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OCCASION

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INTRODUCTION

I welcome this opportunity of speaking to you on the subject of "Organisation for the Management and Promotion of an Industrial Free Zone".

In doing so I will deal to a major extent with our experience at Shannon for a period of over 14 years. From this I hope to evolve some principles and conclusions of wider application and in the discussion which follows this presentation, perhaps alternative forms of organisation can be considered and contrasted.

The methods adopted in respect of Shannon's Customs Free Zone are related to the circumstances of Shannon which have changed quite significantly during the past decade. You have already seen and learned something of its background and later speakers will deal in detail with selected aspects. In summary, the Shannon Industrial Estate must be seen in the context of local regional and national economic and social backgrounds. Of particular relevance, is the fact that SFADCO's operations are not solely concerned with promoting industry within the Free Zone but also warehousing and office headquarter type projects. Acting as agents of the Industrial Development Authority, the Company is involved in regional industrial development; it is involved in the building of a new town at Shannon and in housing development in the region; it is very much involved in tourist development in the area; and it is also concerned with aviation activities and developments at the airport. SFADCO's organisation is therefore related to these varied activities and obviously differs from the type of organisation, which would be solely concerned with the operation of a Free Zone.

FORMS OF SPONSORSHIP

Any Industrial Estate is part of an overall economic and social environment. Industrial Estate projects are frequently sponsored by central, state or provincial governments; municipalities or local boards; autonomous or semi-autonomous industrial estate authorities; private groups

or individuals, co-operative associations or joint stock companies; mixed groups of public and private representatives, chambers of commerce and other non-profit community organisations. Administration of an estate is related to the size of the estate; the objectives of the estate; and the extent of services and facilities provided.

FORMS OF ORGANISATION AT SHANNON

In the case of Shannon, the form of organisation and the management structure has been effected by the various other activities already mentioned, for which we have responsibility. In addition, administrative requirements have varied as the Estate progressed through planning, construction, promotion and growth etc. and these have indicated the desirability of having a flexible administrative and technical force.

The type of organisation established for Shannon - SFADCo Limited - is a private limited liability Company established under the Companies Acts and owned and ultimately controlled by its Shareholders - the Ministers for Transport and Power, Industry and Commerce and Finance. The Board of Directors consists of 6 members including a Chairman. The Board is a part-time one. Its members, appointed by the Shareholders and answerable to them, are responsible for establishing the overall strategy and policies of the Company and for determining the general lines of action necessary to achieve these policies. Implementation of the Board's policies is the function of the Company's permanent full-time staff headed by its chief executive - the General Manager - assisted by a management structure which I will later describe.

SFADCo has clearly defined responsibilities with the necessary powers and finance to achieve its aims. A number of Legislative Acts empowered the Minister of Finance to provide capital for the Company for the construction of the Industrial Estate and New Town and (2) empowered the Minister for Transport and Power to provide for grants in his Department's vote and authorise payment of grants by the company and provide for running expenses. Other acts of Legislation streamlined the procedure for licensing of firms and provided for a special period of tax exemption in respect of approved projects.

ADVANTAGES OF SHANNON TYPE ORGANISATION

The type of organisation described a part-time Board appointed by the Government and under its control responsible for policy direction, and accountable to the Government for its performance, with responsibility for day-to-day management vested in a chief executive, has been applied successfully in many spheres of economic activity in Ireland. It has clearly many advantages for the type of operation in which SFADCo is engaged. Most important of all is the devolution of considerable autonomy to SFADCo, with decisions being made on the spot. State control relates to Finance and Board appointments. Its operations are kept in line, through the appropriate Ministers, with the overall development plans of the Government. The company possesses the flexibility and initiative of private enterprise with full responsibility for day-to-day administration. These are key considerations in any organisational set-up for an industrial estate. Quite obviously the more successfully and responsibly such an organisation performs its task, the easier it will be to justify to central Government a case for delegated authority.

In our experience, this considerable degree of autonomy has ensured the speediest and most efficient type of administration. It is necessary that agencies responsible for the administration of an estate, should be able to function with the type of freedom and flexibility, which may not be possible in a regular government department. Day-to-day problems and decisions have to be tackled with the speed and flexibility, which we associate with a normal commercial business.

It is important that this autonomy should also extend to other organisations directly concerned with the Free Zone or Estate and its needs, whether they be government or commercial establishments. An example of the former in this area, would be the Customs Authorities, who at all times have adopted an enlightened approach in regard to Customs documentation; similarly, the Department of Posts and Telegraphs, which is responsible in this country for the vital communication services of mailing services of mailing services, telephone, telex etc. and decisions affecting these matters can be made at local or regional level. In the case of commercial enterprise, a suitable example of the need for ability

to act with reasonable local autonomy, would be the case of a freight forwarder, who should be able to speak with authority and negotiate on the spot with an industrialist - perhaps a visiting one here for a single day -- on a transport matter.

The devolution of the type of autonomy described, is one of the key aspects of our organisation and we would recommend its application, wherever appropriate or needed.

MANAGEMENT STRUCTURE - SOME CONSTANT FACTORS AFFECTING FREE ZONES

From the beginning SFADCo was very closely involved in planning the Estate at Shannon, in researching and determining the type of business activity which might best be established here, in setting targets and of course in the fundamental matter of promotion. It also assumed full responsibility for the actual setting up of construction and management of the Estate and the co-ordination of overall development plans. These activities, as well as those which are not directly concerned with the Customs Free Zone, have determined the form of management structure within which we work.

The management of SFADCo, reporting to the General Manager currently falls into three distinct areas:

- A. Planning and Promotion
- B. Physical Resources
- C. Finance and Administration

Divisions within these groupings are:-

- A. Planning and Promotion
 - (i) Industrial Promotion
 - (ii) Tourism and Transportation
 - (iii) Planning and Research
 - (iv) Publicity
- B. Physical Resources
 - (i) Physical Planning
 - (ii) Construction and Maintenance
 - (iii) Estates Management

C. Finance and Administration

- (i) Staff and Services
- (ii) Financial

Many of these activities insofar as they affect the Free Zone will, to a greater or lesser extent have relevance to other Free Zones. The key areas would appear to be Industrial Promotion and the divisional areas which compliment or service its needs, in particular, Planning and Research, Construction and Maintenance, Estates Management, Publicity (which in the case of SFADCo is separate to Industrial Promotion because of the diversity of promotional activities) and the very vital area covering after-care services. Their necessity in some form or other in most Customs Free Zones, is fairly apparent although the size of the task will sometimes determine whether or not they might be separate or a few of them combined as one functional area within the Organisation structure. Because the important role of some of these sub-divisions of the Organisation is being covered in detail in separate presentations, it is not necessary to dwell on them here.

OTHER COMPLIMENTARY AGENCIES

It would be impossible to devise an Organisation which had in-built expertise to deal with all the problems or situations requiring attention within a Customs Free Zone. As in the case of other Customs Free Zones, SFADCo will find occasion to call upon the advice or assistance of other agencies. The main agencies directly or closely concerned with SFADCo's activities are:-

- (i) The Industrial Development Authority which is responsible for the overall industrialisation programme throughout the entire country.
- (ii) The Industrial Training Authority - a Government-sponsored body responsible for raising the skills of the Irish work force at all levels in Industrial and Commercial activities, which has a number of training centres including one at Shannon Industrial Estate.
- (iii) Customs and Excise Service whose co-operation can ensure smooth arrangements for exports and imports through the Free Zone.

There are also several other agencies who will be at times involved in relation to Industrial Development including the Irish Export Promotion Board, the Institute for Industrial Research and Standards, the Industrial Credit Company and the National Building Agency. The co-operation of all is vital to the accomplishment of the task, in the case of Shannon their help has been most beneficial.

PROMOTION

One of the most important elements in any organisation concerned with Industrial Development, is its Industrial Promotion arm - the basis on which it is organised and the methods it employs in attracting investment. Inducing companies to locate in a particular area is one of the most difficult and time consuming tasks that an Industrial agency will face. Consequently this aspect of the agency's operation has to be planned and organised with considerable care.

The task is made considerably easier, if the product to be marketed has been fully researched leading to the adoption of policies or guidelines. Insofar as Shannon is concerned, the IDA broad principles to be followed in deciding on the admission of tenants also apply at Shannon. These have already been described in the paper presented by Mr. McCarval of the IDA. Growth, stability, good quality jobs and export potential are key criteria in evaluating any project for establishment here. In addition the special characteristics of Shannon e.g. a project must be one which would derive benefit by establishing at an airport location, enable us to identify prospective companies more readily. We have in fact identified certain categories of industry which we would like to attract on the basis of special desirable characteristics. For example these would be industries which had a high male labour content, which were clean with low noise level and which linked into the Industrial environment, apart altogether from finding a usage for air transport.

I do not intend to evaluate here the various promotional means available since they have been dealt with in detail in an earlier presentation. It is sufficient to say that we have adopted the various

methods generally used, including advertising, direct mail, editorial coverage and direct approaches of various kinds to likely firms.

There are however some special factors relative to SFADCo which govern the extent and type of promotion undertaken. Promotion of Shannon and incidentally the Mid-West Region is part of the national promotional effort which is the overall responsibility of the IDA. In order to avoid unnecessary duplication of resources, SFADCo's promotional effort must be viewed as complimentary to that of the IDA. For that reason SFADCo does not maintain offices abroad. However, SFADCo representatives do undertake field work in conjunction with the IDA, when particular contacts merit such visits. Organisationally, it is necessary that very close liaison be maintained with the IDA.

There are some further aspects of our promotional programme which deserve comment.

1. Some development organisations prefer to purchase professional expertise by engaging outside commercial agencies in order to undertake promotion. There is of course merit in this. The reason why SFADCo has opted for direct promotion, as opposed to using the services of an agency, is that in our experience it would be difficult to separate the "incentive" aspect from promotion and we prefer to deal with the industrialist directly from initial contact right through to final negotiation. Secondly because of our relationship with the IDA as already described we can draw on their efforts to a considerable extent.

2. Apart from assisting established industry, the services divisions within SFADCo play an extremely vital role at the selling stage of a project, in that ready expertise is available from these divisions on such questions as labour relations, labour availability and costs, training arrangements, factory construction and housing availability etc. In these circumstances, the Industrial Promotion Division will often find itself co-ordinating the provision to a visiting industrialist, of information on these topics, from people within the Company, who have first hand working knowledge of the problems involved.

In general success leads to further success and it is not only necessary but also rewarding to cater adequately for existing industry. To do so, will generate one of the most economic and effective forms of promotion by creating the right atmosphere for new industry. Not alone will established industry have the desire and the capability to expand beyond original intentions but the resultant favourable publicity, whether it occurs in the normal media or through word of mouth, will encourage other industry to follow in its footsteps. We believe the type of organisation described, is that most likely to create the type of environment at Shannon, so that industry may continue to be attracted.