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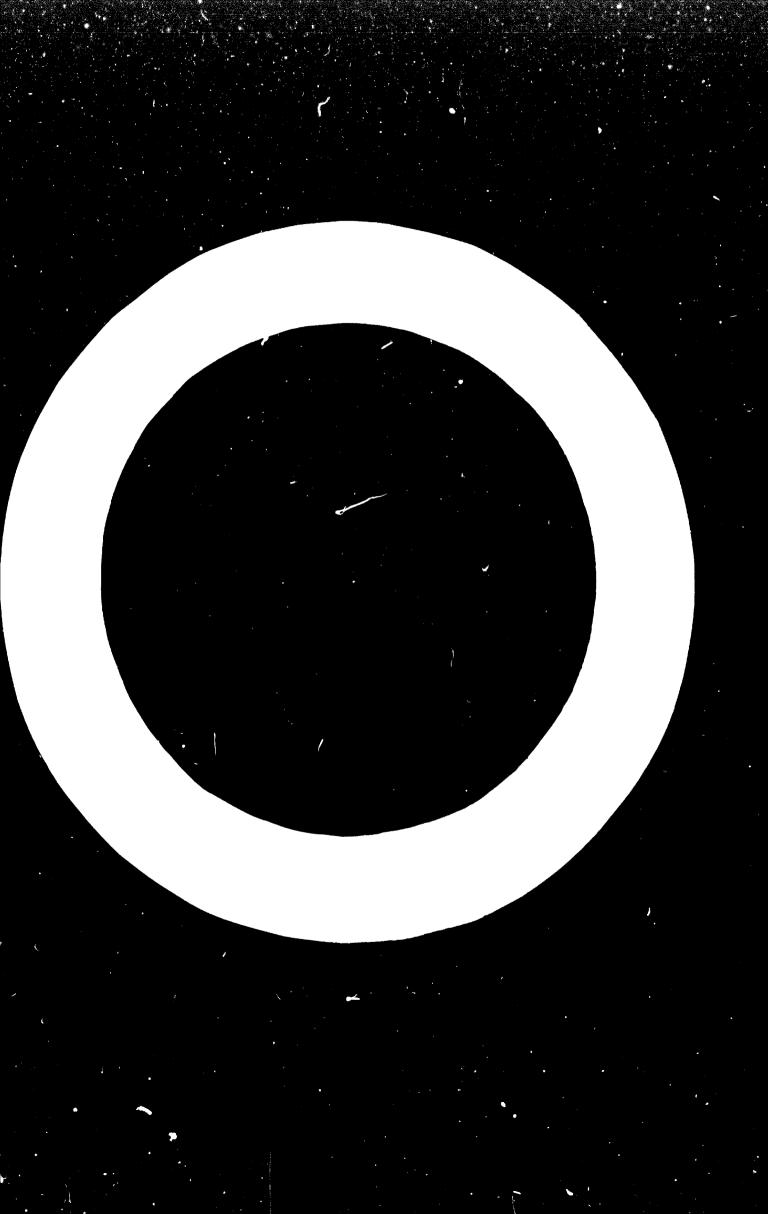
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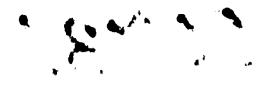
### ACTIVITIES OF THE CHILEAN TECHNICAL CO-OFFRATION SERVICE (SCT) IN THE PIPLD OF SUBCOSTRACTIONS

submitted by

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The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO.





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#### I. INTRODUCTION

The Technical Co-operation Service (SCT), which is a submidiary of the Children Development Corporation (CORFO), is working out a subcontracting programme intended to increase the supply of and demand for parts, components, a lessand derived through-out the industrial sector by means of operatic complementary relationship with enterprises in general, whether they are large, medium-cases or small-scale, co-operatives, etc.

When it is remembered that suscentracting already exists in the country and that at the same time an effort is being and by some major industries to promote their own suppliers, it will be seen that it is essential to retionable adjectory industries since this is one of the factors that will help to promote satisfactory industries development in our country with regard to costs, quality and facility of operation. To achieve this objective it has been considered desirable to erganize and open succentracting exchanges similar to those existing in France, Selgium, Spain and other countries.

#### II. WORK LONE

Since the establishment proper of this propromise in fame 197, background research work has been done for the purpose of establishing a subcontracting exchange at Santiago, and at the same time specific subcontracting translations have been concluded between contracting industries and subcontractors. This work has been contracting industries and subcontractors. This work has been contracting industries and subcontractors. This work has been contracted on by three operational engineers, including the onion of the unit concerned.

The following are the pasts stages in the process of pringing about subcontracting arrangements:

- (a) Receipt of the request for subcontracting, analysis of the work to be done, and supplementation of the background inform tion and their bound are difficulties.
- (b) Selection of possible subcontracting firms in original orders for the transaction in question, using the relevant records and taking into consideration also any specific information available on such firms have the necessary expectly and available time and are interested in particulating in the work r quested.

- (c) Communication to the contracting enterprise (that wishing to place the order) of the results obtained so that this enterprise can take a decision regarding the firms proposed for the execution of the work. This stage includes the necessary contacts between the interested parties.
- (d) Decision by the contracting enterprise with regard to the subcontracting transaction under consideration, leading to cancellation if there is no agreement between the parties or suitable action if the contracting enterprise has placed the order with one or more of the subcontracting firms suggested.
- (e) In the event of a positive decision, follow-up activity on the process of manufacture, including any advice that it is considered decirable to give, directly or in co-ordination with other departments of the SCT, to the firm obtaining the work order, with the object of avoiding the occurrence of any problems.
- (f) The case is considered closed when the work requested has been satisfactorily completed or if it is felt that follow-up activity need not be continued because the execution of the order does not present any difficulties.

From June 1967 to 3' December 1968, 124 subcontracting cases were considered in the manner described. These corresponded to requests from 47 different contracting enterprises, of which 32 were medium-sized and large-scale (68.1 per cent), and the possibility of taking on the work was given to 164 different subcontracting firms; of the latter 81 were small-scale enterprises (77.9 per cent).

Forty different work orders were granted to 25 enterprises among the subcontracting firms contacted, the value of such work totalling 1,889,548 escudos.

The following tables give data on the subcontracting work carried out in the period indicated above:

# OPERATIONS ACCORDING TO THE BRANCH TO THICH THE CONTRACTING ENTERPHIEF BUILDING

Branch	Instituti Posta ata	ele computati Per algorith	100 A.C.	`
Electronics industries	:.11. <sub>j</sub> (n.	E <sub>E</sub> , *	,	W
Textile industries	1, , / /	447. IF	., /0	Y. 4%
Industries not included in the above branches (automobiles, householi articles, etc.)	944 <sub>4</sub> 511	· 7 , 161	6 <b>11,</b> 35.	₩ <b>.3</b> 5
TOTALS	한 <sup>0</sup> 1,219,770 炎 04.05	669 <b>,</b> 678	1,889,540 160	10C

## OPERATIONS ACCORDING TO THE BRANCH TO WHICH THE SUBCONTRACTING ENTERPRISE BELONGED

Manufacturing branch	Initial requests	Recurrent regaçats	TOTAL E	31 10
Wood products	357,500	571 <b>,</b> 278	909,378	48.13
Work using various machine tools	127, 46	18 <b>,</b> 494	448 <b>,45</b> 0	23.63
Metal punching and stamping	249,715	12 <b>,</b> 590	262,805	13.91
Dies and mechanical devices	59,845	47,650	107,41.5	5 <b>.</b> 69
Springs, etc.	70 <b>,</b> 320	15,500	(5,320	4.54
Leather goods	52,660		99,400	3.15
Miscellemoous (forging, electrodeposition, plastics, foundries, etc.)	17,344	e, <sup>6</sup> 6	17,710	0.74
TOTALS	2 <sup>0</sup> 1,219,270	501,178	1,88),548	100

It is possible that the amounts indicated for recurrent requests may have been appreciably greater than those found on verification, but in fact what was of primary interest in this work was not the vilu of the transactions in escudos but the establishment of initial contacts between the contractors and possible suppliers, subsequent operations being the responsibility of those directly concerned.

#### III. SUBCONTRACTING EXCHANGE

On the basis of the information gathered during the phase indicated above and the experience obtained in handling the various cases studied, a project was worked out for the organization and opening of a subcontracting exchange.

Phis project, which has now been completed, was worked out by the SCT with the collaboration of ILO experts under an aureement between the 110 and the Chile in Government, and was revised by Les Jacques Lordard, a Trench ILO expert, during a stay of about twenty days in our country in Larch 136.

The following basic principles were sollowed in the establishment of this subcontracting exchange:

It is a private and autonomous body, with it was statuted and resulations; it will be managed and directed by a Board consisting of industrialists elected by the general meeting of memoria.

It is a non-profit body.

Its activities are exclusively limited to rendering a <u>service</u>, so that it does not hamper free competition.

It is a purely technical body that does not intervene in any way in commercial matters or act as an intermediary.

It does not draw a commission from the contractor or from the sub-contractor.

#### IV. CHARACTERISTICS OF CHILEAN LIDE TRICE ASSOCIATIONS

Attention may be drawn to seem characteristics of the Chilern industrial associations that are relevant to the possibility of their participation in the subcontracting exchange.

In the first place there is no single essociation including of the enterprises in Santiago or throughout the country, but there are many such associations incorporating enterprises at various levels and in various branches or land eturing.

Secondly, each one has a marked individualistic character, which of early militates against joint action with regard to problems of a gineral nature.

Finally, almost every one of them has a great interest in the establishment of a subcontracting exchange for its members.

#### V. OPENING A SUBCONTRACTING EXCHANGE

Taking into consideration the basic principles of the subcontracting exchange and the observations in the above section, the SCT has analysed the situation and arrived at the following conclusions:

- (a) The exchange should be jointly sponsored by all the industrial associations so as to ensure a common approach.
- (b) The associations should be sponsors only and thus should withdraw from posts on the Board after the establishment of the exchange.
- (c) The SCT should support the associations in the initial stage, facilitating financing, and providing a temporary manager and the necessary staff for the exchange. It should also give any assistance called for to enable industrialists duly to meet the requirements of the exchange.
- (d) In view of the existence of various associations in the area (Santiago), four of these have been selected to begin the implementation of the project, the others to be included when and as considered convenient.

Accordingly, on 28 April 1969 an organizing committee was set up, consisting of two representatives of each of the associations and of the SCT, with the object of opening the <u>Santiago de Chile Subcontracting Exchange</u>.

This committee consists of the following associations:

The Corporation of Proprietors of Medium-sized and Small-scale Metallurgical Industries = CORMETAL

The Chilean Association of Medium-sized and Small-scale Industry = AMPICH

The Association of Proprietors of Medium-sized and Small-scale Industrial
Enterprises and Artisans of Quinta Normal = ASIQUINTA

The Association of Proprietors of Automobile Workshops = AITA

The activities of the Exchange began with a promotion campaign among contracting enterprises (mainly large-scale and medium-sized enterprises) and with visits to subcontracting enterprises to verify their qualifications for joining the Exchange.

It is estimated that at the end of pertender 1909 the Exchange will have enough members (about forty) to hold a general meeting and elect the Court of Director, so that it will be able to begin providing the services for which it was established.

The following items are appended to give more of an idea of this project:

Final draft of the statute of the Exchange

Provisional financing

Application for membership

Forms for obtaining data from enterprises

Forms for subcontracting procedure.



