

**At the 5<sup>th</sup> ICA Regional Co-operative Forum -  
Co-operative advantage in the global economic crisis**

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It is my privilege to be present to you today a perspective of how co-operatives are responding to the global economic crisis.

I have been associated with the co-operative movement in Singapore for more than 15 years. I spent four years in NTUC Income, our insurance co-operative, as the General Manager of its group and health insurance business. In August this year, I joined NTUC Childcare co-operative as its Deputy Chief Executive Officer. NTUC Childcare operates the largest network of child care centres in Singapore. In September this year, I succeeded Mr Seah Kian Peng as the Chairman of the Singapore National Co-operative Federation (SNCF).

Through my 15 years association with the co-operative movement in Singapore, I have been through at least three period of economic upheaval. This includes the 1997 Asian economic crisis, the bursting of the dot com bubble, and the economic crisis caused by SARS. Through each crisis, our co-operatives have come out stronger, both economically, and socially.

**Financial crisis bites**

The current global financial crisis has been described the most severe since the depression of the 1930s. Singapore is a small open economy. We have a resident population of 4.5 million people. We are highly dependent on trade. The value of our exports is more than three times our gross domestic product. We expect challenging times ahead.

## **A crisis of confidence**

In America, and indeed throughout the world, the public watched in disbelief the fall of once mighty institutions like Lehman Brothers and AIG. They are angered by the greed, excesses, and the lack of regard for business ethics. In Singapore, when news broke of the possible bankruptcy of AIG, hordes of customers queued at the offices of the American insurance firm to withdraw their life insurance plans.

Some 10,000 Singaporean depositors had invested a total of US\$250 million (S\$400m) in structured deposit products linked to financial institutions such as Lehman Brothers. With the collapse of these financial institutions, there is a real possibility that many will lose their entire savings. Under public pressure, several large financial institutions had to concede that there had been lapses in the sale advisory process, and would consider compensation to some of these depositors, especially those who are elderly and lesser educated.

In Australia, the global crisis claimed an unlikely victim in the world's largest child care company, ABC Learning Centres. It was put on receivership on 6<sup>th</sup> November, when it could not pay back A\$1 billion in debt, created when the company went on an aggressive acquisition drive of child care centres in the US and in Britain. Some 120,000 children enrolled in Australian child care centres could be affected, with huge political implications. An Australian commentator summed it up: "Should child care be at the mercy of the market". Another said: "It is a story about where a rather blind belief in market forces can get you in the area of community services".

We now have a crisis of confidence.

## **Opportunities in crisis**

What is clear that an unfettered reliance on the market model has been flawed. The world regulatory framework for financial institutions will be reformed. There will be more changes and failures before things get better. New economic arrangements and policy thinking will emerge.

I believe that this crisis presents opportunities for co-operatives to convince the public and customers that we can play a more important role in a new economic order. I wish to share a few examples in the Singapore co-operative movement.

### **The co-operative advantage**

First, project ourselves as trustworthy enterprises that people should do business with.

In the financial services sector, the fall of AIG, the largest insurance company in the world, and that of other large financial institutions, has shaken the public's confidence.

NTUC Income, a member of the ICA global 300, has weathered the storm well. It retained its "AA" rating by Standards and Poor – the highest rating of an insurance company in Asia. In the months of September and October 2008, at the peak of the turbulence, Income recorded its highest sales in life insurance, and improved its market position from 4<sup>th</sup> to 2<sup>nd</sup>. NTUC Income's message to Singaporeans was : "in tough times, home is the safest place to be".

In the child care sector, the Singapore Government announced plans to substantially increase the capacity of child care facilities, as part of a broad range of initiatives to support a national population policy. NTUC Childcare will be one of several not-for-profit organisations to play a significant role in this effort. In the next five years, it will more than double the number of centres in Singapore, and consolidate its position as the leader in the industry.

Second, continue to strengthen our "social capital".

NTUC Fairprice, another member of the ICA global 300, operates the largest network of supermarkets and convenience stores in Singapore, with a market share of over 50%. In the period of preceding the financial crisis, with record high oil prices and high inflation, NTUC FairPrice stepped in over and over again to assure the public of the availability and affordability of essential food supplies. It extended its discounts on a basket of essential food products through its house brands, and gave

out food vouchers to needy families to alleviate the high cost of living. I am sure that in the months ahead, NTUC FairPrice will again provide the leadership in helping ordinary Singaporean workers cope with the crisis.

NTUC FairPrice's actions has earned for the co-operatives movement as a whole considerable goodwill amongst the public in Singapore.

Third, strengthen ourselves, and build management capacity.

With the expected slack of the labour market, co-operatives can take the opportunity to recruit good quality staff to boost its management ranks, where this might have been harder in the past.

In 2008, the Singapore National Co-operative Federation, together with the Central Co-operative Fund, offered scholarships to school leavers to choose co-operative enterprises as a career. We intend to step up this effort, and offer a larger number of such scholarships in 2009.

We should also use the current downturn to engage our staff in training and development, to be better placed to take advantage of the opportunities when the market recovers, as it must.

We should continue to innovate, to identify new ways and initiatives in helping the less advantaged.

Early this year, the Women Enterprise Workz (WEworkz) was set up to encourage and empower Singapore women who are unable to commit to full-time employment due to their family circumstances to engage in home-based economic activities. The co-operative provides training and business opportunities that fit the members' personal skills and interests. The response has been very good.

## **Conclusion**

In conclusion, amidst this crisis, there is an opportunity for co-operatives to project ourselves as trustworthy and value-based business enterprises, committed to making difference to our members, and to society at large.

I am confident that when the storm is over, we come out stronger, even more committed and convinced that the Co-operative advantage is one that will stand the test of time and weather.

Thank you.

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