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EVALUATION REPORT ON INDUSTRIAL ESTATES NO. 11

SRI LANKA ^{1/} (1976)

by

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SUMMARY

- (i) The Industrial Estate Programme in Sri Lanka ~~has~~ has been regarded as a general tool for industrial development but not exclusively confined to the small industry. This needs to be spelt out clearly and, if necessary, the relative proportion of the medium and small units on an Estate may need to be specified.
- (ii) The Industrial Estate Programme has been formulated and implemented purely by indigenous talent; the bulk of the funds required for the programme have also been drawn from within the government allocations. None of the units in the Estate has any financial or technical collaboration from abroad.
- (iii) The Programme is formulated and implemented by the Industrial Development Board (IDB) - a statutory body set up under the Ministry of Industries; the Department of Small Industry (under the Ministry of Small Industries) and the Regional Development Division (under the Ministry of Planning) also operate programmes for small and rural industry as well as handicrafts and handlooms. There is need to streamline the position if the Industrial Estate Programme is to cater to all types of small and rural industries.
- (iv) The Industrial Estate Programme in Sri Lanka may be considered to be a qualified success; the Ekala Estate (near Colombo) is undoubtedly a successful one while that at Pallekelle (near Kandy) is less so and that at Atchuvely (near Jaffna) is yet to take off.
- (v) The unsatisfactory performance of Pallekelle and Atchuvely is largely due to their unfavourable physical location and to the relatively high quantum of rentals being charged on the Estate.
- (vi) The level of facilities on all the three estates is confined to the basic services of developed plots, buildings, power, water and roads; none has a bank, canteen, dispensary, recreation centre not to speak of common service facilities like workshop, tool room, etc.
- (vii) The costs of building construction and of the utilities at Pallekelle are high due to unnecessary sophisticated architectural features; at Atchuvely, there have been considerable time lags in the completion of civil works.

(viii) The policy of charging rentals (purely on the basis of costs) has lead to the anomalous situation that the quantum of rentals on Pallekelle and Atchuvely (which are in rural areas) is more than at Ekala, in the metropolitan region by as much as 33 1/3%. There is need for review of the rentals after a 5 year period to bring them in line with the market conditions.

(ix) Both Pallekelle and Atchuvely are located in regions with considerable human skills and entrepreneurship; hence, by a suitable policy of incentives such as subsidised rental (for a limited period) and meaningful extension services it should be possible to make them both successful.

(x) The Industrial Development Board has an Estate Superintendent for each estate whose main function is to ensure continuity of essential services while the Industrial Estates Division at the Head Office watches the collection rentals. Both these services are at present being performed well; very few complaints were heard about the services while the rental arrears on the Ekala Estate after 13 years of operation were barely 10% of the annual rental.

(xi) If the Industrial Estates are to cater in an increasing measure to the small units, the Industrial Development Board (IDB) needs to take a more promotional role in the management of the Estate than regard itself primarily as a 'landlord' collecting rents from tenant industrialists. The IDB must actively assist the small units on the estate in securing raw material allocation, finance, and orders, particularly from government purchasing departments on a preferential basis as well as provide counselling and consultancy. This is specially required in the case of estates in the backward regions.

(xii) A clear cut policy in regard to the expansion of the Units - both medium and small - needs to be spelt out so that those intending to do so can be aware of such possibility on the estate.

(xiii) In view of the semi-permanent character of the lease, a Hire Purchase policy needs to be formulated - particularly in respect of the Ekala estate - to enable tenant industrialists to possess the buildings as fixed assets. The amounts so received may be credited to a Revolving Fund which can be utilized to fund the estate programme in future.

(xiv) The per capita investment on the Ekala Estate is around Rs. 13,800 which is in the medium sized category while that at Pallekelle is Rs. 24,600 per workplace created. The capital intensity of the units on the Estate seems to be higher than outside and the Technical Services Division of the IDB should examine the possibility of local fabrication of machinery.

(xv) The Units on the Estate produce both consumer goods, mostly textiles and also intermediate products. There is a significant proportion of women amongst the workers although none of the Units is operated by a woman. Few units work more than a single shift due to many constraints, the most important being lack of adequate allocation of raw materials and lack of demand.

(xvi) The Regional Managers of the IDB should be made fully responsible for the administration of the estates in their jurisdiction; the Industrial Estates Division of the IDB should concern itself with drawing up broad policy formulations and the long term perspectives of the Programme rather than with the day to day details of operation.

(xvii) A greater awareness of collective approach needs to be fostered by the IDB; tenant industrialists may be encouraged ^{to} form associations which can cooperate with the IDB in providing services on the Estate.

(xviii) There is need for greater linkage with other Rural Development institutions and Universities as well as the community in which the Estate is sited; advisory committee may be constituted for each Estate consisting of representatives of the Town Council, Chamber of Commerce, Industry, Banks etc. 'Open Days' can be arranged so that the public is aware of the operations of the Estate and its contribution to the community.

(xix) The IDB may think in terms of setting up in future 'mini-estates' much smaller in size and containing both developed plots and worksheds which can be leased to potential entrepreneurs. The worksheds should be functional in design and of low cost. The number and location of such estates is for the IDB to decide but as a general policy but it may be possible to locate one such estate in every one of the 22 districts of the Island during the next five years. Admission criteria for such units should be defined clearly giving preference to the small units. Functional estates in a few areas like Electronics, Rubber and Coconut may also be set up preferably on a cooperative basis.

(xx) The Industrial Estate has proved a useful tool for development of Industry and growth of entrepreneurship in the Colombo metropolitan region; but in the more backward areas like Kandy and Jaffna, it needs to be supported by a comprehensive programme of extension services and linked more closely with national and regional development plans. It is only then that such Industrial estates can begin to discharge the role expected of them - as 'triggers' for the development of the region as a whole; otherwise they are likely to remain, as they are in many cases, mere status symbols.

INDUSTRIAL ESTATES IN SRI LANKA

... an Appraisal

I. INTRODUCTION :

Sri Lanka (formerly called Ceylon) is an island republic to the south of India with an area of 25,000 sq.miles and a population of around 14 million. The country is basically agricultural, largely dependent on three plantation crops - tea, rubber and coconut. The GNP in 1975 is estimated to be Rs. 21.9* billion while the per capita income is Rs. 1610 (U.S.\$ 183) (1 U.S. \$ = 8.66 Sri Lanka Rupees). At constant factor prices (1959), the GNP is Rs. 11.15 billion and the per capita income is Rs. 716.

II. GENERAL INDUSTRIAL POLICY :

2. The Industrial policy of the Government of Sri Lanka has been enunciated in various plan reports and, most recently, in July 1971 as well as in the Five Year Plan (1972-76) currently under way. The Plan for the Industrial Sector has been designed to fulfil the following objectives :

- (i) the need to create employment opportunities;
- (ii) the need to expand production of essential commodities for mass consumption to meet the increased demand from low income groups;
- (iii) the need to establish basic industries capable of providing inputs for other industries;
- (iv) the need to bring industry to the rural areas so as to provide employment as well as better utilisation of raw materials from the rural sector;
- (v) the need to minimise foreign exchange commitment for investment and raw materials; and
- (vi) the need to gear industrial growth to the export market.

To achieve the above objectives, it was proposed that the heavy and capital good industries and other suitable basic industries will be State-owned while others will be assigned to cooperatives and private entrepreneurs.

3. The total industrial production in 1975 has been estimated by the Central Bank of Ceylon on the basis of a sample survey at Rs. 5,966 millions and the break-up between the various sectors of industry as well as the employment provided is shown below in the following table :

TABLE 1

Industrial production and employment in 1975

<u>Sector</u>	<u>No.</u>	<u>Employment</u>	<u>Production Million Rs.</u>	<u>%</u>
1. Beverages, Tobacco	154	16,704	2,463.1	41.3
2. Textile, Wearing apparel	634	37,349	871.0	14.6
3. Wood & Wood products	18	7,192	46.8	0.8
4. Paper & Paper products	64	5,714	201.1	3.3
5. Chemicals, Petroleum, Rubber & Plastics	206	12,691	1,543.8	25.9
6. Non-Metallic Mineral products	67	11,540	283.1	4.7
7. Basic Metal products	1	1,324	126.0	2.1
8. Fabricated Metal products (Machinery & Transport)	317	14,052	400.2	6.7
9. Manufactured products (Not otherwise specified)	23	1,373	31.5	0.5
	<u>1409</u>	<u>107,244</u>	<u>5,966.6</u>	<u>100.0</u>

Source : Central Bank of Ceylon - Report on the Economy in 1975.

4. The growth of industrial production (at constant prices pegged to 1970) has been steady, though not spectacular. In 1975, there has, however, been a significant increase of as much as 16% over the value of industrial production in 1974. The capacity utilised is estimated to be around 54.18% while the value added in the major industry is Rs. 2,231.9 in 1975. Due to the scarcity of foreign exchange, there has been ~~me~~ constraint on the further growth of industry, the import of raw materials from abroad representing as much as 61.27% of the total imports of such material.

III. SMALL INDUSTRY DEVELOPMENT :

5. No clear definition of small industry has been officially provided so far, although a number of working definitions are employed by Government agencies. Currently, the working definition used by the Industrial Development Board (which is the principal Government Agency for the development

of Small Industries in the island) and the financing institutions is that investment on plant and equipment does not exceed Rs. 500,000 at current prices, inclusive of the foreign exchange entitlement certificate. No employment criterion is used in the definition.

6. The establishment of even small industrial units needs to be approved by the Ministry of Industries and Scientific Affairs. This is done taking into consideration the nature of the industry, the employment provided, availability of necessary skills, both managerial and technical, and the amount of imported raw material content in the final product.

7. While accurate statistics are not available, it is obvious that the small scale sector is a significant component of the national economy. It is estimated that the Sector (including handicrafts and handlooms) accounts for 85% of the employment and 65% of the output; even discounting the handloom and handicrafts units, the small sector is estimated to constitute 40% of output and 71% of the employment with a capital base of only 15% of the total industrial investment. In fact, the low capital investment of about Rs. 2,500 for each work place created makes the Small Scale Sector an ideal vehicle for development in a Country like Sri Lanka where capital is always a scarce commodity.

8. The total number of approved industrial units in the country has been estimated to be around 3000 in June 1975. These are divided among the following sectors as follows :

TABLE II

Classification of Approved Units Products-wise

Meat, fish and milk products	37
Fruits and vegetable products	99
Confectionery, bakery and cereal products	105
Spirits and alcohol beverages	32
Other food products, tobacco	125
Ready-made garments	850
Petroleum products	197
Salt and salt based chemicals	24
Other chemicals	109
Pharmaceuticals and cosmetics	99
Soap, vegetable and animal oils and fats	95
Leather and Rubber	248
Wood, Paper and Pulp products	274
Clay, Sand and Cement Products	198
Basic Metal products	137
Ferrous and non-ferrous metal products	349

Transport equipment and spares	197
Electrical Goods	145
Optical and Precision goods	56
Total :	<u>3376</u>

Source : IDB Report - December 1975.

It may be noted that not all the above units come under the definition of Small Industry but more than 90% of such units may be assumed to be small units.

9. The distribution of the small units in the Island is very uneven, the large majority of them being located in and around Colombo. It is estimated that as many as 66% are in the Colombo District while Jaffna, Kandy, Kalutara and Matara account for another 18%. Thus five districts (out of 22) account for 84% of the units which seems to indicate that one of the basic objectives of the small units acting as focal points for a balanced regional development has not, in fact been achieved.

10. Besides the above number, there are a large number of unapproved units which do not receive any allocation of foreign exchange for the raw materials. Statistics compiled by the Department of Census & Statistics places the total number of Small Units at 5000. Most of them use indigenous raw materials while a few buy their import requirements from the open market. There is also a considerable sector dealing with handicraft for which the country is famous such as batiks, wood carvings, masks etc. as well as handloom and powerloom.

11. The Industrial Development Board (IDB) was established in 1966 and reconstituted as a statutory body in 1969. The main functions of the Board are to provide assistance to the development of small industry and to co-ordinate the programmes relating to its growth. It is headed by a senior civil servant as Chairman of the Board which consists of representatives from other administrative ministries of the Government such as Finance, Planning, etc. as well as persons drawn from the private industry. The Board receives its budgets entirely from Government.

12. The Industrial Development Board operates through 10 regional offices situated in various parts of the country. The regional offices implement the policies of the Board in identifying new industrial possibilities and matching them with available local entrepreneurial talent. The Board also sets up demonstration plants which utilise indigenous raw materials such as strawboard from paddy husk and starch from manioc.

IV. INDUSTRIAL ESTATE PROGRAMME :

13. Sri Lanka like other developing countries has taken up the setting up of Industrial Estates as a specific device for industrial growth, regional dispersal of industry as well as to relieve congestion in the metropolitan Colombo region. Three estates have so far been set up - one near Colombo (Ekala) in 1963, another near Kandy (Pallekelle) in 1972 and the third near Jaffna (Atchuvely) in 1975. The locations of the three estates are shown in the accompanying map which indicates that they are regionally well dispersed.

14. Detailed statistics in respect of each of these Estates is provided in the Annexure. Maps showing the site location as well as the layout of each individual estate are also included in the annexure.

15. In view of the need to make this Report concise, the following brief description is considered adequate :

(i) Ekala

This is the first industrial estate set up in Ceylon and commenced operation in 1963. The estate comprises an extent of 62 acres* of land of which 55 acres have been developed. The built up area is approximately 35 acres. 43 factory units with infra-structural facilities such as electricity, water supply, sewage disposal etc. have been provided. In selecting the tenants on the estate, priority was accorded to industries which conform to the over-all policy of the Government in regard to utilisation of raw materials, local fabrication of machinery, employment and export potential. All the 43 units in the estate are under occupation and there is a further demand for more units which is proposed to be met by the construction of 7 more buildings as well as developed plots.

(ii) Pallekelle

This estate has been set up in 1972 near Kandy in the village of Pallekelle which is about 7 miles from Kandy and 80 miles from Colombo. The total area of the estate is 75 acres of which 40 acres has been taken up for development in the first stage. 34 factory units of three types A (Minor), A & C - have been constructed in 7 blocks. All factories are clad with specially made asbestos sheets which are fixed to the concrete structure in three sections. The roofs of the factory are supported on steel framework and the roofing material used are asbestos and tiles. The

* 1 Acre = 2.5 hectares (approx.)

design of the factory conforms to the distinctive Kandyan style of architecture which, while aesthetically pleasing, has added to the cost. At present, 27 of the 34 units are occupied, many of them by public sector units as well as a UNDP aided project.

(iii) Atchuvally

The third estate has been set up in 1975 at Atchuvally near Jaffna in the northern part of the island. The estate has been sited on 65 acres of crown land of which 25 acres has been developed in the first stage. 36 industrial units are located in the estate, each of an area of 127 sq.metres. The estate has commenced operation a few months back and only 14 units have been allocated so far. Production has been commenced by three firms occupying 10 units on the Estate.

(iv) Boossa

A former race course at Boossa (near Galle) of an extent of 75 acres was taken over for development as an Industrial Estate to cater to the needs of entrepreneurs in the Southern province. Work commenced in January 1970 with the construction of Superintendent's quarters and Administration Block. There has however been some rethinking on the desirability of setting up the estate in its original concept and the bulk of it (except 10 acres) has been handed over to a public sector agency (Building Materials Corporation) for utilisation.

The following table provides at a glance the progress of the three estates currently operating in Sri Lanka :

TABLE III

Details of the Industrial Estates

<u>No.</u>	<u>Location</u>	<u>Year of commencement</u>	<u>No.of Units constructed</u>	<u>Investment (Rs.M)</u>	<u>No. of units occupied</u>	<u>Employment covered</u>	<u>Production (Rs.Min.)</u>
1.	Ekala	1963	43	5.96	43	1218	47.12
2.	Pallekelle	1972	34	10.17	27	875	23.16
3.	Atchuvally	1975	36	5.477	14	106	0.93

16. The Industrial Estates programme was originally undertaken by a separate corporation set up for this purpose namely, the Industrial Estates Corporation. In 1969, the Corporation was merged with the Industrial Development Board which took over the operations of the Corporation which, at that time, consisted only in running the Ekala Industrial Estate. The Board then

sought the sanction of the Government for expanding the Industrial Estates programme to the central, northern and southern areas at Kandy, Jaffna and Galle as a means of attracting new industrialists, primarily in the small and medium categories, to these areas. The Board is currently considering a programme to expand the Industrial Estate concept with some modification to three more areas, based on a report furnished by the Consultant while serving as a UNIDO Advisor.

17. All the three estates so far set up provide ready made work places on a rental basis to prospective tenants. For this purpose, a lease agreement is entered into initially for a period of 3 years. Any addition or alteration to the existing buildings can be carried out by the tenants only with the prior approval of the board. Fire risks for all the units is provided by the Board, but the premium is recovered from the tenants proportionately. Payments for power consumed and for telephone connections are made by the tenants directly to the agencies concerned.

18. No well defined admission criteria have been laid down and all categories of industries and sizes of units are allowed in the estates. As far as possible, care is taken to site them so that there are no problems due to pollution. Most of the Units are of the manufacturing types although a few maintenance units (of the public sector agencies such as Transport Board and Electricity Board) are also located. The general size of the Units is in the medium to large category and the number of small units is limited.

V. CRITICAL EVALUATION OF THE PROGRAMME

19. Over-view : Broadly, it may be stated that the Industrial Estates Programme in Sri Lanka is a qualified success and presents a mixed picture for the present. Of the three estates now operating, one at Ekala (near Colombo) has done well while those at Pallekelle (near Kandy) and Atchuvely (near Jaffna) have not fulfilled so far the broad objectives of stimulating entrepreneurship and the growth of small and medium industries in that region. In all the estates the bulk of the units can be said to be in the medium and large size categories, while really small units are comparatively few in number. However, it may also be pointed out that these estates were not meant to be exclusively confined to the small industry though small and medium units were to be preferred. It is also true that the Ekala Estate in the Colombo region satisfied a long felt need of the entrepreneurs while the other two have been set up purely on government initiative. For this reason, the estate at Ekala was operation with more than 1000 employees within three years of commencement of business and has since tended to level off.

(ii) Occupancy : The occupancy rates of the three estates are 100% at Ekala, 80% at Pallekelle and 40% at Atchuveiy. It must be conceded that mere occupancy is no criterion of satisfactory performance; one must look deeper as to the type of units that are actually occupying the estate. At Ekala, all the units are those of private entrepreneurs and most of them were established afresh/^{many by existing companies.} It can be presumed that most of the units set up at Ekala were attracted by the facilities offered on the Industrial Estate. At Pallekelle, on the other hand, the small and medium units account for only 8 out of the 27 units, the rest being large units or government agencies (including 2 units occupied by the Police Station). Another important factor is that over a period of 13 years of operation, the turn over of business firms on the Ekala Estate is 18 of which 15 had left for relocation to larger premises and only 3 can be considered as business failures. The overall performance of the Ekala Estate can therefore be said to be satisfactory and has contributed significantly to the development of new entrepreneurship in the Colombo region.

(iii) Location : Part of the success of the Ekala Estate is due to its favourable siting; the estate is close to rail, road and air transportation. The Pallekelle Estate, on the other hand, is 7 miles from Kandy and is connected by infrequent bus service. The estate was originally conceived as part of a satellite township but the remaining elements of that project were not implemented and the Estate is therefore somewhat physically isolated. Atchuveiy is also poorly connected by road and rail and the siting seems to have been due to the easy availability of crown land in that area.

(iv) Size of the Estate : All the three estates are extensive in area ranging from 50 to 100 acres of land. Although there are differences in the size of units the number of units is also considerably varying from about 34 in Pallekelle to 43 at Ekala. It may be pointed out that in Ekala, only the first two stages have been completed while two more stages involving an equal number of units were not taken up due to financial exigencies. The present size of the Ekala Estate can be said to be fairly commensurate with the demand for accommodation by the entrepreneurs of the area but at Pallekelle and Atchuveiy, there is no correlation between the number of units decided upon and the actual or potential demand. The size of these Estates would seem to have been decided on a somewhat adhoc basis without any supporting techno economic survey.

(v) Costs of Construction : Cost of construction at Pallekelle and Atchuvely are somewhat excessive compared to those at Ekala. In the former case, the styling of the work sheds is unnecessarily sophisticated conforming to the distinctive Kandyan style of architecture while this is aesthetically striking, it certainly has added to the cost of construction. Even in the case of utilities, the costs are high at Pallekelle particularly in respect of the water supply. At Atchuvely, the high cost of construction seems to have been due to the protracted period over which construction was undertaken by a government agency. There is also the time factor involved since the Ekala Estate (Stage I) preceded the other two estates by as many as 7 to 10 years.

(vi) Progress of Implementation : Reference has been made in the previous para to the long time delays experienced in the construction of the Atchuvely Estate. The contract was awarded to the State Engineering Corporation - a public sector agency - in August 1970 but it was not completed till December 1975 - more than 5 years later. At Pallekelle, a private firm was assigned the work in February, 1969; the estate went into operation within 3 years by 1972 (with the exception of the water facility). The differences in the progress of implementation may be due to the fact that the Industrial Development Board which had awarded the contract did not have adequate authority to insist on the original time schedules being kept up by the government agency; a small portion of the delay may also be due to rethinking in the IDB itself on the role of the estate. In any case, there is need for the IDB setting up strict time schedules to be followed by the contracting agency - whether government or private - in establishing such estates in future with penalty clause that can be enforced.

(vii) Facilities : On all the three estates, basic facilities such as roads, water and power have been provided; at Pallekelle, water was available only long after the estate began to operate. Telephone facilities are available only at Ekala and Pallekelle but in the latter case seem to be inadequate; one unit on the estate mentioned that to communicate with Kandy (7 miles away) it found it quicker to go through Colombo (80 miles away). Atchuvely has not yet been equipped with telecommunication facilities which is a severe handicap for the few units operating on it.

Many units on all the estates mentioned that facilities such as dispensary, vehicle for taking emergency cases to the hospital, canteen, recreation centre etc. were essential.

None of the estates had so far set up common service facilities such as workshop, tool room, testing centre etc. which would be of particular benefit to the smaller units. One entrepreneur on the Pallekelle Estate making weighing scales felt strongly that such a facility was necessary if the estate were to really assist the small entrepreneurs.

(viii) Admission Criteria : No specific criteria (except the approval of the Ministry of Industries) seem to have been laid down in respect of admission to the Estate. Perhaps, in the actual circumstances, any selective screening would have been possible only at Ekala where the demand for accommodation outweighed the number of units; at the other two estates, the demand was so small that such screening would have been unrealistic. In practice, however, this has resulted in the facilities at the Pallekelle Estate being utilised primarily by one large scale company (occupying 8 units) and public sector agencies like the Ceylon Transport Board, Ceylon Electricity Board, State Graphite Corporation and the Sericulture Project aided by the UNDP. At Atchuvely, the position is still not clear since it has just gone into operation. On the other hand, there seems to have been some restriction, implied though not explicit, to admit only manufacturing units while Service and Maintenance shops might have been more useful from the point of view of low investment and high employment. It is significant that the only maintenance unit on the three estates is at Pallekelle by the Ceylon Transport Board to recondition automobile engines; the unit accounts for almost 50% of the total output of the estate (Rs. 11 million) although the investment in plant and machinery is barely 0.8 million.

(ix) Rental Policy : The policy regarding rentals followed on the estate is based on the costs incurred in setting up the estate and amortizing the expenditure over a period of 40 years at an interest rate of 5%. This calculation is followed uniformly in fixing the quantum of rentals on all the three estates irrespective of whether the region could bear the rents. This present practice had lead to an anomalous situation where the rentals at Pallekelle and Atchuvely are higher than that at Ekala by as much as 33 1/3%. This is primarily due to the fact that the cost of land and building construction has been lower at Ekala having being undertaken in the early 1960s while the other two estates were taken up at a later date. Infact, the main attraction for the units at Ekala Estate seems to be the fact that the rentals now being charged (which was itself a modification of the earlier rentals which were even

lower) is only $\frac{1}{2}$ to $\frac{1}{3}$ of the market rental in the vicinity. At Pallekelle and Atchuvvely, on the other hand, the rentals charged on the Estates are higher than the rentals in the vicinity. It is somewhat ironic that in a developed area like the Colombo metropolitan region where there is a greater demand for the units, the rent should be significantly lower compared to the rentals of the comparatively undeveloped areas like those adjoining the other two estates. Further, no review of the rentals at Ekala have been made in the last 6 years so that the charges now being levied are, in fact, unrealistically low. This seems to be a significant factor in the success of the Ekala Estate and the comparatively poor performance of the other two.

(x) Tenancy Policy : All the existing units on the three estates are operating purely as tenants. Dissatisfaction has been expressed by some of the units of this permanent tenancy position; this is particularly so by those who wish to expand their operations on the estate itself or who wish to put up additional buildings which they cannot do without the approval of the Board. No clear cut policy has so far been formulated by the IDB whether the existing units on the Estate will be allowed to expand or whether such units will have to leave the estate and move on to new locations. It must be conceded that the old concept of the estate functioning as a 'nursery' for new units for a limited period seems no longer valid and one must recognise the fact that most of the units intend to stay on permanently on the estate. There seems to be also no way of forcing them to quit so long as they continue to pay the rent charged. However, there is need for a clear policy on this question which would answer problems such as the following -

Can the IDB provide additional accommodation either in the form of developed plots or buildings to those who wish to expand on the Estate?

If it is the latter, how will rent be charged since the cost of building construction would be different now than it was 15 years back?

Would such policy be made applicable for both the large and small units?

The IDB has recently approved in principle the need to formulate and adopt a Hire Purchase Scheme but has indicated that this would apply in the case of Pallekelle and Atchuvvely estates; on the other hand, it is on the Ekala Estate which has been in operation for the last 13 years, where such problems have arisen with a greater sense of urgency.

(xi) Rate of Return : It is difficult to compute the rate of return on the Estate in purely statistical terms. If one were to take only government investment into account the rate of return is only a small figure of around 3 to 4 % even in the case of an established estate like that of Ekala. On the other hand this may not be entirely correct, since Industrial Estates contribute many tangible benefits to the regions where they are situated. The fact that the individual units operating on the estate seem to be doing well is a sign of healthy growth of the Ekala Estate. One must therefore take an overall view in this regard and not go too strictly by computing commercial rates of return on the government investment alone.

(xii) Employment Generation: One of the principal reasons for setting up the Industrial Estates is the need to create employment opportunities, particularly in the backward regions of the country. On this basis, the Estate at Ekala has given rise to employment for 1218 persons while the investments made are Rs. 9.55 million by the government and Rs. 10.1 million by the private entrepreneurs; this works out as much as Rs. 13,800/- for each work place created. At Pallekele, the corresponding figures are that for the employment of 875 persons, investments made by the government are Rs. 10.1 million and by entrepreneurs (both private and government) Rs. 11.55 million which would work out to a per capita investment of about Rs. 21,600/-. Atchuvely is still at too early a stage for similar calculation. It can be seen from the above that both Ekala and Pallekelle Estates indicate a per capita investment which is much larger than what is traditionally expected of small units which is normally around Rs. 2,500/- for each work place created. The higher figures on the Industrial Estates seem to indicate (as brought out by the actual statistics) that the units on the estates are much larger than the average small sized units. In fact, on the Ekala Estate the per capita investment would take one to the medium sized category while at Pallekelle the per capita investment is as on large sized units. This is perhaps due to the fact that in the latter Estate, the bulk of the investment by the entrepreneurs (Rs. 10 million) is by one single large unit which therefore tends to outweigh the effect of the other entrepreneurs. In any case, few of the units on both the Estates can be said to be small and the employment generated is therefore not as large as one would have expected initially.

(xiii) Technology : One of the reasons for the higher per capita investment on the Estate may be due to the fact that, by and large, the operating units are somewhat capital intensive. The type of enterprises set up on the Estate involve medium to heavy machinery most of which is imported and, therefore, tends to be more expensive than what can be locally fabricated. In one unit on the Ekala Estate manufacturing lace, the entrepreneur had copied the design machine originally imported and fabricated it locally. The performance of this machine was said to be satisfactory and quite comparable to the imported ones. Such innovative practice, however, is not common in the units on the Estate and may be due to the fact that no conscious

policy was followed to meet the machinery requirements of the units through indigenous sources. This is perhaps an area in which the Technical Division of the IDB can play a much greater role than what has been done so far.

- (xiv) Sub-Contracting: Sub contracting between the units on the Estate as well as with units outside the Estate was not much in evidence even at Ekala which has been running for more than a decade. Although a few large units have come up outside Ekala, there is no indication that any close dialogue has been established between units on the Estate and those outside. Even within the Estate, sub contracting was not as much as one would have expected; in monetary terms it was indeed very small, which may be due to the fact that no collective awareness has so far been generated on the Estate either through the efforts of the entrepreneurs themselves or by the Industrial Development Board.
- (xv) Utilization of Local Resources: One of the important criteria for approval of units by the Ministry of Industries is that they should attempt, as far as possible, to utilise local raw materials. There is therefore some evidence that units on the Estate have been set up to exploit locally available resources. At Ekala, for instance, Manioc is used for making adhesives, timber for tea chests, silica sand for sodium silicate, hides and skins for leather products and fruit for canning; similarly on the Estate at Pallekelle, peanut butter, processing of mica and manufacture of silk are being attempted. In terms of human resources however, there is less indication that there is adequate utilisation by the units. For instance, the Kandy region is noted for its artisans in Brass, Copper and Silver as well as in batik, mat weaving and wood carving. These skills are not reflected in the units on the Estate which may be due to the fact that a separate Artisan Estate is located close by where artisans with traditional skills are provided living accommodation. There may be greater scope for setting up new industries which would utilise such traditional skills, though not in the same artistic form as is being done now. At Atchuvely also, the considerable human potential existing in the region needs to be tapped in a greater measure than what has been done so far.

- (xvi) Exports : The development of Exports is particularly difficult in a country like Sri Lanka which has to import a considerable amount of raw material at high cost and whose finished product, therefore, is often priced out of the international market. Even so, it is encouraging to note that on the Ekala Estate exports are being conducted in canned fruit to Germany and Middle East and leather goods to the Middle East. The value of such exports is Rs. 1.56 million which represents barely 3% of the total value of production on the Estate. At Pallekelle, no export has so far been attempted but, at Atchuvely, a local entrepreneur had shown considerable initiative in obtaining orders for the export of canned juice to the Middle East. It is somewhat of a pity that due to financial difficulties, the entrepreneur was forced out of business and could not execute the export order. While it may be somewhat unrealistic to expect the units at Pallekelle and Atchuvely to undertake exports, there seems to be greater scope at Ekala which is close to the transportation terminals particularly by air and also since commercial intelligence of likely markets will be available more easily at Colombo. In any expansion programme of the Ekala Estate, the possibility of locating export-oriented units on the Estate may be kept in mind.
- (xvii) Product Development : The Industrial Estates offer possibilities for government agencies and research institutions to undertake pilot projects whose commercial viability is yet to be demonstrated. At ~~Ekala~~ it is proposed to manufacture instant tea through the process developed by the Tea Research Institute, while the IOB itself is planning to set up a plant for the manufacture of peanut butter/ ^{at Pallekelle.} There seems to be need for greater linkage with the Universities and R & D institutions so that the facilities available on the Estates, which in the case of Pallekelle and Atchuvely are in any case remaining under-utilised, can be meaningfully employed for pilot projects which would make the commercial viability of the new processes more readily apparent to potential entrepreneurs.
- (xviii) Industrial Relations : The working conditions of the labour in the units on the Estate seem to be good and better than the average working conditions in the country; consequently, industrial relations have been satisfactory except for sporadic trouble, largely at the instance of the trade unions which are organised on a country wide basis.

Large units on the Estate seem to generally welcome the presence of trade unions as providing representative organisations for negotiations on behalf of the workers while the small entrepreneurs, as in most developing countries, are unenthusiastic and wary of such unions, regarding them as intrusions on the close personal relationships that exist between management and labour in a small unit. Another important factor seems to be that in most of the units the top management itself is not available on the premises of the Estate since the Head Offices are located in the main towns and only the second level management works in the factory. This is again a reflection of the fact that many units on the Estate are part of larger units whose Head Offices are located outside the Estate.

- (xix) Collective Action : One of the important lacuna in the Industrial Estates Programme is the lack of collective approach either by the Management or by the tenants themselves. Even at Ekala where the Estate has been in operation for more than 10 years, no association of the tenant industrialists has so far been formed; in fact, the meeting called by the Consultant to discuss the problems of the Estate seems to have been one of the first of its kind and many persons who attended the meeting expressed the view that the IDB should take the initiative to hold such meetings at frequent intervals to discuss problems of mutual interest. Communication between the IDB and the units is at present through circular letters which are not always received by the units. Ultimately, a representative association of the tenant industrialists would be helpful to the IDB itself in providing an organisation through which close contact can be maintained with individual entrepreneurs.
- (xx) Community Linkage : At present, there seems to be no specific linkage with the community by any of the Estates. The Estates Programme therefore has not been built into the general development programmes of the region either at official level or at the non official level. This deprives the Industrial Estate of the strength and support it would have otherwise obtained through a greater involvement of local leadership.
- (xxi) Management : The management of the Estate by the IDB is through the Industrial Estates Division at the Head Office and the Estate Superintendent located on the premises of the Estate. A significant portion of the management functions of the IDB is the collection of the rentals and the maintenance of essential services. This was presumably so because large and medium sized units can well look after themselves

without such assistance by outside agencies. It is satisfactory to note that both these functions are being performed adequately by the existing management structure. There were hardly any complaints regarding the essential services and the total arrears on the Ekala Estate is barely Rs. 50,000/- which represents only 10% of the annual rental of the Estate. A portion of this amount is shown as arrears but actually is in dispute between the IDB and the entrepreneur.

There is however need for re-thinking on the role of the IDB in the management of the Estate. This will become particularly necessary as a majority of the units on the Estate in future will be small sized rather than the medium and large sized units which exist at present. In such a situation, the present pattern of management may be unable to provide the integrating characteristics of the Industrial Estate. The Superintendent of the Estate is a comparatively junior official of the IDB whose comprehension and ability to deal with industrial units is limited. Technical counselling which is now being sporadically done by the Head Office of the IDB may need to be undertaken in a more systematic and methodical basis. Training Programmes at various levels may also be undertaken to provide technical support to the smaller sized units on the Estate. A Programme of this type has been proposed to be taken up at Pallekelle but has so far not commenced.

An important point in this connection is that the Regional Manager of the IDB - who is the 'Man on the Spot' - does not seem to have a sense of involvement with the operations of the Estate which are largely handled by the Industrial Estates Division at the Head Office. This in turn deprives the Industrial Estate of the guidance of a senior official of the IDB who is located nearby.

As the characteristic of the units on the Industrial Estates changes from a predominantly medium sized to smaller units, the management role of the IDB also needs to be suitably altered.

VI. GUIDE LINES FOR THE FUTURE

20. (i) Objectives : There is need for defining clearly the objectives of the Industrial Estates Programme in Sri Lanka. The Programme has suffered to some extent by a multiplicity of objectives which are not always clear to the operating personnel. For instance, is the Industrial Estate Programme meant for development of small industry or for regional dispersal of industry or is it meant for creating new employment opportunities in the rural areas. Again, growth of entrepreneurship and relieving urban congestion have also been named as the objectives of the programme. Inevitably, the objectives would vary from one Estate to the other; for instance, at Dhala the main emphasis would be to relieve the congestion of industrial growth from the metropolitan area while in the semi-urban areas there would be an emphasis on regional dispersal and growth of entrepreneurship. It is felt however, that both the government as well as executing authority, namely the Industrial Development Board, should have well defined objectives for each of the Estates so that their performance could be evaluated for a period of time against these norms; otherwise, evaluation becomes difficult since it would not be quite clear as to what was intended to be achieved in the first instance.
- (ii) Long Term Perspectives : An important aspect of the growth of the Industrial Estates Programme is to have both short term and long term perspectives. This would necessarily have to be linked to both National and Regional plans so that the Industrial Estates form an important element in the total development picture. In regard to the long term plan, one would wish to know how many new Estates are proposed to be set up in the next 5 or 10 years and the type of Estates as well as the nature of industry that is proposed to be encouraged. For this purpose, 'growth centres' need to be identified in each of the Estates so that they can be suitable locations for the proposed Industrial Estates. It is suggested that, as a target, IDB may consider the setting up of one Estate in each of the 22 districts in the course of the next 5 years. Within the long term perspective plan, a short term programme would also need to be worked out so that the operating personnel are clearly aware of what is intended to be done in the next 5 years. Such a programme needs to be linked with the overall development plan for small industry as has been outlined in the report submitted by me as UNIDO Advisor a few months back. That report envisages the doubling of the small scale sector in the

course of the next 5 years which, in concrete terms, would amount to establishing 5000 new units after a period of 5 years. The Industrial Estates would naturally form an important infrastructure for such a programme and any intensive campaign undertaken for the purpose of implementing such a plan would need the facilities sought to be provided on the Industrial Estates.

(iii) Location Policy : A clear location policy should be formulated so that the siting of the Industrial Estate does not suffer from the handicaps as has happened in the past. While political pressures and other constraints do play a part, it is unfair on the Industrial Estates to load them from the beginning with such handicaps as would make their efficient functioning almost impossible. As has been stated above, a Techno-economic survey should be conducted in the area where the Estate is proposed to be located so that a suitable site for the Estate as well as various other aspects could be thought out carefully well in advance. The IDB can entrust the establishment of such an Estate to a suitable agency for execution with the necessary penalty clause for delays. It is also important that various utilities like power, water, roads, telecommunications etc., are made available to the prospective entrepreneur at the same time to enable the industrialist to begin operations at once. The Industrial Estates Division would need to keep a close tab on the progress of various projects simultaneously so that the Estate can begin to function effectively as early as possible. For this purpose, various devices such as are commonly available to management in the shape of PERT charts should be made use of in order to make the programme a successful one.

(iv) Optimal Size : The size of each of the Estates may have to vary based on the potential demand in the particular area. Those sited in the rural areas may preferably be 'mini-estates' which are small and which contain both developed plots as well as buildings. It may not be necessary for the number in each case to exceed 10. Both plots and buildings themselves can be fairly small in size and functional in design. In the semi-urban areas, it may even be possible to think in terms of flatted estates which occupy much less space. In some cases, one can think of artisan or technician type of Estates where the facilities provided need not be as elaborate as in the case of conventional Estates.

- (v) Rental Policy : The present practice of applying a uniform rental policy in all areas may have to be changed to suit the particular circumstances. In the rural and semi urban areas, there is need to subsidise the rental for a limited period to enable the small entrepreneur to take advantage of the facilities offered on the Estate. Recently, a three month no-rent period has been announced for new entrants as an incentive; while this is a step in the right direction, it may not be entirely adequate. It may be necessary to go further and charge no rent at all for the first year and build up to a market rental over a period of 3 to 5 years depending upon the stage of development of the region. It is important that the rental to be finally charged should have some relation to the market value and should not be based entirely on the cost incurred in setting up the Estate. Another way would be to charge only $\frac{1}{3}$ the rental for 3 to 5 years and then bring it up to the full market rental at the end of this period. In either case, it is undoubtedly true that government would suffer certain loss of revenue but on the other hand it must be conceded that to keep the buildings, built at considerable cost, vacant for fairly long periods may mean an even greater loss. In any case, if new industrial units come up quickly, any loss which government might entail by subsidising rent would be more than offset by the total benefits that would accrue to the community and the region as a whole through the units.

It is also suggested that a review of the rentals be made at the end of every 5 year period so as to make necessary adjustments in ^{the} quantum of rental taking into account the fluctuation of the market.. This could avoid the situation that has arisen in the Ekala Estate where the rental charged is unrealistically low compared to what the market and the industry can bear.

A Hire purchase scheme may also be formulated in respect of the three Estates now in operation but its benefits may be extended to the small and medium units only. The large units may be allowed to be continued on a rental basis as at present or preferably persuaded to move out of the Estate altogether to a more suitable location.

- (vi) Admission Policy : While so far all industrial units were being admitted into the Estate as a pragmatic measure, a time has come when small and medium units should be preferred for such admission. Large units may be allowed but only if they are capable of providing significant sub-contracting to the small units. Maintenance and repair shops should be encouraged since this provides an outlet for the technical skills present in each region and also possible employment at a comparatively low cost. The present policy of according preference to those utilising local resources should be continued.

It may be necessary to give adequate publicity of the facilities being created on each of the new Industrial Estates and to invite applications from potential tenants indicating the type of industry that would be encouraged on the Estate. The screening of these applications should be done carefully by an Advisory Committee who could also interview the applicants and assess the entrepreneurial capabilities which they possess.

- (vii) Services : Industrial Estates should be regarded not just as a building programme but as a complete 'package of services' to the small entrepreneur. This would naturally include essential services such as roads, water, power and telecommunications. It may also include, as far as possible, a well-equipped dispensary, a bank, a post office, recreation centre etc. It is also desirable to set up common service facilities such as workshop, electroplating section, die and tool making centre which would provide the much needed services that can be charged at commercial rates. If a private entrepreneur is not coming forward to set up such facilities, the IDB itself may have to set up these facilities so as to make the Industrial Estate a truly composite one.

- (viii) Functional Estates : The pattern of the Industrial Estates need not be a multi-product type as has so far been attempted; a few functional Estates which are uni-product dealing with such items as Electronics, Rubber and Coconut may also be thought of at suitable locations. Such Functional Estates will enable a higher level of common facilities to be set up including, at times, specific processes which are integral to production; Testing and Technology Development Centres could also be set up on such Estates. It may also be possible to encourage groups of entrepreneurs in the same type of industry to come together to form a Co-operative Association which could then be

supported by the concerned government agencies to establish an Estate. In Japan, government provides interest free loans to such associations and almost all the Industrial Estates in that country are established on that basis; in India, government makes contributions to the share capital and also provides common service facilities to the Co-operative Estates. In a few cases, large scale private establishments particularly in the engineering and textile industries, may be encouraged to set up ancillary or Sub-contracting Industrial Estates which would deal with items which the parent company requires. In this manner, the expenditure to be incurred on the Industrial Estates Programme, in future, need not always be by the IDB but could be shared with Co-operative Associations and even private large scale industrialists. It will also provide a diversified character to the programme and make possible a comparison of the relative merits of each of these Estates.

- (ix) Management : A more dynamic role would need to be undertaken by the IDB in managing the Estates particularly in the rural areas. A Review Team set up by the IDB in 1971 made a specific reference to this aspect in their report thus: " there has been a considerable re-thinking on this subject and the policy that is now being laid down is that in establishing Industrial Estates in future, the IDB should not confine its activity to the provision of factory buildings and physical services but should play a more positive role ". Such a role would include, among other things, assistance in securing financial credit for the units on the Estate, preferential allocation of scarce raw materials and even Marketing. In all these areas, the IDB through the Industrial Estates Division, as well as the local staff should interest itself in the day to day problems encountered by the units so as to ensure their ultimate success. Where necessary, the IDB could also act as a bulk supplier of scarce raw materials; at least, it could make known the requirements of the units to such bulking agencies as have been designated by the government. One unit on the Pallekelle Estate was complaining that yarn being supplied by the bulk supplier (which is a government agency) for making canvas cloth was poor in quality and, therefore, its production was suffering. It is precisely these type of problems that the IDB should take up if it is to discharge a positive role, rather than remain content with executing a building programme.

Such a role would require a higher calibre of Estate Managers than is available at present. The Estate Manager should be a 'live wire' and constantly in touch with the units on the Estate so as to provide them assistance and help and act generally as a 'friend, philosopher and guide'. The Regional Managers should also be brought in to the picture and they may be made fully responsible for the day to day operations of the Estate leaving the Industrial Estates Division at the Head Office to perform the 'staff' functions such as policy matters as well as providing the perspectives for the programmes, identification of new growth centres and, generally, overseeing the entire programme.

- (x) Technical Counselling and Training : A new dimension needs to be added to the present Industrial Estates Programme by providing closer linkages with R & D Institutions and the Universities. Technical Committees could be set up for each of the Industrial Estates where expert technical personnel could be requested to offer their assistance in finding solutions to problems. Training programmes, both technical and managerial, would need to be undertaken so as to up-grade the level of skills existing on each estate.
- (xi) Community Involvement : Finally, there is need to foster a collective thinking on each Estate; for this purpose, the entrepreneurs on the Estate may be encouraged to form an Industrial Estate Association which could then maintain a dialogue with the Industrial Development Board. Advisory Committees may be constituted for each Estate consisting of representatives of the community, the local Municipality or Town Council, Chamber of Commerce, private industry, banks and Industrial Estates associations. 'Open days' could be held at least once a year so that the public would become more fully aware of the working of the Industrial Estate and benefits that accrue to the community through them; ultimately, if the Industrial Estates Programme is to be successful it cannot be operated merely as a government programme but should have a community image as well.

CONCLUSION :

The Evaluation Study has brought out the fact that where the Industrial Estate Programme has not been executed with well defined objectives, there is a tendency for the large and medium sized units to take advantage of the facilities offered and that the small units do not derive adequate benefit from them. While it is true that the larger units can show rapid progress, the over-all objective of the growth of Small Industries is not thereby achieved. It has also shown that a mere programme of construction of buildings does not by itself attract new industry, particularly in the semi-urban and rural areas. It needs to be backed up by a comprehensive and integrated package of services that enable the new entrepreneurs to establish and operate their units with success. Without such a back-up, the effectiveness of the Industrial Estate as a tool for regional development would seem to be limited. Finally, it is necessary to 'tailor' such services to suit the stage of development of a particular region and not apply a single criterion uniformly.

The Industrial Estate Programme can be a useful tool in a developing country but must not be expected to work miracles; given clear cut policies and dynamic implementation, it can play an effective role in the pattern of regional development.

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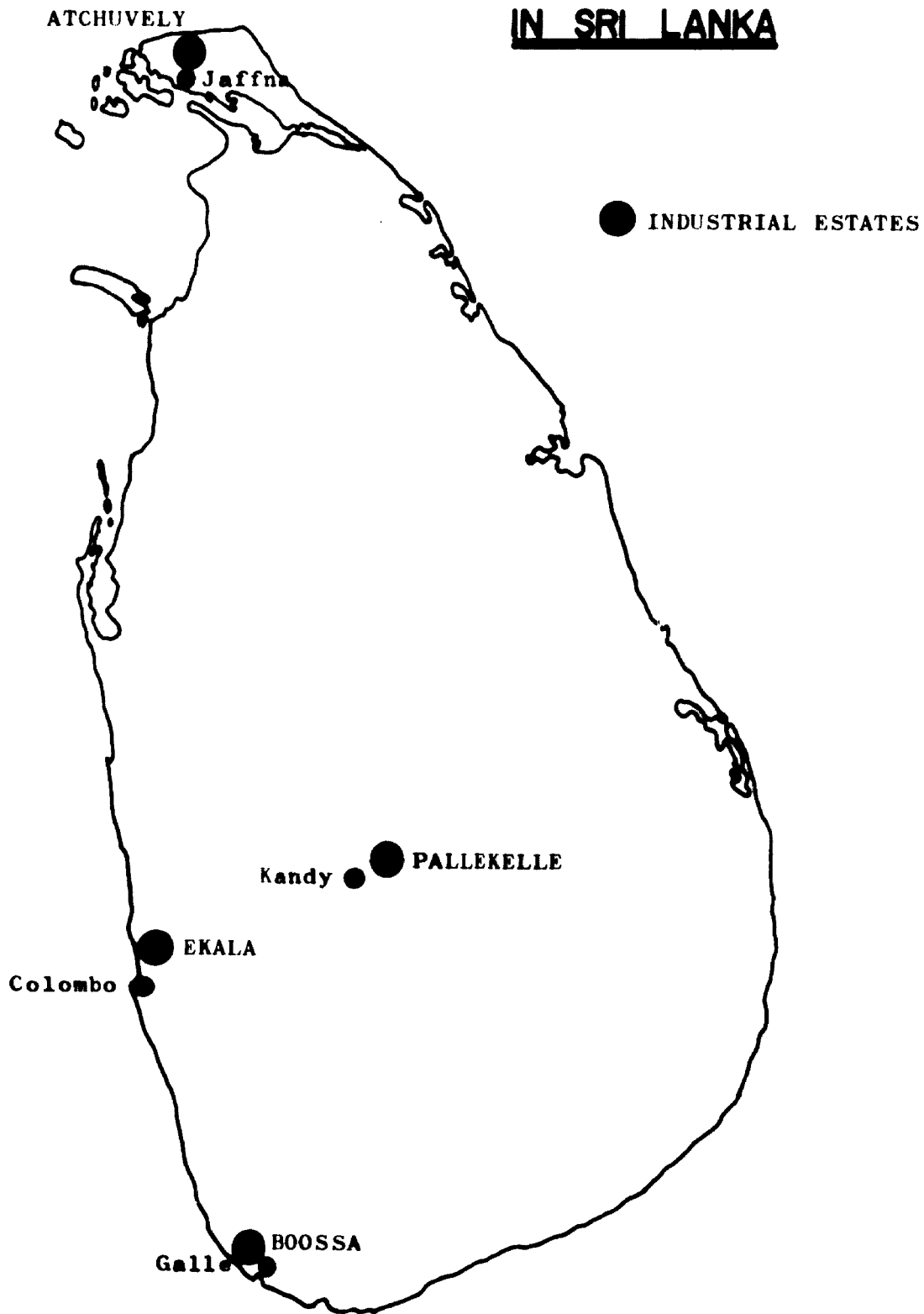
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BASIC STATISTICS ON SRI LANKA

(Source : Statistical Pocket Book of Sri Lanka
by Dept. of Census and Statistics 1974)

Area	:	25,332 Sq.Miles	
Population	:	13.18 Million	Density/Sq.Mile : 520
Urban Population	:	22.4 %	
Rural Population	:	77.6 %	
Expectation of Life at birth	:	64.8 years (Male)	66.9 years (Female)
Colombo	:	585,000	Kandy : 83,100 Jaffna : 108,000
Total Employed	:	3.622 Million	
Agriculture	:	50.4 %	
Manufacturing & Mining	:	10.0 %	
Tourism	:	9.5 %	
Community & Social Services	:	13.5 %	
Number registered on Employment Exchange	:	470,360	
		Technical	: 86,341
		Skilled	: 107,367
Number of Students at University	:	12,050	
		Schools	: 2.596 Million
Area of Land under Tea	:	598,740 acres	
Rubber	:	564,824 "	
Coconut	:	1,152,428 "	
Maize	:	94,378 "	
Chillies	:	111,984 "	
Manioc	:	278,349 "	
Electric Power Installed Capacity	:	262 MW	
		Production	: 980 Million Units
Total Number of Motor Vehicles	:	187,671	
		Cars and Cabs	: 89,771
Number of Bus routes	:	993	
Route Mileage covered	:	30,083 Miles	
Number of Telephones	:	39,600	
Broadcast Receivers	:	505,290	

INDUSTRIAL ESTATES IN SRI LANKA



ANNEXURE I (a)
INDUSTRIAL ESTATES STUDY
ESTATE REPORT

COUNTRY : SRI LANKA

I. BASIC DATA

1. Region : Colombo
2. City : Colombo
3. Population : 1 Million (Approx.)
4. Estate : Ekala
5. Ownership : Government
6. Executing Agency : Industrial Development Board
7. Physical Data -

Areas

Industrial Buildings : 18,400 Sq.M. (Exclusive of open area)
Admn. & Service Buildings : 310 Sq.M.
Roads & Green Area : 28,400 Sq. M.
Total Site Area : 248,000 Sq. M.

Industrial Buildings

Category	Unit Area Sq. Metres	No. Constructed	No. Occupied
A Minor	96	6	6
A Major	195	6	6
A	314	9	9
B-1	420	5	5
B-2	475	5	5
C	726	8	8
D-1	1000	2	2
D-2	970	2	2

8. Industries Represented

Fruit and Vegetable Products : 2
Food and Beverages : 1
Textiles : 6
Petroleum & Petroleum Products : 3
Chemicals : 2
Leather & Rubber : 1
Wood Paper & Pulp : 3
Clay and Ceramic : 1
Metal Industries : 1
Ferrous & Non Ferrous Metal Products : 3
Transport Equipment & Spares : 2
Electrical Goods : 1

9. Services & Common Facilities :

<u>Services</u>		<u>Transport</u>	
Electricity	: Yes	Internal	: Yes
Water	: Yes	External	:
Steam	: No	Rail	: Upto Kudahakapola 2 Km. away
Waste Disposal	: Yes	Road	: Yes
Telephone	: Yes	Water	: No
		Buses	: Yes

Administration Building

Conference Hall	: No
Exhibition	: Under consideration
Tech. Library	: Yes
Class Room	: No
Central W/Shop	: No

Social Services

Bath-house	: No
School	: No
Creche	: No
Social Centre	: No
Sports Ground	: No
Housing	: No

These amenities are available near by in the township that has come up near the Estate.

Amenities

First Aid	: Yes
Doctor	: No
Fire Brigade	: Yes
Police	: Yes
Ware House	: No
Bank	: No
Centeen	: Yes
Restaurant	: No
Shops	: No

10. Financial Data (Local Currency - Sri Lanka Rupees) 1 US\$ = 8.66 S.L. Rupees

Land	: 420,000
Utilities	: 2,285,118
Industrial Buildings	: 4,260,588
Common Facilities	: Nil
Social Services	: Nil
Total	: 6,966.706

(Source : Report of Industrial Estates Corporation - 1966-67)

Of this amount, Rs.2,520,000 was made available by US Aid and the rest by Government of Sri Lanka.

Payment for Occupancy

Rental : Rs.2.24 per Sq. Metre.

Market Rental in the vicinity : Rs.5.35 - 8.00 per Sq. Metre.

11. Progress in Implementation

	<u>Planned Date</u>	<u>Actual Date</u>
Proposed to establish the estate		1960
Official Sanction		1961
Purchase (or acquisition) of land		
Industrial Buildings - Stage I	Jan. 1962	March 1963
Stage II	1964	1966
Utilities completed		
Date of commencement of operations	May 20, 1963	

II. ECONOMIC PERFORMANCE

12. Membership of Estate

Established Local Firms	:	1
Newly Established Firms	:	24

13. Estimated Sales in 1975 (Local Currency)

All Firms	:	Rs.47.12 Million	
		<u>No. of Units</u>	
Sample 1 : Sales below	100,000	2	
between	100,000 & 500,000	7	
between	500,000 & 1 Million	3	
between	1 Million & 5 Million	10	
above	5 Million	3	

1 Unit making Instant Tea is not yet in production.

14. Persons Engaged

All Firms	:	1,218		
Those Employing	1 - 10 persons	-	Nil	
	10 - 50 "	-	17	
	50 - 100 "	-	6	
	100 - 150 "	-	2	

(Data for one Unit not available)

15. Left Estate

	<u>Number</u>
Business Failure	3
Relocated to larger premises	15

16. Intra Estate Sub Contracting

9 Units purchase intermediate products from other items. These include Steel Locks and Studs (for leather goods), Mild Steel Sheet Scrap (for typewriter ribbon bobbin), Corrugated Cartons (for packing fruit juices and gas mantles), Machined Components (for kerosine cookers), Chemicals (for making lace and paints). The value of the Sub Contracting is however not available.

17. New External Sub Contracting

Since most of the products involve chemical or engineering process, there does not seem to be much scope for external Sub Contracting (as distinct from outright purchase) as would be the case in assembly production.

18. New Products Developed

Most of the items being produced in the Units on the Estate are conventional except Instant Tea which is an innovation pioneered by the CISIR (Ceylon Institute of Scientific and Industrial Research) and Tea Research Institute.

19. Use of Local Materials

Many Units are using local raw materials for their production. These include Manioc (for adhesives), Timber (for Tea Chests), Silica Sand (for Sodium Silicate), Lime (for chemical lime), Hides and Skins (for leather products), Fruit (for canning), Tea (for Instant Tea) and Scrap Iron, Brass and Aluminium (for metal parts).

20. Exports Developed

There are exports of Leather Goods (to Middle East), Canned Fruit (to Germany and Middle East) and Glazing Material (to Africa). Total value of exports in 1975 is Rs.1.56 Million (Food & Beverages - 0.936 Million; Leather - 0.523 Million).

III. SOCIAL DEVELOPMENTS

21. Average Earnings (Sri Lanka Rupees per month)

Unskilled Manual Workers	-	Rs. 180/200
Skilled Manual	-	Rs. 300
Technician	-	Rs. 450
Non-Manual (Clerical)	-	Rs. 300
Supervisory	-	Rs. 500 - 1000.

22. Labour Union Membership

- Number of Union Members - Almost all belong to one of the four Unions organised on a Country-wide basis.
- Employer attitude to Union Membership - The larger units feel it helpful but the smaller units regard it as a necessary evil.

23. Worker's Housing

No Housing is provided since the workers come from nearby villages and commute daily from their homes.

24. Community Benefits

Besides the employment granted, the Industrial Estate has spawned a new township and has contributed to the growth of industry in Ekala. A leading multinational (Union Carbide) and a joint venture (with Lambretta collaboration) have set up plants for production of flashlight batteries and Scooters assembly adjacent to the Estate.

25. Education, Training & Employer Counselling

These activities have not been taken up on the Estate since such programmes are available in the Colombo Metropolitan region. The workers and technicians are deputed to participate in such activities.

Problems & Comments

- (i) The Estate was set up in response to a felt need;
- (ii) The utilisation of the Units is 100% which is very satisfactory;
- (iii) To meet the demand of additional Units, an expansion programme has been formulated to provide 7 additional Units (with the existing infra-structure) at a cost of Rs. 5 Lakhs;
- (iv) No special common service facilities are provided since it was felt that such facilities were available in the Colombo region;
- (v) Rate of return on the Investment -

Annual Rental due from all the Units	- Rs. 516,000
Administrative Costs	- Rs. 175,000
Depreciation	- Rs. 128,000
Net return from the estate	- Rs. 213,000
Rate of Return	- 3.5 %

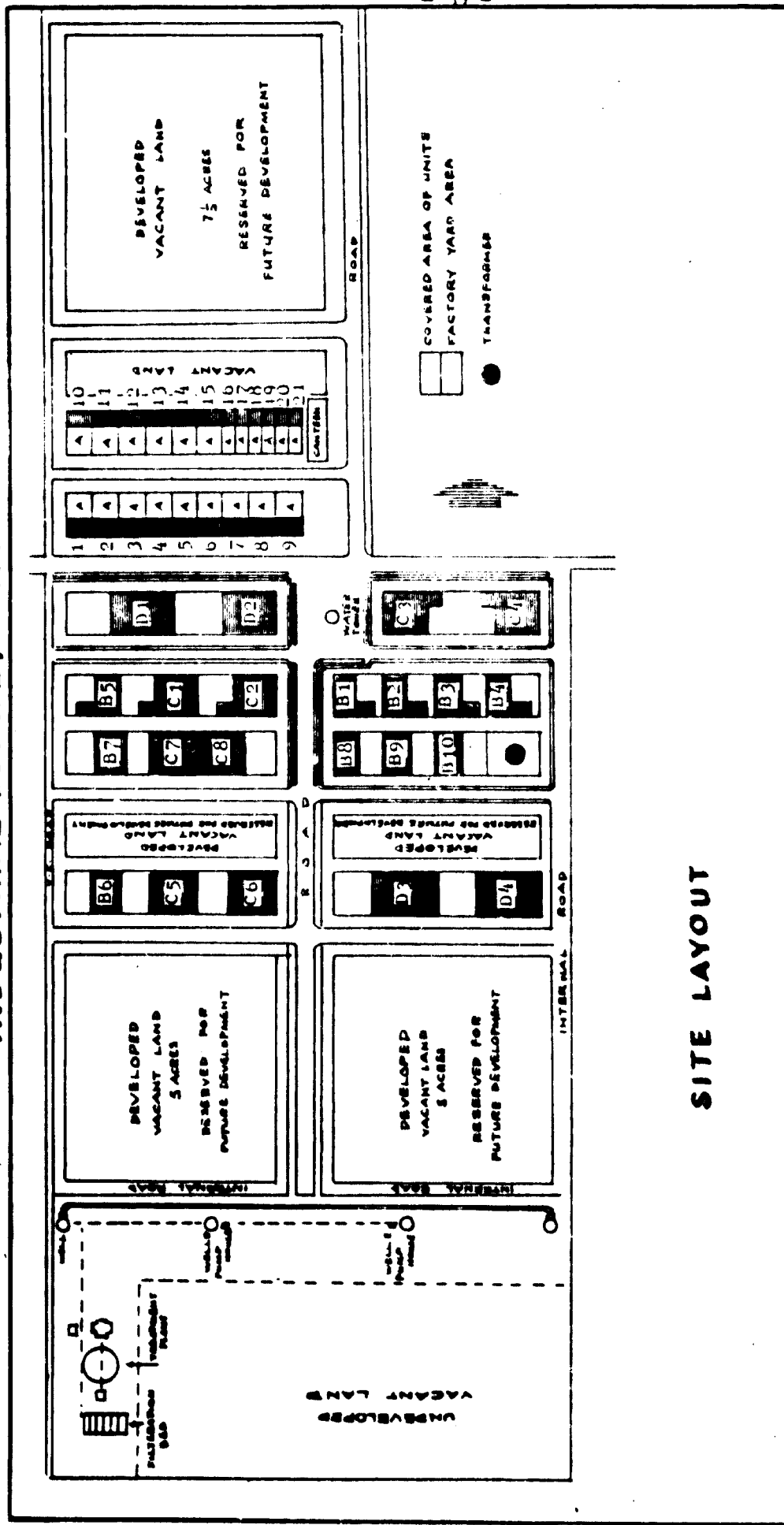
One needs however to note that the Industrial Estate is a promotional device and one must also take into account various social benefits (both tangible and intangible) in computing the return on the investment.

MEALA INDUSTRIAL ESTATE STATISTICS ON TEMATS - 1978

INDUSTRY GROUP	EMPLOYMENT	WAGE BILL 1978 (m. '000)	OUTPUT & SALES 1978		VALU. EXPORTS (m. '000)	MANUFACTURING MATERIALS CONSUMPTION 1978			INVESTMENT		POWERS AND FUEL CONSUMPTION	
			Output (m. '000)	Local Sales (m. '000)		Imports (m. '000)	Imported Purchased Locally (m. '000)	Local (m. '000)	Machinery (m. '000)	Others (m. '000)	Electricity (m. '000)	Others (m. '000)
1. Food, Beverages, Tobacco	122	192.8	1,573.5	986.3	936.7	372.2	487.4	4,401.8	2,836.1	2,074.9	1.1	44.8
2. Textiles, Hosiery Garments	438	1,723.9	9,788.0	11,438.6	-	427.8	3,418.8	845.8	2,586.4	224.2	103.8	388.8
3. Chemicals	148	783.1	4,887.3	3,838.8	13.6	1,888.8	833.4	2,284.8	1,452.4	328.8	30.7	88.8
4. Leather, Rubberwood and Paper	288	887.8	7,878.1	8,888.3	823.4	828.8	874.2	3,413.8	186.8	88.7	12.2	0.8
5. Non Metallic Mineral Products	11	88.8	-	184.1	88.0	-	-	81.2	200.0	2.0	3.0	-
6. Machinery	87	283.3	1,744.0	1,878.2	-	1,322.8	234.8	182.8	200.8	88.2	4.0	8.1
7. Metal Products	142	428.0	8,888.8	8,811.8	-	1,773.8	2,888.8	1,883.8	2,884.4	188.8	12.8	3.8
8. Transport Equipment & Spare	88	887.7	8,888.8	4,887.8	34.2	888.8	2,883.8	21.8	310.7	120.3	8.0	281.2
9. Electrical Machinery, Spares and Products	38	128.1	1,873.8	1,847.7	-	488.8	31.8	143.8	318.8	38.1	11.4	17.8
TOTAL	1,218	4,883.8	38,881.0	48,884.8	1,387.8	7,288.2	88,842.8	12,118.7	20,832.8	3,871.8	187.1	842.8

Page 1 Out of 28 Units on this Estate, 28 have been surveyed. Information in respect of Iann Pencil Co. is not included.

**INDUSTRIAL DEVELOPMENT BOARD OF CEYLON
INDUSTRIAL ESTATE. EKALA**



SITE LAYOUT

ANNEXURE I (b)

INDUSTRIAL ESTATE STUDY

COUNTRY : SRI LANKA

I. BASIC DATA

1. Region : Central
2. City : Kandy
3. Population : 100,000 (Approx)
4. Estate : Pallekelle
5. Ownership : Government
6. Executing Agency : Industrial Development Board
7. Physical Data -

Areas

Industrial Buildings : 14,002 Sq.M. (exclusive of open area in each plot)
Admn. & Service Building : Separate building provided.
Roads and Green Area : (8 acres) - 34,400 Sq.M.
Total Site Area : 172,000 Sq. M.

Industrial Buildings (Covered area only)

<u>Category</u>	<u>Unit Area Sq. Metres</u>	<u>No. completed</u>	<u>No. occupied</u>
A Minor	342	16	13
A	321	10	7
C	690	8	7

8. Industries Represented

Textiles	- 2	(both privately owned)
Sericulture	- 2	(UNDP aided project)
Feed Products	- 1	(Unit of the IDB)
Transport Equipment & Spares	- 1	(Public sector unit)
Dairy Product	- 1	(Privately owned)
Ferrous & Non-Ferrous Product	- 2	(1 privately owned 1 maintenance Unit by a public sector)
Chemicals	- 1	(Privately owned)
Fruit & Vegetable Products	- 1	(Privately owned)
Sand and Ceramic Product	- 1	(Public Sector unit)

9. Services & Common Facilities

Services

Electricity - Yes
 Water - Yes
 Steam - No
 Waste Disposal - Yes
 Telephone - Yes

Transport

Internal - Yes
 External -
 Rail - 10 Km. away at Kandy.
 Road - Yes
 Water - No
 Buses - Yes

Adm. Buildings

Conference Hall - Yes
 Exhibition - Under formulation
 Tech. Library - No
 Class Room - Yes
 Central Workshop - building available for use of area 328 sq.M.

Amenities

First Aid - Yes
 Doctor - No
 Fire Brigade - Yes
 Police Post - Yes
 Warehouse - No
 Bank - No
 Restaurant - To be provided
 Canteen - Yes
 Shops - No
 Barber - No

Social Services

Bath-house - No
 School - No
 Creche - No
 Social Centre - No
 Sports Ground - No
 Housing - No

10. Financial Data (Sri Lanka Rupees)

Capital outlay - Total Rs. 10.17 M.
 Land - Rs. 1.495
 Industrial Buildings - Rs. 4.512
 Infra-structure - Rs. 4.05
 Common facilities - Nil
 Social Services - Rs. 0.116

The entire amount was made available through Govt. Credits.

Payment for occupancy - Rs.2.9/Sq.Metre.

Rental Charges in the vicinity -

11. Progress in Implementation

Proposal to establish the estate : 1968
 Date on which Govt. sanctioned the scheme : June 1969
 Date of purchase (or acquisition) of land : July 1969 - Dec. 1970
 Construction of Buildings - Started : August 1969
 Completed : March 1972
 Utilities and Services completed : Jan. 1971 - Dec. 1975

Date of commencement of the Estate - First tenant started operations in May 1972.

11. ECONOMIC PERFORMANCE

12. Membership of Estate

Established local firms : Nil
 Established firms from other cities : 2
 Newly established firms : 4
 Foreign firms : Nil

13. Estimated Annual Sales (in 1975)

All Firms : Rs.13.6 Million
 Sample 1 : With sales less than 100,000 - 3
 between 100,000 &
 500,000 - 1
 between 500,000 &
 1 Million - Nil
 between 1 Million &
 5 Million - Nil
 above 5 Million - 1 (Rs.13 M.)

3 Units have just commenced production and 2 are due to begin shortly.

14. Persons Engaged

Total : 875 persons
 Those with : 1 - 10 - 2
 10 - 50 - 2
 50 - 100 - 2
 100 - 150 - 1
 above 150 - 1 (355)

15. Left Estate : Nil

16. Intra Estate Contracting : Negligible due to the few units on the estate.

17. External Sub Contracting : Not known but likely to be insignificant.

18. New products developed : Peanut Butter
 Metric Scales
 Silk Yarn

19. Use of Local Materials : Manioc (Cassava)
 Peanuts
 Mica
 Silk worms
 Scrap iron, brass or Aluminium.

20. Experts : Limited amount of processed Mica.

III. SOCIAL DEVELOPMENTS

21. Average earnings (per month)

Unskilled Manual	:Rs.180
Skilled Manual	:Rs.300
Technicians	:Rs.450
Clerical	:Rs.300
Supervisory	:Rs.600 - 800

22. Labour Union Membership

Number of members	: Only the employees of the larger units are unionised.
Employer Attitude	: Unenthusiastic and wary.

23. Workers' Housing : Nil. A few operational employees are provided quarters on the estate.

24. Community Benefits

Apart from the employment generated, no significant secondary and tertiary benefits have so far emerged. A few units such as the Milk Board Plant have come up near the estate.

25. Education, Training & Counselling

A training school is being set up to impart training programmes for both management and technical personnel.

Some Comments

1. The Estate was initially conceived as part of a satellite township project to prevent excessive urbanisation of Kandy town but all the other elements of the project had to drop due to financial stringency. The estate is therefore somewhat isolated notionally and physically.
2. The construction costs of the buildings are on the high side leading to rentals higher than in the Colombo region and much higher than in the vicinity.
3. Although 27 of the 34 units are occupied, two are by the Police Station, 8 by Govt. and Public Sector agencies and the rest by the Private Sector. One large unit, privately owned, (Kandy Textiles) occupies 8 Units, while 2 others occupy 4 units. The genuine small scale units, for whom the estate is intended, occupy only 4 units.

4. One single large unit accounts for almost 61% of the employment and 97% of the sales. The position may improve as more units go into production during the year.
5. The estate which has commenced operation in 1972 has been incurring losses annually (including depreciation) due to the fact that the estate is not fully occupied.

For 1975 the figure was :

Rentals & Other Income	:	Rs.	285,259
Administrative Expenses	:	"	183,036
Depreciation	:	"	207,645
Net Loss	:	"	105,421

6. There is provision for a Workshop to service the estate but so far it has not been equipped.

-/lc.

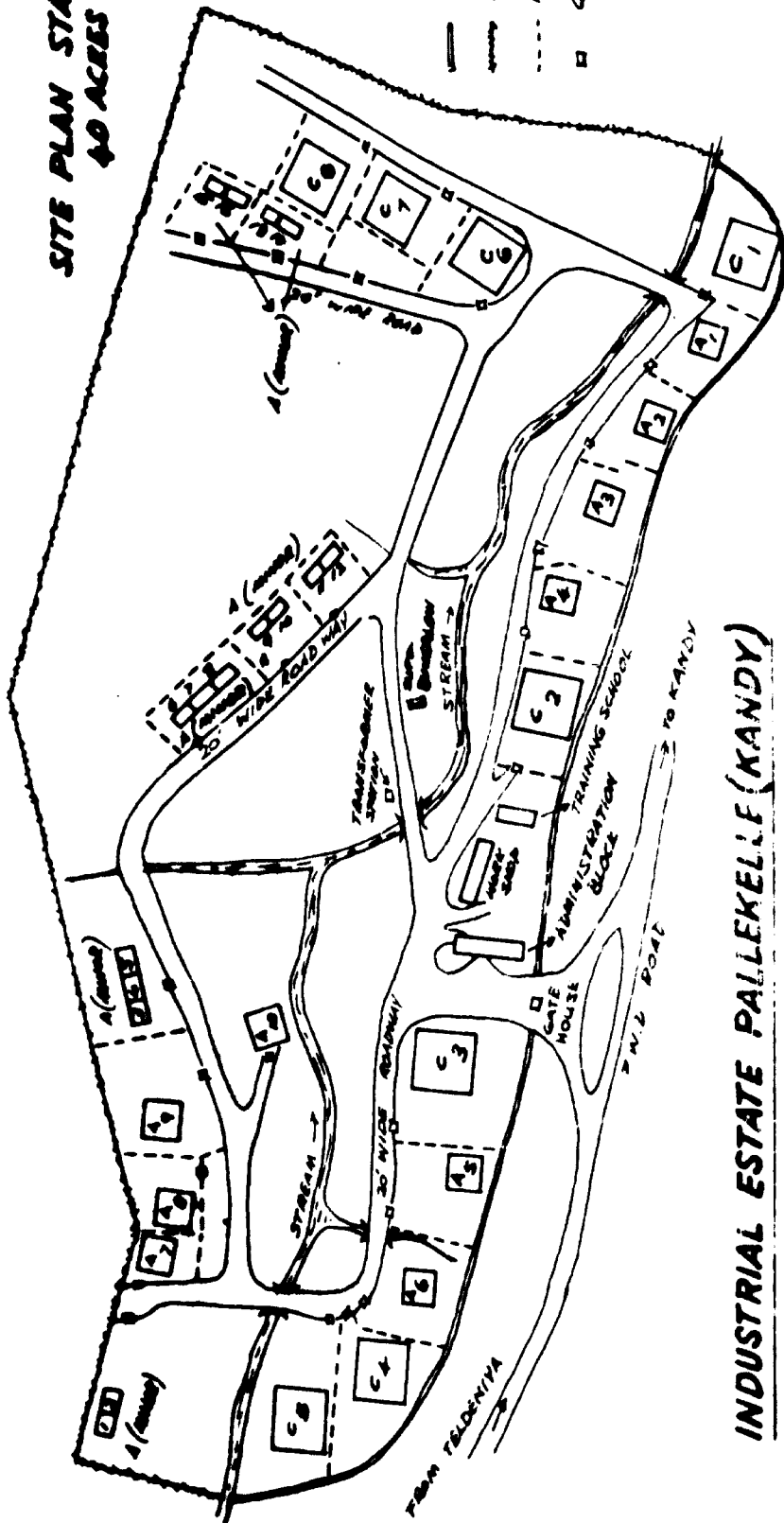
PALMERVILLE INDUSTRIAL ESTATE - STATISTICS ON TENANTS - 1978

Industry Group	Employment	Wage bill (m. '000)	Output/Sales 1978		Raw/Packing Materials Consumption - 1978			Investment		Power/Pool Consumption	
			Output (m. '000)	Local Sales (m. '000)	Exports (m. '000)	Imported (m. '000)	Locally Purchased (m. '000)	Local (m. '000)	Plant & Machinery (m. '000)	Others (m. '000)	Electri- city (m. '000)
1. Food, Beverages & Tobacco	-	-	-	-	-	-	-	108.0	2.0	-	-
2. Textile, Make-up Garments	963	1,637.1	13,011.8	13,517.3	-	1,220.0	6,722.0	10,817.0	30,853.0	130.6	88.9
3. Chemicals	7	7.2	40.0	45.0	-	-	2.8	31.8	4.3	2.8	-
4. Non-Metallic Mineral Products	22	-	2.0	2.0	-	-	-	14.8	65.0	-	-
5. Metal Products	30	-	-	-	-	-	-	8.4	6.2	-	-
6. Transport Equipment & Spares	86	300.0	30,318.5	-	-	-	-	803.3	200.0	5.5	60.4
TOTAL	1077	1,940.3	43,300.1	13,004.4	-	1,220.0	6,724.8	11,320.0	30,928.8	142.6	187.3

Note : All the Units are covered.

**SITE PLAN STAGE I
40 ACRES**

- RUBBLE MALL
- - - BARBE WIRE FENCE
- - - INTERNAL RUBBLE MALL
- GATES



INDUSTRIAL ESTATE PALLEKELLE (KANDY)

ANNEXURE I (c)

INDUSTRIAL ESTATE STUDY

COUNTRY : SRI LANKA

I. BASIC DATA

1. Region : Northern
2. City : Jaffna
3. Population : 120,000
4. Estate : Atchuvely
5. Ownership : Government
6. Executing Agency : Industrial Development Board
7. Physical Data -

Areas

Industrial Buildings (Covered area) : 4,550 Sq.M.
Admn. and Service Building : Separate building provided
Roads and open areas : 21,000 Sq.M.
Total site area : 105,000 Sq.M.

Industrial Buildings

<u>Category</u>	<u>Unit Area Sq.Metres</u>	<u>No. Completed</u>	<u>No. Occupied</u>
A Minor	127	36	14

8. Industries Represented

Metal based industries	- 1
Salt	- 1
Chemicals	- 1
Clay sand and Ceramic	- 1
Fruit & Vegetable products	- 1
Rubber	- 1

9. Services and Common Facilities

Services

Electricity : Yes
Water : Yes
Steam : No
Waste disposal : Yes (An incinerator is provided)
Telephone : No.

Transport

Internal : Yes
External :
Rail : 8-12 Km. away from the nearest rail head.
Road : Yes
Water : No
Bus : No

<u>Admn. Building</u>		<u>Amenities</u>	
Conference Hall	: Yes	First Aid	: Yes
Exhibition	: Under preparation	Doctor	: No
Tech. Library	: No	Fire Brigade	: No
Class Rooms	: No	Police	: No
Central Workshop	: Premises available (500 Sq.M.)	Bank	: No
		Canteen	: Yes
<u>Social Services</u> : Nil			

10. Financial Data (Sri Lanka Rupees)

Total outlay	: Rs.5,477 (allocation 4.5 M)
Land	: Rs. 695,357
Buildings	" " 3,420,461
Utilities	: " 1,362,654
Common Facilities	: Nil
Social Services	: Nil

The entire amount is funded through Government Credits.

Rental for occupancy is Rs. 2.9/Sq.Metre.

Market Rental in the vicinity of the Estate :

11. Progress in Implementation

Industrial Proposal to Establish Estate	: 1968
Govt. Sanction given on	: June 1969
Land purchased (or acquired) on	: Jan.1970-June 1973
Construction of Buildings commenced on	: March 1972
	completed on : December 1975
Utilities completed on	: 1970 - Dec. 1975.
Estate commenced operations	: First tenant moved in on June 2, 1973.

II. ECONOMIC PERFORMANCE

12. Membership of Estate	:
Established local firms	: Nil
Firms from other cities	: 1
Newly established firms	: 5
Foreign Firms	: Nil

13. Estimated Sales (in 1975)

All Firms : Rs.934,000
Those with sales below 100,000 - Nil
 between 100,000 &
 500,000 - 1
 between 500,000 &
 1 Million - 1

Three had not commenced production in 1975 and one due to
commence shortly.

14. Persons Engaged

All firms : 106
Those between 1 - 10 : Nil
 10 - 50 : 3

15. Left Estate : Nil

16. Intra Estate Contracting : Nil

17. External Sub Contracting : Nil

18. New Products Developed : Nil

19. Use of local materials : Lime, Silica Sand, Salt, Fruit and
Vegetables, Scrap Aluminium.

20. Export Market Developed : Export of canned fruit to Middle East
(Rs. 37,000/=).

III. SOCIAL DEVELOPMENTS

21. Average Earnings (Per month)

Unskilled Manual : Rs. 180
Skilled Manual : Rs. 300
Technicians : Rs. 450
Clerical : Rs. 300
Supervisory : Rs. 600 - 800

22. Labour Union Membership

Number of Union Members : Not available
Employer Attitude : Not available.

23. Workers' Housing : Nil

24. Community Benefits : Secondary and Tertiary effects limited.

25. Education, Training & Counselling

These are yet to be undertaken.

General Comments

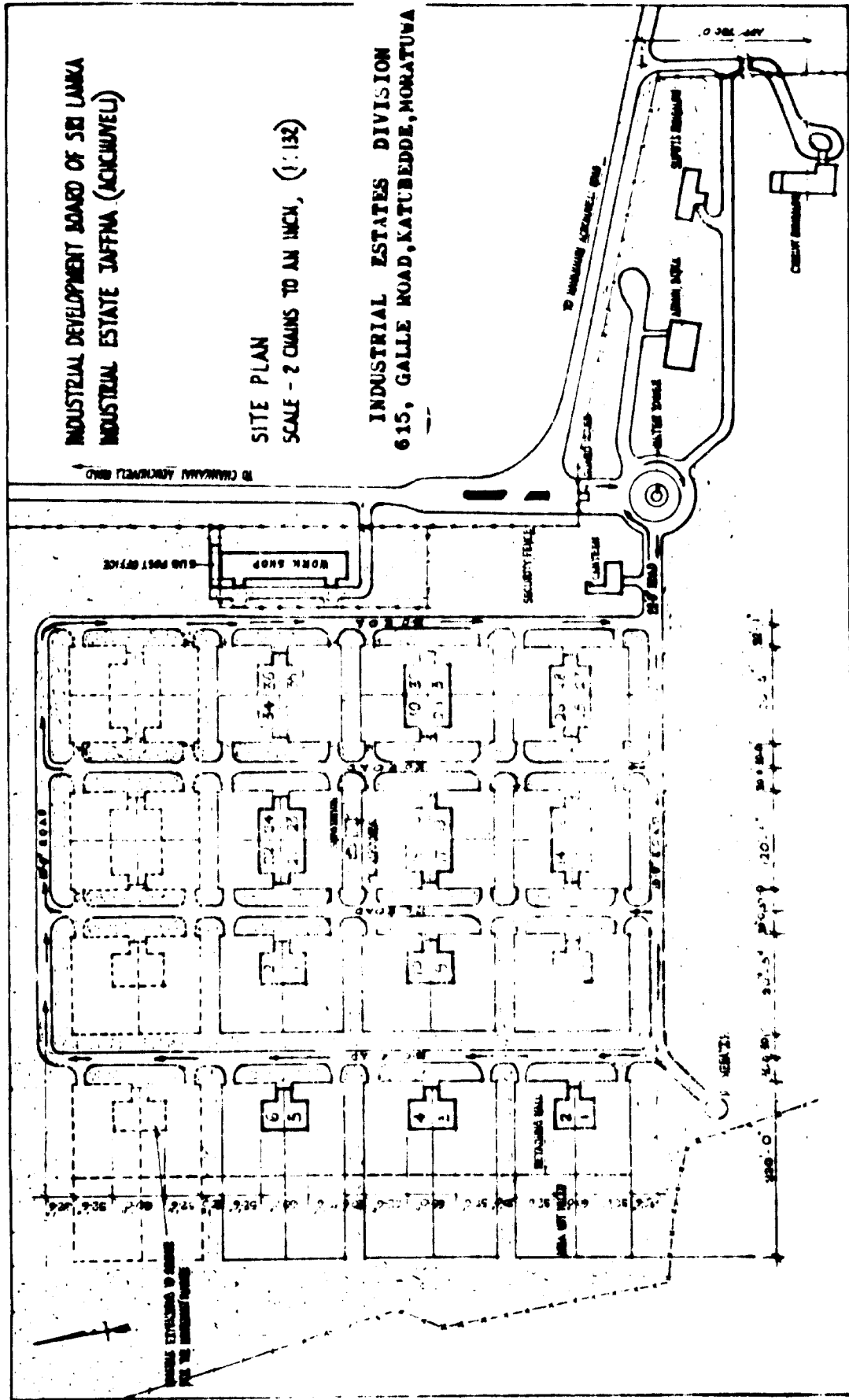
- (i) The estate has just commenced operations. 14 of the 30 Units have been allocated but only 3 firms in 10 Units have begun production.
- (ii) The location of the estate seems to be unfavourable.
- (iii) Telephone and frequent transport service are not yet available.
- (iv) Rentals charged are based on construction costs rather than on what the area can bear.
- (v) The estate is necessarily operating at a loss for the present since the income from Rental is very small.
- (vi) The management of the estate is not at an adequately high level to provide meaningful assistance to the tenants on the Estate.

ARCHIVE INDUSTRIAL ESTABLISHMENT STATISTICS ON INVESTMENT - 1975

Industry Group	Employment	Age Bill (Rs. '000)	Output/Sales 1975		Raw/Working Materials Consumption - 1975			Investment		Power/Fuel Consumption		
			Output (Rs. '000)	Export- to (Rs. '000)	Import- ed (Rs. '000)	Imported- Purchased Locally (Rs. '000)	Local (Rs. '000)	Plant & Machinery (Rs. '000)	Others (Rs. '000)	Electricity (Rs. '000)	Others (Rs. '000)	
1. Food, Beverages & Tobacco	26	-	341.1	608.9	37.0	-	349.5	181.9	138.0	70.0	0.8	3.1
2. Chemicals	40	30.0	166.0	272.0	-	36.0	36.0	7.0	271.0	1.0	1.3	3.7
3. Rubber, Leather wood & Paper	40	25.0	30.5	82.5	-	0.1	3.0	27.4	64.0	13.5	1.3	3.7
4. Metal Products	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL -	106	55.0	538.6	933.4	37.0	36.1	391.5	239.3	422.0	84.5	3.4	10.5

Note: 1. Of 6 units, 3 have been surveyed. The following which have not commenced production are not included -

- i. Mumbai Industries
- ii. Peralack Industries
- iii. Yari Metal Industries.



INDUSTRIAL DEVELOPMENT BOARD OF SRI LANKA
INDUSTRIAL ESTATE JAFFNA (ACCHUWEL)

SITE PLAN
SCALE - 2 CHAINS TO AN INCH, (1:132)

INDUSTRIAL ESTATES DIVISION
615, GALLE ROAD, KATUBEDDE, MORATUWA

TO CHAKKALAI ANCHUWEL ROAD

TO MANNARU ANCHUWEL ROAD

WATER TOWER

ADMIN BLDG

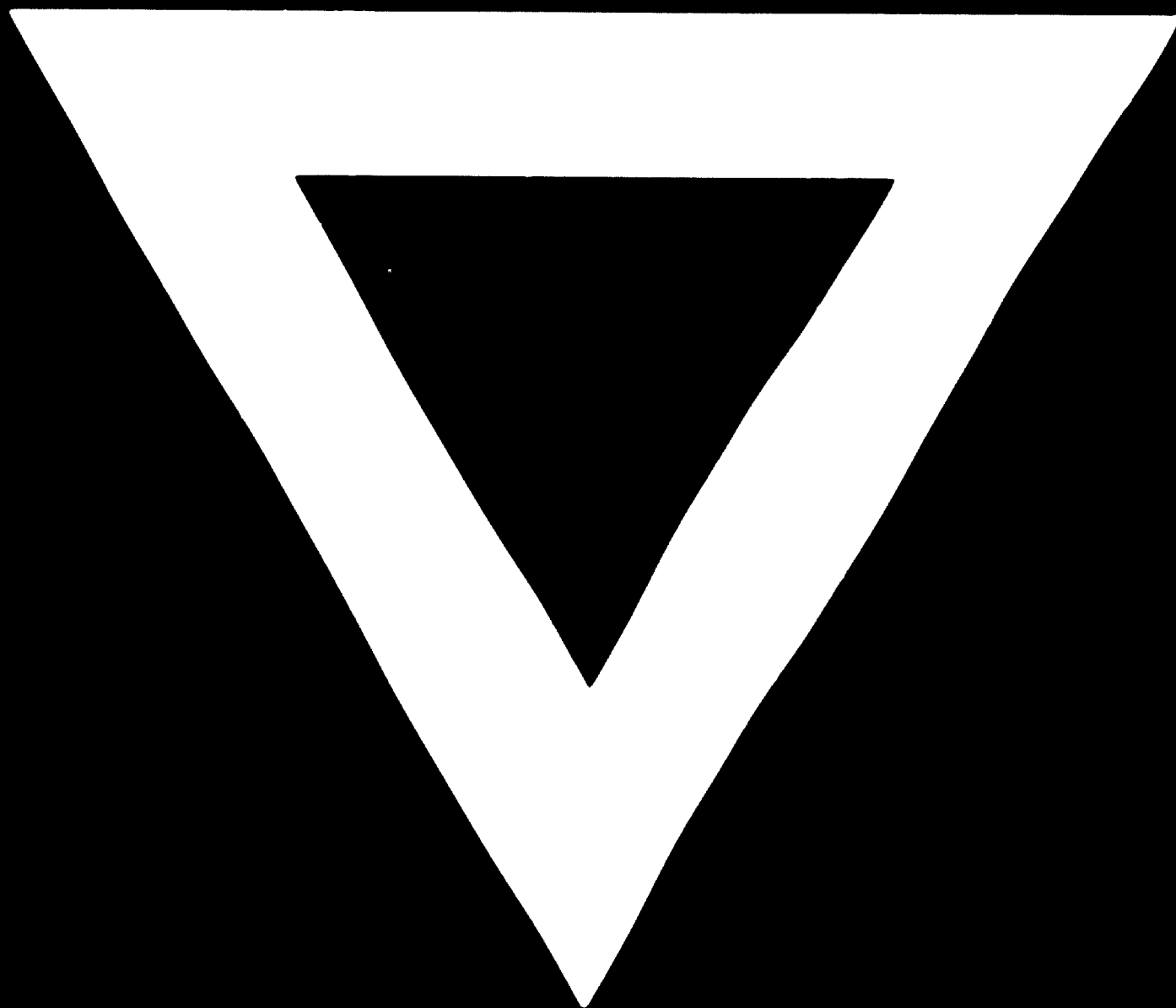
SOFTS BUILDING

CHEST BUILDING

INDUSTRIAL ESTATES DIVISION
FOR THE INDUSTRIAL BOARD



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