to further promote this programme to more students. We have received feedback. So we will fine-tune some of the criteria so that there will be more flexibility in administering this programme, but without lowering quality.

Review of Government Incentive Schemes

9 I would like to thank Mr Inderjit Singh and his taskforce in the Finance Crucible of Action Community for Entrepreneurship (ACE) for their sterling work in reviewing a whole host of our programmes and grants in order to help provide more financing options for our start-up companies and enterprises in Singapore. He submitted, I think, a total of about 34 recommendations for change and I am glad to note that two-thirds of the recommendations have been accepted or are still in the process of being reviewed. For those for which our agencies have had to say no, it will write back to Mr Singh to give him explicit reasons why we could not say yes at this point in time.

10 One recommendation which SPRING will be following up on is the recommendation to streamline some of our capability development schemes into a single umbrella so that it becomes easier to access. IE Singapore will also take into account the recommendations of the taskforce in its review of the Regionalisation Finance Scheme. This is all work currently in progress.

11 Mr Singh also mentioned the over-the-counter trading platform which would provide another avenue for start-up enterprises to access equity funding. Largely because of his work and prodding, the legislation was changed in September or October last year to provide an exemption in the Securities and Futures Act, and I am glad to inform Members that I think within the next two to three months, we should see Phillip Securities roll out an over-the-counter platform, and this will be a welcome addition to the financing options available to our enterprises.

Government Use of Risk Capital

12 Mr Singh also brought up a more generic point about the Government's use of risk capital. He was concerned that perhaps we were more willing to take risk and put investments in MNCs and GLCs and not enough in local companies.

13 I have checked on this. The Government does have risk capital in local enterprises. Examples are schemes such as the Start-up Enterprise Development Scheme (SEEDS); the Business Angel Scheme, which really was initiated because of a discussion over tea that Mr Singh started; and, of course, the recently launched Enterprise Fund.

14 We have seen some success in the SEEDS programme, with 11 SEEDS-supported companies having now crossed the \$1 million mark in terms of revenue, and six of them have won international awards.

15 This is why we have injected further funds into SEEDS and into the Business Angel Scheme. So we have put in an additional \$60 million. The Enterprise Fund, which currently stands at S\$35.5

million will grow to a \$100-million fund and this will provide additional financing for start-ups and SMEs to tap into.

16 In addition, of the total investments made by the Technopreneurship Investment Fund (TIF), 50% or \$600 million have been invested in Singapore-based companies. This means, for every dollar of the \$1 billion which the Government invested in TIF, 50 cents has been channelled back to Singapore. We have two other schemes which has helped our companies

(1) The Research Incentive Scheme for Companies (RISC), in which 25% to 30% of the awards in this scheme are to local companies; and

(2) The Innovation Development Scheme, in which 70% of the beneficiaries are Singapore-based companies.

Private Sector Consultation

17 Mr Singh has also asked about the role of the private sector in the formulation of the Government's long-term economic plans. Mr Singh is the Vice Chairman of ACE. I happen to chair it because I am supposed to be the Minister-in-charge of Entrepreneurship. But I am

happily outnumbered by 29 other members, every single one of whom is a private sector individual. Those who have served on the Committee, which include Mr Inderjit Singh and Dr Loo Choon Yong, will agree that we have had extremely useful exchanges of perspectives and information. Rule, regulatory and cultural changes, educational programmes and a whole host of things have been done so much more effectively because of the access to private sector input. This is not the only forum at which the Government takes private sector input.

18 Members may have heard of the Pro-Enterprise Panel (PEP). This is the panel, which over the last five years, has reviewed 1,500 suggestions on rule changes, and has accepted more than half for implementation. This panel is chaired by the Head of Civil Service but, again, has very strong representation by the private sector. This has made our ability to change rules so much more responsive to private sector needs.

19 SPRING itself, as my Minister has said earlier, which we are using as the champion for interfacing with the SMEs, has significant

private-sector representation on its Board of Directors, starting from the Chairwoman downwards.

20 Moreover, Members will recall that when the Prime Minister announced the establishment of the Research, Innovation and Enterprise Council (RIEC), if you have a list of the people who have been invited to serve on that Council, you will see here again evidence of clear private sector involvement, and we hope therefore to be able to tap their perspectives and wisdom as we formulate our long-term economic plans.

Growing the Social Enterprise Sector

21 Let me move on social enterprises. Miss Penny Low gave a good speech explaining the benefits and potential growth of social enterprises. Social enterprises are basically businesses with a social mission. As she pointed out in her speech, they can be not-for-profit and they can also be for-profit. Our interest in them - and I would say it is still early days yet - is that, if they could succeed in creating new jobs or in providing additional revenue streams for charity so that they

would not have to be absolutely dependent on the charity dollar, then this would be a welcome addition to our economic landscape.

22 My Ministry, MCYS, has the ComCare Enterprise Fund (CEF), which provides seed funding for up to 80% of the total project cost, up to a limit of \$300,000, for new social enterprises. But they must have viable business plans. Since the launch of the CEF in March 2003, a total of 48 projects have been approved and around \$4.7 million committed. The nature of the CEF-funded social enterprises varies very greatly, depending on the interests of its founders. Some provide direct employment to the needy whilst others aim to generate profits to support programmes for the elderly and the needy. The sectors range from food and beverage to consultancy, retail and home-based services. Yesterday, at the lunch with the Singapore Action Group for Elders (SAGE), they said they wanted to start putting a group of retired electricians and plumbers into another social enterprise. So, there will be lots more ideas which will be generated, and we will look for opportunities to support them.

23 In addition, social enterprises are also welcome to tap on the existing Government assistance schemes which are extended to small and medium enterprises (SMEs), such as the Local Enterprise Technical Assistance Scheme (LETAS) and the Micro Loan programme from Spring. But I want to emphasise that they must clear the hurdle as viable businesses, which is why I would also disagree with Miss Penny Low's suggestion that we provide subsidised land for them. If we were to provide subsidised factors of production for social enterprises, then we are creating an uneven playing field and unfair competition for all our other SMEs out there which, I believe, would be a step in the wrong direction. But having said that, we will look for legitimate, competitive and fair ways for social enterprises to develop in our economic landscape.

Tourism

24 Let me move on to tourism. The World Tourism Organisation has projected that global tourist arrivals will grow at 4% per annum over the next decade, with the growth in Asia alone exceeding 6%. It is a choice for us whether to exploit this growing market. Yes, there may be some downsides, but there is a significant upside, and this is

not something which we should sniff at and give up without a fight or without making a significant attempt to tap into. The Singapore Tourism Board (STB), therefore, plans to triple tourism receipts to \$30 billion annually and to double visitor arrivals to 17 million. We estimate that this will create an additional 100,000 jobs for the tourism sector by 2015, and this is what our vision for tourism in 2015 is. The tourism sector will, therefore, be one of the major growth engines for our economy.

25 I agree with Dr Geh Min that we should not aim blindly just to increase the absolute number of tourists, although having said that, that is still useful. But what we are really interested in, a better indicator, is tourism receipts, because an increase in tourism receipts directly translates to a higher value-add or a better Gross Domestic Product (GDP) for our economy and, if I may add, jobs. It is thus not enough to just increase arrivals, but we need to put in place strategies, as Dr Geh Min suggested, to extend the length of stay and to encourage high yielding repeat visitors.

26 Let me give an example of this. Traditionally, many of our PRC visitors to Singapore have come as part of a tri-destination tour which includes Malaysia and Thailand. They tended to stay not more than one day here, sometimes not even in a hotel in Singapore. So they would generate a lot of tourism numbers, visitor arrivals, but the yield, in terms of tourism receipts, was low and there was a very short length of stay. STB is now promoting more single-destination Singapore tours that generally span three or more days. In fact, I just checked the statistics. The length of stay for visitors from PRC has been going up significantly and so has their tourism expenditure. Despite the fact that there has been a 2.5% fall in Chinese visitors last year, the revenues have gone up significantly.

3.30 pm

27 Let me therefore elaborate on some of our key strategies to increase tourism receipts.

Anchoring Tourism Attractions

28 Firstly, we need to have a range of tourism attractions and products in order to increase and enhance our competitive advantage

as a destination for business and leisure visitors. I agree totally with Mr Alex Chan that we must be noticed, we must get mindshare on international media so that when people are looking for their next place to visit, they think of us, they think of Singapore. And, therefore, we need attractions which are compelling and unique and it is not just a matter of building hardware, as many of you have said. In fact, in order to appeal to more sophisticated travellers, we need software, we need new marquee events, programmes, novel ideas, marketing packages, arts and culture, entertainment, education and sports.

29 But this should be executed by the private sector rather than provided by the Government. Let me give you a few examples. The Singapore Flyer observation wheel and the two Integrated Resorts are examples of private sector-led projects that will bring world-class attractions and creative concepts to Singapore. The Government's role is to paint a compelling vision, provide the regulatory environment and enable these things to happen, but the actual creative push and business imperative must come from the private sector. We have a \$2 billion Tourism Development Fund which has

been set up in order to catalyse this private sector investment into our tourism infrastructure.

30 There was also a question on which agency is responsible for tourism. Members of this House will know that we do not have a tourism Ministry per se. I oversee tourism in my capacity within MTI, but I will tell you the key advantage which we have in not having a separate Ministry is precisely the fact that it depends on so many other agencies and Government. We need to work with MND, within MTI, we need to work with MICA and, sometimes, we need assistance from MFA. It is really another of those whole of Government multi-agency projects. I can say, with hand over heart, having done this now for some time, that this approach works. So you do not need to worry that the lack of a single Ministry or point of focus agency in any way detracts from our efforts in tourism.

Information for Tourists

31 I thank Mr Low Thia Khiang for pointing out some inaccuracies in the brochures. I am sure the people in Joo Chiat are not descendants of sea turtles. But my good friend, Mr Chan Soo Sen,

has said that in China, "*hai gui*" refers to entrepreneurs who have made good overseas and come back home. I think if we have more of such people in Singapore like that, that is not necessarily a bad thing. But having said that, we will make sure those things are corrected and it is not an excuse for inaccurate translations to occur. But it is better that translations are made, or that we at least attempt to make translations, than for us to say that we are so concerned with accuracy that we do not even take the risk for making translations. Speaking of translations, I think Mr Low would also agree with me that we have made a lot of progress in ensuring multi-lingual signs at airports, MRT stations and other places, so that Singapore is now much more friendly for tourists who are coming here from various destinations.

Integrated Resorts

32 Let me briefly touched on integrated resorts which Miss Penny Low asked about. The two IRs will widen the range of leisure and entertainment options available in Singapore and will generate significant economic benefits. During the submissions of the Request for Concepts last year, we estimated that the two IRs are expected to

add about \$1.5 billion for annual Gross Domestic Product and create some 35,000 jobs, direct and indirect, throughout the economy. We believe these figures are still valid. Of course, the actual numbers will depend on the actual proposals selected and how things work. It is obviously a fluid and competitive field that these two integrated resorts will be entering.

33 Miss Penny Low highlighted the fact that the winning IR proposal should be selected on the basis of our long-term strategic interest. Obviously so. We have calibrated the four main criteria. The main criteria are tourism appeal, 40%; architectural concept and design, 30%; development investment, 20%; and strength of the consortium partners, 10%. The criterion with the highest weight is tourism appeal and contribution. We are not just talking about the number of tourists that will visit in the first year of its arrival. This is a long-term project and I want to remind Members of the House that when the private sector puts in such a significant amount of resources, they are going to want to make sure that this succeeds in the long term. So in the long term, I think we will get significant numbers of visitors, significant expenditures by those visitors, and we will get new and innovative entertainment concepts in those places,

even the architecture. Many people have asked why we have put such high weight on the architecture for the integrated resort at Marina Bay. First, it occupies a very central location within our new downtown and will, to some extent, be a defining feature of the area of that district. Secondly, unique and compelling architecture is a tourism attraction in its own right, and you only need to think of museums around the world which have had such an impact on tourism arrivals.

Taking Bold Steps

34 Let me conclude by saying that for the tourism sector, things are looking up. Our visitor arrivals last year reached a record high of 8.94 million, an increase of 7% over 2004. Tourism receipts grew by 10% to \$10.8 billion. And we are well on our track to achieving our Tourism 2015 vision. But we will continue to be responsive to the needs of the industry, rethink old assumptions and take calculated risks. In the past year, we have made many steps which will change our tourism landscape for many years to come. While we push new boundaries to make ourselves an appealing destination for visitors, we will ensure that we take appropriate social and security

safeguards to make sure that we do not kill the goose that lays the golden eggs.