APPENDIX I

PRIME MINISTER'S ADDRESS

TO THE
SMALL BUSINESS CONSULTATION 1979
ON JULY 1ST, 1979

APPENDIX I TO THE
REPORT ON THE SMALL BUSINESS CONSULTATION

INDUSTRIAL DEVELOPMENT CORPORATION

APRIL 28, 1980

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SMALL BUSINESS CONSULTATION

July 1, 1979

Following proposals from the Prime Minister, the Cabinet decided in November 1969 that 1970 be designated "Small Business Year" for Trinidad and Tobago, thus giving some national recognition to small business development.

At that time, as I am now, I was convinced that Small establishments were already making a significant contribution to the economy, particularly in the area of employment. National recognition and the formal programme that followed it was meant to strengthen that area of activity in the national economy and to encourage others with ideas, skills and some degree of entrepreneurship, to seek the challenges, the independence and the reward of establishing their own small businesses. I was also convinced at the time that, unless the Government proceeded on some definite programme of encouragement and incentives for small business development, in a relatively short period of time, the business activity of the country would be completely dominated by the local conglomerates and the foreign transnationals.

The local sharks would have eaten most of the local sardines and the large foreign whales would have continued to maraud, unchecked, in our waters and around our shores!

These initiatives of the Government relating to the small business were but one of the many that the Government has taken over the past few years to counter a trend that the world - all over - has been experiencing. Listen to a quotation from a leading politician from the centre of free enterprise and the home of conglomerates. Senator Edward Kennedy says :-

> "The anti-trust laws (of the US) fail to deal effectively with mergers or takeovers that threaten to result in the dominance of the entire economy by a few giant conglomerates".

The Senator goes on :-

> "They (i.e. conglomerates mergers) have increased steadily since 1972. By 1976 these mergers involved acquisition of assets valued at more than $5.5 billion - a 300 per cent increase since 1972. Many corporations, especially oil companies, have accumulated enormous amounts of liquid assets and they have indicated that they plan to use at least part of them to acquire new companies. You have Mobil Oil - one of the nation's largest industrial companies - acquiring Mercor, one of the largest retailers".

Have we, in Trinidad and Tobago been immune from this trend?

The behaviour of conglomerates, their influence over banking institutions, over the media, indeed, even over politicians and senior public servants become world-wide phenomena. A government such as the Government of Trinidad and Tobago, with responsibility for providing every citizen with the opportunity to develop to his or her full potential, must be fully aware of this, and where possible, and within the constitutional and legal framework, take appropriate steps - to counter less by inhibiting than by encouraging smaller and medium sized businesses.

This situation is not completely new. The position and survival of small business presented no problem in the centuries preceding the industrial revolution. With but a few exceptions all business was small business in the relatively static economies of the pre-industrial era. As the industrial revolution spread, big businesses merged and small businesses encountered problems of smallness (a recognized phenomenon in Trinidad and Tobago today), as the increasing application of technology with its impact on economies of size, as the introduction of systems of mass-production with its impact on production costs, and not least, as the rapid growth of the influence of mass-media advertising techniques (a feature of modern day society that has not received the indepth attention it needs), with its impact on people's habits and buying patterns - none of which were accepted features of or could be afforded by small business at that time.

The industrial revolution brought with it these influences and, with them, a greater integration of production and distribution into large units which have grown steadily larger. A recent publication listed the fifty largest industrial companies in the world: it makes interesting reading -

- General Motors - sales exceeding 55 billion US dollars
- Exxon or Exxo - sales exceeding 54 billion US dollars
- Texaco - sales exceeding 27 billion US dollars
- ITT (International Telephone & Telegraph Company - sales exceeding 13 billion US dollars

And to show that the US has no monopoly in this area :-

- Royal Dutch (Shell of London) - sales exceeding 40 billion US dollars
- Phillips of Holland - sales exceeding 12 billion US dollars
- Hoechst of Germany - sales exceeding 10 billion US dollars
- Toyota of Japan - sales exceeding 9.6 billion US dollars
- Petroleos de Venezuela - sales exceeding 9.5 billion US dollars.

This is a pehnomenon of the modern economy. It is a phenomena that we must face in the eighties with even greater concern.

And what about our own conglomerates? What have the "princes of conglomerates" as an Independent Senator recently called them, what have these princes been doing over the years? What are the problems that small business will have to face as we approach the eighties? Has Trinidad and Tobago been immune from this world pattern? Let us examine the developments over the past few years.

I have preliminary data on three of these local conglomerates. The data is incomplete, and you can imagine how difficult it is to get figures on assets. But what we now have is more than sufficient to indicate what is taking place.

Conglomerate X - It is very difficult to obtain information on the component companies, including those in which it has recently acquired equity. We are only certain of four companies in which it has acquired equity, and we know it operates a large number of retail merchandising outlets.

Conglomerate Y - We know that this conglomerate includes 14 subsidiary companies, 2 associated companies, has recently acquired share holding in 3 and possibly 5 companies; there is reason to believe that one of the subsidiary companies includes three other companies.

Conglomerate Z - This conglomerate has acquired 11 companies, has minority shareholding in 3 others, is interested in 2 other associated companies, has invested in shares in 20 companies.

The three conglomerates together hold a dominant position in such industries as the following: printing and publishing, building and construction, insurance and finance, supermarkets and food products, paints and glass, automobiles and car parts- metal furniture and plastics, garments and mattresses, assembly operations, shipping services, beer and lumber, dairy and meat products, housing and candy, office equipment, retail outlets. You name it, they have it.

It is against this international and local background that we must view the 1980's as it relates to small business development.

What new international developments will affect small business development in Trinidad and Tobago? What are the problems ahead of small business development? What are the opportunities? What can the Government do to encourage even further small business development?

What can you - firstly, as a citizen and secondly, as a small businessman - do to accelerate the achievement of this desirable national objective; making small business activity a vibrant and key element of our economy?

It is easy for small businesses to dismiss international trends and affairs on the basis that they do not and will not affect small business, particularly small business operating in a small country. You could not be more wrong.

The cost of and delivery times for equipment and basic raw materials the cost and method of shipping, the cost of technology, the changes in technology, the changing pattern of international politics (new alliances here, new enmities there), the volatility of international trading in oil and other basic commodities: all these new matters that will directly affect the successes and failures of small businesses particularly in a country like ours with its limited markets. The Government will do what it can to cushion the impacts of these various factors, but it can only do so much.

This has not missed the attention of some of the international agencies and, to some extent, there must be some reliance on these to foster the growth of small businesses in spite of difficulties.

The World Bank, for example, is now giving increased attention to the role of small scale enterprises. The Bank has diagnosed that most of the increment in employment of the rapidly growing population of developing countries will have to be found in the industrial sector and in service industries associated with industrialization. We wait to see the specific contributions which an agency like the World Bank will make towards the development and encouragement of small business.

What are the major problems which small business will be faced with in the 80's in Trinidad and Tobago? I have already made reference to the growing influence of the conglomerates. This phenomenon of modern business will not disappear in the 80's; if anything, it will increase as opportunities arise. The shark will always have a taste for sardines!

The larger and more sophisticated countries - UK, Germany, Japan, USA - have not been able to inhibit this growth. They have introduced laws and controls but the mergers and takeovers continue with regular frequency. This modern day phenomenon poses some interesting questions to the historian who may be seeing an analogy to colonialism. I pose these to you, as I am sure some of you in due course will be tempted with offers.

- What are the economic and social results of reducing the number and diversity of decision-making centres?

- How will the decisions and attitude of the owner of an independent firm change if he becomes an <u>employee</u> and his company becomes a division of a giant conglomerate ?

- What are the social and political consequences of concentrating the ownerships of so many business assets in fewer and fewer hands?

- Why is it that conglomerates have a tendency to close down plants?

- What happens when you replace local independent ownership identifying with a particular community or region - with absentee and sometimes anonymous conglomerate ownership?

- Are there Government practices and procedures and indeed laws which tend to favour the large firms and conglomerates?

- How does the Government protect a company's relationships with its workers, the community, its suppliers, the customers, shareholders and society at large, when that company is about to lose its identity through a merger or takeover?

These are questions on which I invite public debate - starting with this consultation.

The next area of difficulty for small business development in the 80's will be that of human resources - the scarcity of human resources. I am sure that many of you have already begun to experience the serious problems of attracting skills to assist you in your business. We hear of the percentages of unemployment in the country. The numbers differ from source to source, but whatever the number, you hear as often the difficulties in recruitment and keeping those who, having received some training and experience, seek better opportunities elsewhere I am certain that inthis competition for skills, the small business will come off second best.

What about management? How will Small Business treat with the problems of management in the future? The 80' will see management dominated by technology. It will see management depending more and more on new technologies - primarily the computer - for gathering, storing, manipulating, transmitting and applying knowledge.

It will see the traditional factory (as the archetypal institution of industrialism) disappearing and being replaced by more sophisticated and flexible methods of production, requiring some more skilled and less unskilled labour.

How will small business treat with and utilize these new tools and adapt its management techniques?

Another question and another problem of the 80's.

I have dealt with some of the problem areas. What of the opportunities in the 80's?

The projected growth of the economy of Trinidad and Tobago into the 80's will present the greatest set of opportunities for small business development. As the economy grows, products and services for which the demand previously was too small to support specialized operations will attain a market size which will offer new economies of scale and opportunities for specialization. As advancing technology penetrates the economy, it increases productivity, raises the standard of living, and this broadens the market for products and services of business. The more developed the technology and the broader the market, the greater the opportunities for small business specialization.

It is in this light that we must view the energy intensive industries - a major feature of the 80's. Steel, aluminium, methanol, fertilizers - all products of advancing technology, requiring support industries and services; all producing a basic material that would form the basis for downstream activities, requiring a fraction of the capital of the major plant and much less complex technology.

It is already taking place. The rapid growth of small service industries to support the massive construction programme in the country - a programme that will continue at its present level for years to come - has not been fully recognized nor has its full impact on employment been fully credited.

Services! Services, not servitude! There is a growing need for services of various kinds and a need that has to be met and preferably met by small businesses. Food catering, security, janitorial, landscaping, quick delivery service, transport are but a few of the areas where demands have reached levels that could justify the establishment of businesses specializing in these services.

It has been recognized that businesses that provide services invariably provide the greatest number of employment opportunities and, more important, most of those opportunities are available to the semi-skilled and non-professional worker.

It is an area of neglect and one that will offer the greatest opportunities to small business in the 80's. Even in a highly industrialized country like the United States, services dominate the employment pattern. Of the 94 million people employed in the US, some 60 million are absorbed in services compared with 20 million in manufacturing and 3 million in agriculture.

It is on the basis of the recognition that a deliberate decision was taken by the Government that the Small Business Programme should include not only manufacturing enterprises, but commercial and service industries as well.

This is an appropriate point to raise the question :-

> "What has the Government done to encourage small business development?" and the more important question, a question that this consultation will assist in answering "What should the Government be doing to stimulate additional growth of small business and to strengthen those already in existence?"

The first question is easily answered, from the initiatives of 1970, leading to specific actions. These included :-

- the establishment of a Small Business Council and a Small Business Unit with the IDC

- The formal definition of a Small Business

"(a) units whose current capital investment is $50,000 and under, represented by land, building, leasehold property, machinery, plant and equipment, stock-in-trade, work-in-progress, furniture, etc. (In special cases, enterprises with current capital investment of over $50,000 up to $100,000 may be included);

(b) units designed to generate employment; and

(c) units with potential for growth."

- easier access to loans through the soft window programme of the IDC.

- Some 50-60 small businesses have been provided with factory shells and a further 30 housed in the multi producer units.

The initiatives met the demands only half-way. This was quickly recognized, and the 1979 Budget Speech once more addressed the situation, resulting in the following decisions :-

- the IDC to give the highest priority to Small Business Development, raising the status of the Unit to a Division and making Small Business a matter for the Board, as distinct from an advisory council

- the creation of a special fund of $20 million to provide loans, equity investment exclusively for small business

- the approval of a soft loan programme which embraced larger numbers of businesses

- a redifinition of small business.

There are other matters which have been the subject of study over the past few months and I am happy to announce two new facilities that have been approved by the Cabinet only the day before yesterday. These are :-

First, Technical Assistance. Cabinet has agreed that, as a temporary innovation, the services of Cariri should be provided to registered small business at a cost to the small businesses varying between 10% - 15% of the cost of the services.

In respect of capital grant, Cabinet has agreed that, in the first instance, grants should be made to light industry, mining, small hotel development, certain service industries located in Tobago, owned to the extent of at least 70% of the capital, by Trinidad and Tobago nationals, of not more than $250,000, the recipient to contribute not less than 10% to the cost of the project. The guidelines to be used by the IDC are as follows in respect of applications :-

(a) the contribution to employment which the enterprise is likely to make in Tobago

(b) the level of skills which is being introduced into the area

(c) the extent to which local raw materials are being used in the operation of the business enterprise

(d) the degree of export potential of the products being manufactured by the enterprise

(e) the extent of linkages with other business enterprises.

Grants should be used only to finance the following areas :-

(a) the cost of land including the cost of site preparation

(b) the cost of buildings and civil engineering works including ancillary services such as water electricity and sewerage

(c) the cost of plant, machinery and equipment including transportation and installation costs

(d) the cost of vehicles that form an integral part of the business of the enterprise.

These actions are helpful, but I am sure that there is more that can be done. I hope you are frank and constructive in your contributions to this consultation.

What can we do about our tendering procedure to provide some better opportunities for the small contractor or small supplier of goods?

What can we do about expediting or making more simple the various Government formalities :-

- permission from the Factory Inspectorate
- permission from the Minister of Finance for building or extending
- processing of loan applications by the IDC
- processing of licences by the Ministry of industry and Commerce (the Minister is here - let him hear your complaints and suggestions)
- the procedures for importing or exporting goods.

We wish to hear not only the problems, we are anxious to hear suggestions.

What can the Government do about the serious problem of urban accommodation for small businesses? My information is that escalating downtown rentals have chased the genuine small businessmen from the city centre. Is there a case for Government intervention, and if so, what form should it take? The Government has not interfered in the real estate speculation in commercial properties that is taking place - it has so far restricted its attention to housing. The complaints are growing. What should be done? Shall we tolerate the trend whereby the urban commercial area - once the home of many small or medium-sized thriving businesses is now the real estate property of a few companies?

Finally, what can you do?

What can you as a citizen and as a small businessman do to help this preparation for the 80's?

What can you do? Firstly, you should keep yourself fully informed about the various opportunities that are available and the facilities provided for the development of small business. You should know how to approach the IDC, how to approach the DFC, what you can do and what you cannot do. In making use of these facilities, you should also bear in mind that this is not a Government programme of handouts. It is a genuine attempt to stimulate, encourage and strengthen small business which, by its very nature, strives for independence, and independence is not built on handouts.

Secondly, you should have a priority the meeting of your obligations - obligations to the society as a whole; obligations to the consumers of your goods or services ensuring that they are of excellent quality; obligations to your workforce and your shareholders. You should strive to have the best of industrial relations and provide for your workforce a comfortable environment. Smallness is no excuse for having insanitary conditions and lack of basic facilities both for your workers and for your customers.

As a small businessman, you should strive after the highest business ethics in your dealing with your fellow businessmen, in your dealing with Government officers, in your dealings with the various agencies with which you have relationships - you should strive to set an example for the rest of the society. One hears of the various stories of corruption within the Government. The Government as a government is determined to stamp out whatever elements of corruption still remain. The business community has an important obligation to remove corruption in its own dealings and to report to the appropriate authorities whenever it occurs in dealing with Government agencies or departments. The biggest difficulty faced in any fight against corruption is precisely this - charges, rumours, stories, whispers, but it is difficult for anyone to come forward and give firm facts and figures.

A major challenge that will be faced by most small businessmen, particularly the successful ones, will be the temptation to be swallowed by a shark. It is in this area that the Government has to rely completely on your independence, your pride and your identification with national objectives.

1970 was declared the Year of Small Business. We have come some distance over the past nine years, and the mere fact that we have today some 2,000 small businessmen registered with the IDC, and active in various forms, tells that story partially. As you begin your consultation today - the consultation which hopefully will not end this afternoon, but will continue through the months ahead, the consultation that will help the Government to formulate new plans, to enact legislation if necessary, to prepare the ground as it were -, I trust that together you and the Government, can view the 1980's - the decade of the 80's - as a decade of the Small Business.

It is with that thought that I declare this Consultation on Small Business open.

I should merely like to add a personal note, that, should Minister Chambers, the IDC and you the small businessmen consider it appropriate, and as a further stimulus to the development of small business, I should like to identify the Prime Minister more closely with your efforts through an award for the most outstanding small businesses in any one year to, say a maximum of ten. If that is agreeable, I should like to suggest my interest in the adoption of the following criteria, expanded as may be seem fit :-

(a) financial responsibility, including prompt payment of debts.

(b) customer service

(c) cleanliness of the place of business

(d) good industrial relations

(e) quality of service and of products

(f) compliance with the laws against littering and pollution.