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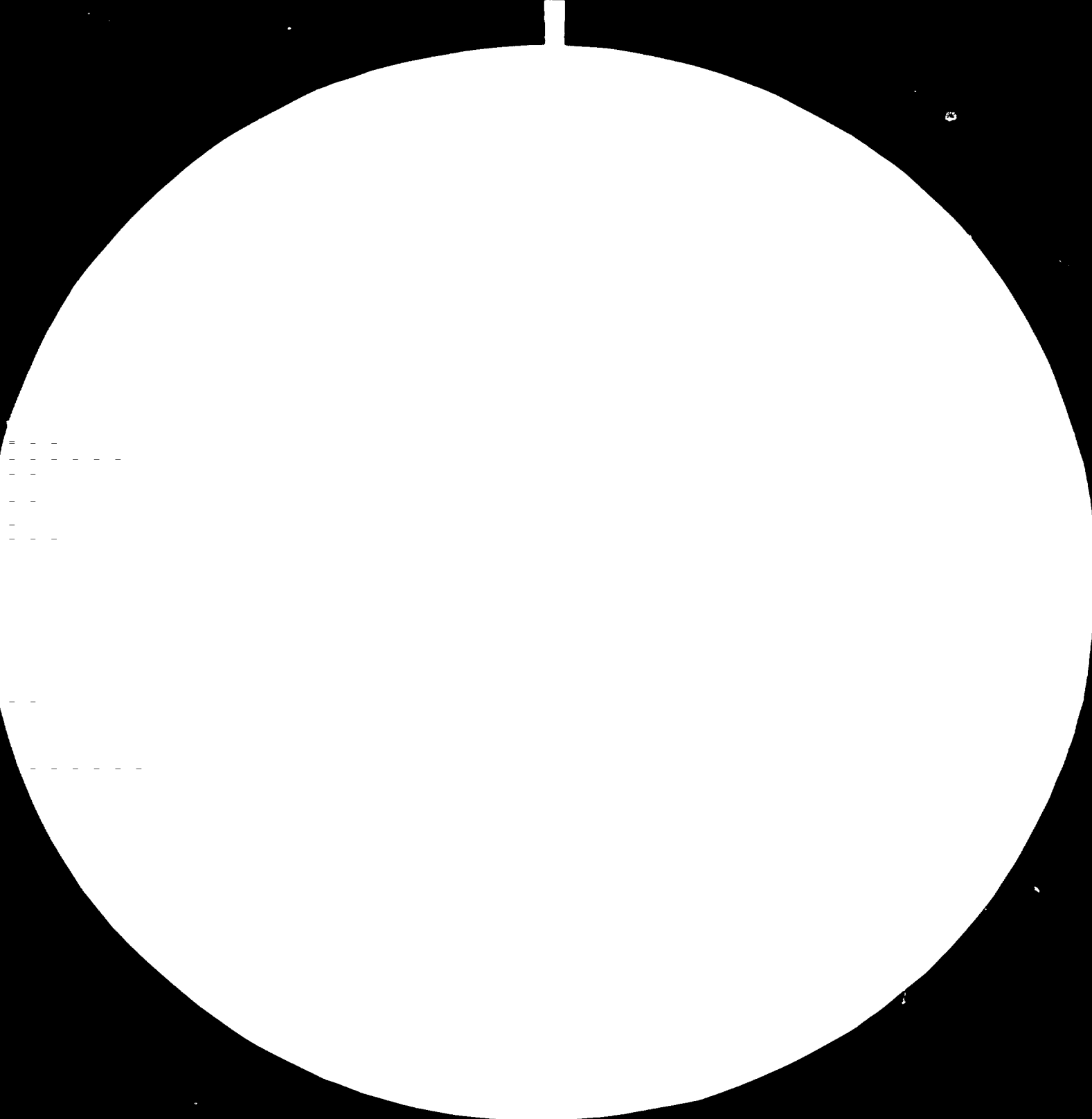
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25th October, 1978

Feasibility Study for an International Sub-Contract
Exchange for Small-scale Industry

INDIA

(DP/IND/72/028/11-01/31.3 D Rev.1)

Terminal Report prepared for the Government of India

(Ministry of Industry: Development Commissioner Small-Scale Industry)

by

E. Edwards

expert of the United Nations Industrial Development Organisation
acting as the Executing Agency for the
United Nations Development Programme

The report has not been cleared with the United Nations
Industrial Development Organisation which does not therefore
necessarily share the views presented.

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- II Outline working of the proposed International Sub-contract Exchange (summary of working paper 9pp. + 3 Appendices)
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1,0 Summary

This terminal report describes a 3-month UNIDO mission to India from August to November 1978, to examine the feasibility of establishing an International Sub-contract Exchange for Small-scale Industry. (A Sub-contract Exchange is a centralised information point set-up to advise a potential Buyer of competent companies able to satisfy his requirements, over the whole industrial spectrum.)

- page 3 Shortly after his arrival the expert carried out a 3-week tour of 5 working Exchanges. A report on their performance along with recommendations for their improvement was prepared on his return to Delhi. (Appendix I)
- page 6 Following on the report, a 3-day discussion was held at SISI Bombay from the 2nd to 4th November, and was attended by 5 Officers from the Exchanges visited. (Syllabus: Appendix IV; Participants: Appendix V).
- page 7 A few units (both large and small) were visited during the tour, but most of the organisations interviewed were visited after the expert's return to Delhi. (Appendix VI).
- page 8 The report recommends that the Exchanges be transferred from the Small Industry Service Institutes (SISIs) to the control of a Public Limited Company in each State. They will be funded by a Grant (contributed equally by both Central and State Governments) reducing to zero over a 4-year period. After two year's operation it is recommended that user companies (of whatever size) be charged a subscription, based on their 'size' (number of employees) and that a commission be levied on all foreign orders received through the Exchange. Each such company will be required to sign a Service Agreement with the Exchange. (Appendices VII to X)
- page 12 The State-based Exchanges will be co-ordinated by an International Sub-contract Exchange in New Delhi. This will, in like fashion, be controlled by a Public Limited Company with a 2-tier Board. There will be a small Executive Board of 12 Directors, and a larger Consultative Board, representing all the Export Promotion Councils. (Appendices XI to XIII)
- page 10 The report suggests that wherever possible, the Exchanges should be located in the same building as the Trade Centre. It also recommends the establishment of 'Inverted Trade Centres'.

The report concludes by recommending most strongly, that a reappraisal of India's overseas trade representation followed by a 'rationalisation' should be carried out, so as to concentrate effectively its export marketing, now dissipated through several agencies and offices.

2,0 Introduction

This project originates with Project Document IND/028/A/37 signed on the 16th October, 1975 and entitled 'Setting-up Sub-contract Exchanges for development of ancillary industries in India'.

Origin of project

There existed at that time 6 Exchanges, arising from the 2 set-up in Bombay and Madras in 1970 by UNIDO. In this project the expert was required to review the working of these 6 Exchanges, and, where appropriate, to make recommendations for their improvement. In addition he was asked to provide a framework for the development of a proposed 11 new Exchanges. Finally, he was asked to examine the feasibility of establishing an International Sub-contract Exchange. Three Fellowships formed part of the project, and they were taken up by Small Industry Service Institute Officers (SISI) for a tour of European Exchanges in the Spring of 1977.

Objectives

The Exchange was seen as an industrial and technical information centre, to assist large firms find competent sub-contractors without undue waste of time. It was hoped that this would lead to a better utilisation of the capacity of the small-scale sector. By this division of labour, the large units, whilst enjoying the lower prices and faster turn around of the smaller specialist units, would be able to devote their energies to assembly and marketing. The small firms would also, by this means, enjoy a more even flow of work, and a more economical loading of their machinery.

Finance

The Project Document, for financial reasons, was up-dated 3 times, the last revision/D, being signed on the 8th September, 1978. The original Government contribution was Rupees 15,000 and the UNDP component US\$16,200 of which US\$7,200 was earmarked for the 3 Fellowships.

Change in project

On the 22nd December, 1977, in a letter from the Ministry of Industry, the emphasis of the project was altered, making the feasibility study for the International Sub-contract Exchange the principal aim of the project. No revised Project Document was ever issued. The final cost was (UNDP total) US\$26,777 of which US\$13,627 for the 3 Fellowships (1 US\$ = Rs 8).

Enlarging the scope of the Exchanges

The original Exchanges operated chiefly in the field of mechanical engineering, dealing mainly with large firms in their immediate neighbourhood, and occasionally with companies and Exchanges in other areas and States.

Network of Exchanges	It is the Government's intention to broaden the scope of these Exchanges to encompass all industrial sectors allocated to small-scale industry. If then, these Exchanges can be co-ordinated on a national scale, from a Centre in Delhi, it would be possible to offer a foreign Buyer, detailed information on any registered and competent sub-contractor, across the whole industrial spectrum.
Int. Sub-Contract X.	Such a service, called an International Sub-contract Exchange, though simple in conception, would assist worthwhile small units, in any part of India to become successful exporters. We would stress that throughout this report we are interpreting the term 'sub-contracting' in a very liberal sense. We are using it as a short-hand notation for the supply of any item, ranging from a component part to the whole item, manufactured or produced in India, for the use of a local or a foreign Buyer. The sectors can include, footwear, electronics, handicrafts, mechanical engineering, furniture etc.
Project Dates	The Project started on the 9th August 1978, the expert arriving in New Delhi on the 14th August. The expert left India on November 5th 1978 and the Project ended on the 8th November. During his stay he was attached to the Development Commissioner, Small Scale Industries (Ministry of Industry and Civil Supplies) Dr. Ram K. VEPA, and reported to Mr. S.K. SHARMA (Director: Ancillaries) located in Nirman Bhavan, New Delhi.
	No counterpart was assigned during the project.
3,0	<u>Findings</u>
Int. X. founded on efficient State Xs.	From the outset, the emphasis from the Government side was on the preparation of the proposal for the International Sub-contract Exchange. A working paper was, therefore, prepared during the first weeks of the expert's stay in Delhi. (Appendix II: summary) It was not sufficiently realised, or accepted, however, that the success of the International Sub-contracting Exchange would depend critically on the existence of efficient Exchanges in the principal industrialised States.
3,1 Visits to 5 Xs.	After discussions, it was agreed that the expert should visit several of the more important Exchanges, and a 3-week tour of the Exchanges in Bombay, Hyderabad, Madras, Bangalore and Calcutta was carried out in September.
Low standard of Xs.	In the expert's Job Description, it states that "There are currently seventeen Exchanges operating in the country". (Appendix III, page 2)

Generally, the Exchanges were found to be below the standard which would enable them to function effectively on an international basis. This was due to many causes: lack of essential facilities (personnel, accommodation, equipment) and a general lack of understanding of the purpose and mode of operation of a Sub-contract Exchange. (Appendix I)

'Office
mentality'

All Exchanges produced too much paperwork, and tended to operate an Exchange from the office. There was too little realisation of the essential and vital need to visit all companies using the Exchange, both large and small. There was not enough aggressive pursuit of new sources of enquiries, and a tendency to 'boost the monthly figures' by getting large bulk orders from Public Sector companies, requiring little more than routine effort.

We condemned the practice of sitting in the office, and 'sending letters' asking Sub-contractors to call at the Exchange, rather than going to visit them. As only one Officer is required 'on duty' in the Exchange, all other Officers can be used for visiting. All units, especially the small ones, can be given a supply of standard Enquiry Forms, to simplify the sending of enquiries to the Exchange. Handwritten enquiries and free-hand sketches are to be accepted.

Fall in
number of
enquiries +
increasing
variety

All Exchanges reported a drop in the number of enquiries coming from the large units, coupled with a widening of the range of the enquiries beyond the original mechanical engineering field. Enquiries now extended into electronics, ceramics, glass, plastics, etc. and were no longer routine ('finding a capstan-lathe') but were becoming increasingly more difficult to solve. Import substitution enquiries now formed a larger proportion of the demand, and an encouraging trend (reported by Madras) was the growing use of the Exchange by small units.

Import
subs.

How to
increase
number of
enquiries

We discussed with the Exchanges, how to increase the flow of enquiries, and explained that there was no 'magic formula' to solve this problem: it must be tackled from many angles. The basic rule is to visit, to visit again, and to keep visiting. We make no apology for labouring this point. We do not pretend that it is a very stimulating occupation, but it is, nevertheless, essential, if an Exchange is to survive. It is only by this means that user companies can come to know the true potential of an Exchange, and how to use it correctly, to their ultimate benefit. We found in England, that a visit almost invariably brought an enquiry. From our experience, most Sub-contract Exchanges (not only in India) are under-used by their clients.

Telex
advertising

We suggested the use of Telex for advertising the Exchange amongst large companies. The Purchasing Manager of such a unit, outside the immediate urban area, is approached by name and title, and is briefly told what services the Exchange can offer his company in its specific field. This is immediately re-inforced with a following letter.

Capacity of
large units
not listed

Too many Exchanges considered the large companies merely as 'work sources' and had not considered listing the capacity in these companies, available for outside work. For example a large company may have been forced to buy a specialised machine for its own production, there being no such capacity available locally. Such a machine is often not fully loaded.

Narrow
view taken
of Xs. work

We note, with concern, that a very narrow view is taken by many people of the role of a Sub-contract Exchange. There seems to be current, a belief that there should be an Exchange listing 'capacity' and dealing only in sub-contract enquiries from the local large companies. There should then be another Exchange in the State, dealing with 'products', and co-operating with the International Sub-Contract Exchange, to handle enquiries emanating from abroad.

Present
Concepts
extended
to handle
products
etc.

This is reflected in the approach of one Exchange where they were developing a 'New Concept System' to handle 'products'. (The original list of Concepts was compiled in early 1970 to handle the mainly engineering enquiries of that period.) There is no reason why the concepts cannot be developed to cater for other sectors (including their products) such as electronics, handicrafts etc.

Recording
'non-
manufact.'
data

It is also not sufficiently known that the information system can (and should) record 'non-manufacturing' data about a unit. For examples the technical/managerial qualifications of the management; if they are exporters; the size of the factory; the number of shifts; etc.

3.11
Exchange
findings
common to
all Xs.

As the tour progressed, it became increasingly apparent that the findings were not those of a particular Exchange, but were basic to all Exchanges. Within the few days available at each, through discussion with the staff, an attempt was made to up-date their information and techniques, and to correct errors which had crept in over the years. At Madras, and later at Calcutta, 'teaching notes' were prepared each day, as a basis for these discussions.

Discussion
SISI
Bombay

These notes were later developed as a syllabus for a 3-day discussion held at the SISI Bombay between the 2nd and 4th November. The course was brief but intensive. Its objective was to teach the best operating procedures to the staff of the 5 Exchanges visited earlier and also to broaden the rather narrow view generally taken of the work of a Sub-contract Exchange. Problems common to all Exchanges were aired, and there were useful exchanges of views on the wide role an Exchange can play in the industrial expansion of its operating area.

3,2
Other 'Int.
Exchanges'
ineffective

Good documentation is important in the export field, but reading market predictions, and field reports in one's chosen sector is only a prelude to action. The ultimate objective, is to get an order from a foreign Buyer. One can use the C.B.I. in Rotterdam ('Centre for assisting Imports from Developing Countries') or the Import Opportunities Office in London. However, this type of organisation is yet another screen between the manufacturer and his final goal, the BUYER. It is believed that there are International Sub-Contract Exchanges abroad, where the Indian Exchange (International) can simply 'plug-in' to receive a never-ending stream of enquiries. The Exchanges in EEC, for example, now small in number, generally work only within the community. Although they are now broadening their base, they were also originally biased to the mechanical engineering sector.

Importance
of directed
marketing

One can do a great deal from an office in India, by writing letters addressed by name and position to important companies in a chosen sector. The letter does not describe all products made in India, or even all products made in that sector (electronics, say) but only those electronic products which will interest that company. This is a time-consuming but very effective method of making contact with foreign companies.

Importance
of good
sales
literature

Good sales literature is essential. It is too often forgotten that the company's letter-head and sales leaflet is the first 'picture' that the potential Buyer receives of his future supplier. Many companies 'undersell' themselves omitting such facts as the graduate qualifications of the management, well-known companies they supply etc. We have seen badly printed catalogues with appalling spelling mistakes. Despite the factual excellence of the product, such an approach can cast doubt in the Buyer's mind as to the (manufacturing) competence of the unit.

India's
overseas
represent-
ation too
fragmented

There is no real substitute for being 'on-the-spot' to meet Buyers at first-hand. However, a foreigner surveying India's trade representation overseas is struck by the multiplicity of offices, which can only lead to unnecessary duplication of function and of sectoral coverage. In one large city, there may be several offices, each one covering either one commodity or sector or serving only one of India's external trade organisations (TDA, STC, EEPC etc.) In addition to being uneconomical, more importantly, such diversity is confusing to a potential Buyer, when he finds more than one 'Indian Export Office'. If a foreign customer enters a TDA office, for example, and is redirected to another 'Indian Export Office', he may never arrive there! It is a well-known fact of retail merchandising that a customer 'out-of-the-shop' is a customer lost.

3,21
Danger of
extending
'ancillary'
idea into
foreign
markets

The idea of an 'ancillary' unit has served well in India, to bring up small units by tying them to a parent company that can supply them with work, and help them to upgrade their technical ability. However, it is dangerous to carry over this idea into the international field. If a foreign Buyer places an order with an Indian shirt manufacturer in the Summer of 1978, it does not mean that he will henceforth become a regular supplier of that company. In 1979 he will have to compete again with other similar companies from various developing countries.

3,3
Exchange
vs.
Directories

Finally, we would stress that 'Trade Directories' of varying size and accuracy are found in every industrialised country in the world. Their information is always historical (having been gathered long before publication) is always too sketchy, and rarely checked by a visit to the factory of the unit listed. It has been our experience, after talking to Buyers in many EEC countries, that a Buyer has far more confidence in the information before him, if he knows that it is based on a personal visit to the company by a competent specialist.

A Sub-contract's Exchange sole reason for existing, is that it can give this highly directed, accurate information demanded by the professional Buyer: information based on visits to the supplier. Otherwise, it is no better than any run-of-the-mill Directory, and should be closed down.

3,4
Visits to
export
orgs.

During the tour of the Exchanges early in the mission, a few organisations and small units were visited. However, the bulk of the interviews took place on the expert's return to Delhi at the end of September. The object of these

vists was first to explain the proposal: to establish an International Sub-contract Exchange, co-ordinating a net-work of efficient Exchanges located in each State. The opportunity was also taken to discuss structural and organisational difficulties which might arise in implementing the Project. (Appendix VI)

Reaction
to Int. X.
idea

Industrialists, semi-official bodies and foreign Embassies were unanimous in their interest in the proposal. They agreed, that if the system could be operated with a high degree of efficiency, it would, indeed, be a remarkable operation. Their enthusiasm was qualified, however, by a healthy scepticism as to the ability of a Government or quasi-Government body to operate efficiently in the commercial world, especially internationally.

3,5
Vital
role of
State-
based
Exchanges
in Int. X.
system

The Project is concerned with the feasibility of setting-up an International Sub-contract Exchange. However, as will be noted, the bulk of the 'Findings' are taken up with the organisation of the State Exchanges. We make no apology for this. The International Sub-contract Exchange is merely a clearing-house for enquiries from overseas. However, if the Exchanges in the States, are inefficient in the handling of these enquiries, and use faulty information on the suppliers, due to insufficient visiting, then the whole system will collapse. It should be realised, and remembered, that the International Exchanges rests solidly on the State Exchanges, and their efficiency, or otherwise, will be reflected in its performance internationally.

4,0 Recommendations

Transfer of
Exchanges
from
SISIs

The Sub-contract Exchanges currently operating are based on the various Small Industry Services Institutes (SISIs) in the State Capitals. Their state of development and their operating performance 8 years after the initial launch is not encouraging. There are constraints in a purely Government establishment which conflict with the demands of the commercial and industrial worlds. Also, personnel in Government service tend to be more cautious and less enterprising than their contemporaries in business and industry.

4,1
State X
run by
Public
Company

For the foregoing reasons, we recommend that the State-based Exchanges be transferred to the control of a Public Limited Company, registered in the State. The Exchange should be located in the principal industrial area of the State, not necessarily the State Capital. (This may at times conflict

with the suggestion (below) that the Trade Centre and the Exchange should be housed in the same building.) The composition of the Board of Directors, the staffing, accommodation and equipment required, and the Budget, are set-out in Appendices VII to IX. The staff, who will be of graduate level, will be Engineers from various disciplines, reflecting the industrial bias of the State. Their main function will be visiting the units in their cars.

Composition
of Control
Board

The Directors will determine the Exchange's overall policy and its funding, and will also select the Exchange's Technical Director. We would recommend that the Board should consist of not more than 12 Members. It should not be a debating society, but an executive instrument. The composition of the Board of Directors will represent both Central and State Governments, small-scale industry interests, and also the views of the differing specialist sectors in the State. (e.g. Bangalore and Hyderabad: electronics; Ludhiana: hosiery and machine-tools etc.)

4,11
Funding

For the first 5 years of its operation, it should receive a Grant (equally from the State and Central Governments) (Appendix IX) The Grant will reduce at 5% per annum, starting with the second year, so that the Exchange must be self-financing at the end of the 5th year. After two years however, the Exchange, if efficiently run, it should be able to show that it is an useful and effective organisation.

Service
Agreement:
X charges
for its
services

It can then begin to charge for its services. Each company registered with the Exchange, will be required to sign a Service Agreement, which defines the service offered by the Exchange, and the rights and also obligations of the user companies. The Agreement will give the Exchange the right to levy an annual subscription, to refuse entry to the Exchange, and to expel companies who do not observe its Code of Conduct. (Appendix X)

Commission
on foreign
orders

Charging commission on in-State and inter-State work received through the Exchange's agency is an attractive proposition. However, we do not think that it is practicable, being difficult to collect. We do recommend that a modest commission be charged on all work supplied by the Exchange from foreign companies. The orders can be easily isolated, for accounting purposes, and they will be substantial. Any company trying to evade payment of this commission can be expelled from the Exchange, thus greatly reducing

its 'work sources' both within and outside India. If the Exchange is a successful 'provider', this can, indeed, be a very strong sanction.

4,2
Trade
Centre
and X
in same
place

When there is a Trade Centre in the same State, the Exchange must, wherever possible, be located in the same building. Thus, a potential Buyer (from within or outside India) seeing a product on display, can, under one roof, obtain detailed information about the company manufacturing the product. It is appropriate to quote here a brief extract from a recent KASSIA 'Bulletin'. "... It has been the experience of VITC and also prospective Buyers (within the country and foreign countries) visiting the Trade Centre that they are not able to get comprehensive information readily about products manufactured in the State because of lack of information about the products by means of catalogues, the immediate persons to be contacted, and the number of industries manufacturing products in the particular line etc., at one single place. Thereby quite a few enquiries could not be processed, resulting in losing good markets" (KASSIA: Karnataka Small-scale Industries Association; VITC: Visvesvaraya Industrial Trade Centre, Bangalore)

4,21
'Inverted'
Trade
Centres

The 10 present Trade Centres (existing or projected) are intended to show Indian and foreign Buyers products made in that State. We propose 'Inverted' Trade Centres, where an Indian manufacturer can inspect typical examples of his competitors' products on sale in his important foreign markets. For example, a shirt-maker would see shirts on sale in Holland (say) in the style (leisure, sports, etc.) and the price range in which he operates. He would then immediately be aware of the competition he faces. Each article displayed will carry a label stating the country/place/date of purchase, and the purchase price in US dollars, local currency and Indian Rupees. At a later date we can envisage a more ambitious development of this system to enable the Indian producer to buy a sample to take away to his factory for detailed inspection. The buying side of this venture would, of course, entail very close co-operation with India's foreign-trade representation.

4,3
Maintenance
of current
Xs.

We are aware that some considerable time can elapse between an acceptance of this proposal and the implementation of its recommendations. In the intervening period, the State-based Exchanges, still within the purview of the SISIs must be brought up to standard, and maintained at this level, until such time as a smooth hand-over of power can take place. It may be useful if SISI Exchange personnel can be seconded to the 'new' Exchanges for the first few months of their life.

4,31
Exchange
not
limited
to small
units

The prime objective of the State-based Exchanges, and of the International Sub-contract Exchange based on them, is to assist small-scale industry to be more productive, and to become better and more numerous exporters. We do not believe, however, that the Membership of the State Exchanges should be rigourously confined to small units. The very large units, have their own efficient trade intelligence systems, but there will be companies who, slightly beyond the legal limit of 'small-scale' can, nevertheless, greatly benefit from the services of these Exchanges.

4,32
Consultancy

The visiting of units, on which we have always laid great stress, pays dividends beyond the mere collection of information. The Exchange will often have to check and control the quality of products, and render industrial and exporting consultancy assistance where necessary. Sometimes the request will come from the unit itself, but more usually it will arise from the observations of the Exchange's Officer. If the Exchange offers detailed export assistance to small units, consideration may be given to helping them to form consortia such as those already working in Madras, Coimbatore, etc., working closely with the Exchange as the source of enquiries. At a later date of its development, the Exchange itself may have to consider becoming as an Export House.

4,33
Export
Manager
on Loan

There is an interesting development being tried at present in Finland by the FFTA (Finnish Foreign Trade Association). It is called EML (Export Manager on Loan). The experiment came from the realisation that although their advice on market conditions and on export promotion facilities were adequate, they needed to improve their efforts on export planning and marketing technique. A businessman, experienced in the export business was taken on the staff of the FFTA, and hired out (at a subsidised rate) to companies in a particular sector. The overall contract covered a period of about 6 months, but the consultant spent no more than a week in each company at any one time, but on rotational basis. Four sectors were identified, and were given this treat: engineering, ready-to-wear garments, boats, and furniture.

Scope of
Int. X.

The State-based Exchanges, quite clearly, are intended to foster the interests of their own States. The International Sub-contract Exchange, on the other hand, must take a countrywide view of its functions and

responsibilities, and must represent the interest of all worthwhile small-scale industry in the country. We have listened sympathetically to the arguments for each State operating its own International Sub-contract Exchange. We understand the aversion 'to being controlled from Delhi' but think that this approach will again increase that fragmentation in India's official export drive that we have commented on earlier.

4,4
Int. X.
run by
Public
Company

We recommend that an International Sub-contract Exchange be established in New Delhi. The International Exchange will be operated through a Public Limited Company (as in the case of the State Exchanges) with a Board of Directors representative of these interests. One way of doing this is to have on the Board, all Export Promotion Councils (EPCs). If additionally we have a few Government nominees, we shall have a Board of over 20 Members. This, we believe, is too unwieldy for effective decision-making.

2-tier
Board

We propose, therefore, a 2-tier Board. The Executive Board will consist of 12 people, and the (lower) Advisory Board will represent all the EPCs and any other organisations considered relevant. (Appendix XI) The Members of the Advisory Board will, each year, elect 7 of their Members to serve on the Executive Board. As all Members of the Executive Board have 1 vote, the 'industry side' can never be outvoted by the 'official' side. As with the State Exchange, the Executive Board will select the Exchange's Technical Director, determine its funding, and, in conjunction with the Advisory Board, determine the overall policy of the Exchange, and how it is to charge for its services. (Appendix XIII)

4,41
Funding

The initial cost of the International Exchange should be borne wholly by Central Government. The grant, after a period of 5 years, will be reduced or withdrawn, depending on the Exchange's progress. The support must be for a longer period than in the case of the State Exchanges, as the task of the International Exchange is far more difficult, and its operating expenses will be far higher, if it is involved in overseas operations, such as trade fairs, trade delegations, shares in overseas offices etc. No direct charge will be made to a foreign Buyer. However, the Exchange will charge a small commission on all orders which are placed with its help. (This can be at a lower rate than that charged by the State Exchanges for similar work, since it will handle overall, a greater volume of work.)

Commission

Location The location of the International Exchange should be in a prestige location in New Delhi (of. TDA over the Bank of Baroda) probably over one of the Major Banks, or in one of the many large office blocks on the South side of Connaught Circus. The staff of the International Exchange will be drawn

Staffing from the Purchasing Officer/Sales Representative side of commerce and industry. Their main function will be to meet foreign Buyers visiting India, to discuss their requirements, and to put them in touch with suitable units through the medium of the State Exchanges. Details of staffing, accommodation and equipment, and the Budget, are shown in Appendices XII to XIII.

4.42
Publicity for Int. X. Clearly, if the International Exchange is to succeed, it must be publicised on the widest possible scale, and should have one of its Officers present on the stand of every major Indian exhibition overseas. His speciality should, wherever possible, be matched to the needs of the exhibition. It should then be possible, with an efficient Exchange system (International + all State Exchanges) to accept Trade Enquiries on the stand for immediate processing, so that within a few days, after returning to his office, the Buyer should receive the information (prices, delivery etc.) which he asked for.

4.43
Operation The purpose of setting-up a network of State-based Exchange linked to the foreign markets through the International Sub-contract Exchange, is to give a foreign Buyer all-India sectoral coverage, coupled with filled on-the-spot information on all units, backed up by visiting. The information on the units and the quotations to the Buyer are passed to Delhi for onward transmission to the Buyer. A summary of the quotations is Telexed to him, and the full quotations, accompanied by photocopies of the Item Cards of the units (company profiles) are sent on to him by air-mail.

Our target should be that, if the Buyer eventually takes up the offer, and pays a visit to the units who have quoted, he should feel that he had already 'been there before', so complete and accurate is the information which we have sent him. If the Exchange system can provide data no better than the scanty (and often unverified) information available in the various sectoral Directories, then it has no basis for existing.

4,5 We touch now briefly on the use of computers in the Sub-contract Exchanges. Size of X. The present Concept/Item Card system, with an up-to-date list of Concepts 'satellite' Xs. can handle the information from 4,000 or even 8,000 units over all industrial sectors, including their products, materials, 'bought-out' (i.e. 'off-the-shelf') components. The real problem is not, however, information processing, but keeping close (almost personal) contact with the units. 4,000 is a reasonable size, and 8,000 should be considered an absolute maximum. When an Exchange (usually the principal one) is going to exceed these limits, then we must consider the establishment of 'satellite' Exchanges in other fast-growing industrial areas in the State, such as Visakhapatnam in Andhra Pradesh. The system must be flexible so that the local Exchange can deal directly with other Exchanges in neighbouring States. International enquiries, however, will always be routed through Delhi and Hyderabad.

4,6 It is possible to adapt the usage of the present Concept system to work Coding: into a computer system. However, for inter-Exchange and international work, 'Compre- we strongly advise against the use of coding, especially of a numerical type', ssed' Concepts where transposition of digits is always a hazard. Coding is a process of translation, and is open to misinterpretation and error. It is far better to send all messages in plain-language, and thus avoid any expensive misunderstanding.

It is possible to 'compress' all Concepts into meaningful 6-letter abbreviations so that the original Concept CHEMICAL-ENGINEERING becomes ENGCEM or CEMENG. This Concept will be 'tagged' with the Item Card No. of the unit and also with the Exchange Number (two digits) (or a two-letter mnemonic alphabetic code can be used) plus a check digit to check for miscoding. By this means, the system can be developed smoothly, without the complete break which could occur by changing from an understandable and working system, to a completely different one.

4,7 We consider that sufficient UNDP funds have been employed to establish UNDP Funds Sub-contract Exchanges in India. Since the proposals anticipate that both State and International Exchanges will be initially funded by Central and State Governments, and will eventually become self-financing, no further assistance from UNDP is anticipated.

5,0 Conclusions

The report finds that the present-day State Exchanges in India will have to be up-graded, if they are to be effectively organised into an International Sub-contract Exchange system, co-ordinated by a Centre in Delhi. It recommends that both the State and International Exchanges be controlled by Public Companies, representing State and National interests, respectively. It recommends that, after a short period, both Exchanges should become self-financing, and that no further UNDP funds are necessary.

The report also suggests that, although some export marketing can be done from within India, the International Sub-contract Exchange will never succeed, unless India's overseas trade representation is re-organised and co-ordinated, so that there is one office only, in each important foreign city.

Whilst advocating that the State Exchanges and Trade Centres should be housed in the same building, the report suggests the idea of the 'inverted' Trade Centre.

The size of the State Exchanges should be 4,000 (or not more than 3,000) registered companies (of all sizes). Any enlargement of the State system must be handled by creating 'satellite' Exchanges.

The State Exchange whilst carrying out normal industrial and managerial consultancy, may have to encourage the formation of small-firms' consortia, and even itself consider becoming a registered Export House.

The report concludes by stressing most strongly, that no International Sub-contract Exchange will ever work, unless it is supported by fast and efficient State Exchanges.

Report on visit to 5 Exchanges (September 1978)

(Summary + Recommendations. 7pp. + 3 appendices)

The report describes visits carried out by the expert to Exchanges in Bombay, Hyderabad, Madras, Bangalore and Calcutta. It comments on the generally low standard of the Exchanges due to lack of facilities (men, accommodation and equipment) and to a lack of understanding of the principles and method of operation of an Exchange. The 17 recommendations for their improvement are made below. The report concludes that if these remedial measures are taken soon, it will be possible in a perhaps a year, for these Exchanges to be incorporated into a viable national network, controlled by the Proposed International Sub-contract Exchange in Delhi.

Recommendations for immediate remedial action

All Exchanges must have

- 1) direct outside dialling telephone facilities.
- 2) immediate access to the Telex m/c, which should be within the Exchange area.
- 3) a competent Stenographer (telex-trained).
- 4) direct delivery of all letters specifically addressed to the Exchange.
- 5) all forms essential to the Exchange's proper working, and essential office supplies.
- 6) a modern Xerox-type dry photocopier, which should be adopted as a standard for all Exchanges.
- 7) its accommodation re-arranged, so as to make the Exchange proper a 'prohibited area' closed off from the general public.
- 8) a separate area (adjoining, preferably) where Buyers, visitors and proprietors of small units can be received.
- 9) Exchange personnel should work for the Exchange only. They should have no other duties.
- 10) Staff (as follows) would be sufficient to handle a 'population' of 2 to 3,000 units

1 Deputy Director	1 Assistant Director
1 S.I.P.O.	1 Telex-trained Stenographer
1 Driver	1 Peon

- 11) There should be one vehicle reserved for the exclusive use of the Exchange.
- 12) A programme of continuous visiting of all units in its area, both large and small must be the norm.
- 13) In view of the ultimate establishment of an International Exchange, the use of the Kardex-mounted, pre-printed Item Cards should be discouraged.
- 14) The transfer of any Exchange Officer should not be permitted, unless and until his replacement is competent to take over his duties.
- 15) All Directors of Institutes where Exchanges now operate, or where they are soon to be set-up, should be advised of the basic idea of the Exchange, and of its method of working. They should also be aware of the minimum but essential facilities (staff, equipment, accommodation) necessary to its successful operation.
- 16) A week's 'crash-course' should be held at a convenient central point, (e.g. SIET) before the writer's departure (Nov. 5th), to bring people from the various Exchanges up to the required standard.
- 17) The list of Concepts must be up-dated. The changes, based on operating experience over the past years, must now cater additionally for 'products' and for the widening scope of the Exchange's enquiries, which were formerly mainly in the mechanical engineering field.

Proposed International Sub-contracting Exchange New Delhi, August 1978

Discussion paper (summary) (9 pages + 3 Appendices)

'An international sub-contract exchange in whatever country it operates, is a communication centre for joining foreign Buyers with potential competent sub-contractors in that country.'

From this definition we can set-out the necessary criteria for the proposed International Sub-contract Exchange in New Delhi.

The paper then sets out the 10 criterias, which (briefly) are

- 1) careful selection of all sub-contractors
- 2) provision of industrial level consultancy and expert services to assist good units
- 3) importance of Exchange itself adopting an aggressive marketing policy overseas
- 4) necessity of fast and accurate communication links between Exchange and its overseas information gathering points
- 5) need for high calibre professional staff (overseas, Delhi, State Xs.)
- 6) location in a prestige central point in New Delhi and equipped with all necessary modern office machinery
- 7) ability (itself) or through State Exchanges to help with all exporting problems (see 2 above)
- 8) necessity for close and co-operative working with other Government departments also working in the same field
- 9) aims and working procedures of Exchange to be under constant review
- 10) principal aim, not to be forgotten: to put Indian sub-contractor before a foreign Buyer

The paper then follows a fictitious foreign enquiry from its reception in New Delhi down to the State Exchanges, back to Delhi and to the transmission of the replies to the overseas Buyer.

The paper suggests that State Exchange personnel should be drawn from the industrial field, the staff at Delhi from the Purchasing Officer/Sales Representative class. Their qualifications, the equipment and accommodation required and a manpower table (State Exchange) are given in the 3 Appendices.

Job Description of UNIDO Expert

Job description

DP/IND/72/028/11-01/31.3.D Rev 1+

Title Adviser in Setting Up of Sub-Contracting Exchanges

Duration Three months

Date Required April 1978

Duty Station New Delhi, with travel in the country

Duties The expert will be attached to the Ministry of Industry, work closely with the Development Commissioner, Small-Scale Industries and will be specifically expected to:

1. Examine the feasibility of setting-up an international sub-contract exchange.
2. Devise a suitable system of providing adequate linkages with similar international exchanges abroad and existing sub-contracting exchanges within the country.
3. Suggest proper manning and organizational patterns for both the proposed international and domestic sub-contracting exchanges.
4. Devise a suitable standardized coding system which would be applicable internationally.

The expert will also be expected to prepare a final report setting out the findings of his mission and his recommendations to the Government on further actions which might be taken.

+ The revision of this Job Description previously distributed on 17 December 1975 is being issued due to changes in the text.

Qualifications

Industrial Engineer with extensive experience in organizing and running sub-contract exchanges.

Language

English

Background Information

There are currently seventeen sub-contracting exchanges operating in the country and it is proposed to set up an international sub-contracting exchange with suitable linkages with similar sub-contracting exchanges. There would, thus, be a network of domestic sub-contracting exchanges which in turn would be linked with various sub-contracting exchanges abroad through the media of the international sub-contracting exchange. The sub-contracting exchanges would on the one hand keep in touch with large houses in assessing their requirements and on the other hand with prospective manufacturers in the small-scale sector who could meet their requirements both qualitatively and quantitatively. This would go a long way in solving the problems of the large scale industries by locating suitable ancillary suppliers for them and would also help the small scale units in as much as they will get regular buyers. It will also provide avenues to these small-scale units for entering the export field on a regular long-term basis.

Syllabus for discussion at S.I.S.I., Bombay, from 2nd to 4th November, 1978

Forms Reasons for use, layout, types, overprinting, excessive typing.
Examples of uses of the different forms

Enquiry Types, and brief details of handling them.
Demonstration of conduct of a telephoned enquiry
" " written or Telex "
showing the use of the various forms (2 Check Sheets)
Use of Concept and Item Cards and Linedex system
Analysis of a business letter/enquiry
Division of labour between Engineer and Steno. during an enquiry.
Enquiry Files: construction. Label layout. Enquiry Rack: construction
Flow Diagram

Information Retrieval

Basis of co-ordinate indexing.
Concept Cards: registration(during printing),shaded '5s',notched bottoms, relation of cutter dia. to square size (1/8" to 1/12" dia.)
How to select Concepts. Schedule. Extending present system.
'On not being too clever'. Concepts for products, services etc.
Concepts for 'non-manufacturing' features: factory size; no, of shifts; managerial/technical qualifications; exporters to ... etc.
Use of Item Cards for more than one unit ('General' or 'Group' Item Card)
Use of 'geographic' Concept Cards (of contrasting colour) for NOT function.
Use of Item Card Nos. 3900 to 3999 (say) for 'Questionnaires' (Concepts = SECTOR + QUESTIONNAIRE)
New type Item Cards (same shape as Concept Card, but different colour) not printed, plain, and stored in same place as Concept Cards.
Greater flexibility : Steno. uses layout for typing Item Card.

Telex 'Chattering'. Brevity vs. redundancy. Rebuilding the enquiry from a Telex message. (The boxes disappear). Use of one X as a repeater station. Multiple transmission.
Use plain language not codes; say what you want.

Filing of correspondence

Alphabetic or numeric filing. Alphabetic 3 or 4 letter codes.
Internal layout of a filing-cabinet. Coloured markers on files/rails.
Coloured index tabs.
Miscellaneous (alphabetic) files.

Registers

Telephone and Telex. Enquiry
Firm's Name to No., and reverse
Firms Name to Alpha., Code and reverse
Linedex: layout, reason for, changing information

Exchange Layout

Job. Specifications of Steno. and Engineer Officer.
Security of Files, (enquiry and correspondence), Concept Cards,
Item Cards. Photocopying of Concept Cards.

Collecting Information

Sources: firms' capacity lists; visits to firms; catalogues,
trade journals; newspapers; exhibitions
Starting an Item Card with a 'nucleus' of information. Be squirrels!
Inspection and Testing Centres Consultants

How to visit a company

Small firm: be content with a little to start, and buildup.
Interviewing: not a police interrogation!
Importance of visiting: gets enquiries; maintains personal contact;
brings consultancy work

How to get more enquiries

NO MAGIC RECIPE. DONT SIT IN THE OFFICE GO AND MEET THE UNITS.
Visiting. Leaving yellow Enquiry Forms for all (especially small)
units to use. Advertising by Telex. Publicity material (e.g.
'2-way Sub-contract Exchange'.)
Handouts for Seminars and Exhibitions, also to leave when 'calling'.

Telephone Answering Machine Uses

Fictitious Enquiries Use in 'tuning-up' the system.

Organisations interviewed

Trade Development Authority (IDA)	M.R. Gulati, Jt. Chief, Trade Information & Statistics M.L. Garg, Chief, Merchandising Division
Federation of Indian Chambers of Commerce and Industry (FICCI)	Dr. Ram Gopal Agrawal, Secretary B.K. Agrawal, Deputy Chief, Industry
Federation of Indian Export Organisations (FIEO)	A.K. Vaish, Secretary
Sports Goods Export Promotion Council	T.K. Suri, Exhibition Officer
Engg. Export Promotion Council	Dr. R.K. Singh, Executive Director
Indo-German Chamber of Commerce	Klaus Volker Schurmann Regional Secretary
Jain Tube Company Ltd. (Jain Exports Pvt. Ltd.)	R.B. Lal Sharma Senior Export Manager
Ministry of Commerce	Raman Ujah, Joint Secretary
Moonage Exports (P) Ltd.	M.C. Kohli, Managing Director
Andhra Pradesh Small Scale Industry Development Corporation	K.S.R. Murthi Vice-Chairman and Managing Director A.K. Raja, Chief Marketing Manager
Karnataka Small-scale Industry Development Corporation	A. Udaya Kumar, Manager, Marketing
Visvesvaraya Industrial Trade Centre	B.R. Umakant, Secretary
Export Inspection Council	D.C. Majumdar, Sr. Additional Director
Karnataka Small Scale Industries Association	N. Raghavachar General Secretary
State Trading Corporation (STC)	Mukund Rajopadhye, Group Executive
Larsen and Toubro Ltd.	Kapil Kumar, Central Source Development Cell Prakash G. Utakikar Asstt. Manager, Materials
Lucas-TVS Ltd.	V. Hariharan, Purchase Manager
Tractors and Farm Equipment Ltd.	M.S.L. Rao, General Works Manager
Indian Standards Institution (Bangalore)	N. Srinivasan Director
Santacruz Electronic Export Processing Zone (SEEPZ)	S. Ganesan Public Relations Officer
and various Embassies	

Composition of the Board of Control for State Sub -Contract Exchange

The composition of the Board must represent the view not only of the Central and State Governments, but also those of the industrial and commercial interests of the State, especially in the field of the small-scale industries. The 'product mix' of industries will vary from State to State, and the composition of the Board must, of course, mirror this.

The Board will comprise

- | | | |
|--------|---|---|
| 1. | Ministry of Industries (State) | Director of Industries
(Chairman) |
| 2. | Ministry of Industry and Civil Supplies (Central Government)
Small Scale Industries | Development Commissioner
(Deputy Chairman) |
| 3. | (State) Small-scale Industries Development Corporation
(or equivalent body) | Managing Director |
| 4. | (State) Small-scale Industries Export Corporation (where relevant) | Managing Director |
| 5. | Trade Centre | Chief Executive |
| 6./12. | Designated representatives from bodies representing various specialised interests in the State (e.g. electronics) machine-tools, hosiery, handicrafts etc.) | |

We recommend that the Board should comprise about 12 Members.

The Budget for the State Sub-contract Exchange is given in Appendix IX

Staff, accommodation and equipment for a proposed State Sub-contract Exchange

Staff

Technical Director

At least 10 **years'** experience in Industry or Commerce, supported by a 1st Degree in Science, Engineering, Business Studies. No one man can hope to be a specialist in all the fields which a Sub-contract Exchange may cover. Hence, the Director need not be a 'technical man' provided he is adequately supported by specialist staff.

He must be able to meet industrialists and Government officials at **all levels**

He must be a good publicist, and able to advertise the Exchange's functions to the industrial and commercial interests in the State.

He must be a good administrator.

Field Officers

Although the Technical Director must not become 'desk-bound' and will visit units from time to time, the bulk of the industrial visiting will be carried out by these Officers. Initially, one Officer will have to cover many fields, or to 'double-up' (i. e. an Electrical specialist may have to cover Electronics as well).

They must be of 1st degree level (not necessarily graduates) in Engineering, Technology, or Science. Intelligence and the ability to absorb new ideas rapidly, are more important than mere factual knowledge. They also must be 'at home' with the Management of large companies, and yet able to deal sympathetically with the smallest unit registered with them. They must enjoy working in an industrial environment, in meeting people, and in solving their problems. As the Exchange develops, the collective experience of the Field Officers engaged should extend over all the important sectors in the State.

One Officer can, working full-time, deal with 2,000+ units a year, on a purely visiting basis, not involving any time spent on consultancy or the solution of more than simple problems. Hence, an Exchange with 4,000 units

could be dealt with by a staff of 3 (including the Tech.Director). If we extend our coverage to 8,000 units we shall require a further 2 Field Officers.

Although simple 'consultancy' can be carried out by these Officers, any more specialised work will have to be handled by additional specialists taken onto the Exchange's staff. It is here that some accommodation may be reached with the State Small Industries Development Corporation, which already has this type of consultant on the staff. For more specialised work, consultants will have to be hired on a 'day payment' basis.

It is important that all Officers including the Technical Director are 'rotated' from Office to Field, and vice versa. The Technical Director must not 'live in the office' and lose contact with industry, nor must the Field personnel lose the ability to operate in the office, analysing and recording data, and processing enquiries. It may be politic for the Technical Director to accompany the Field Officer when visiting large companies. We were told in one Exchange that large companies 'would not entertain dealing with anyone below Director level' !

Secretary

A person, man or woman, able to take dictation (120 wpm) and type (65 wpm) with a good grasp of business and technical language.

Able to operate the Telex machine.

During the temporary absence of the Exchange Duty Officer to answer simple technical queries over the telephone.

Able to receive visitors at all levels.

Accommodation

The space requirements of an Exchange are modest. There are two rooms, one housing the Exchange proper (a 'prohibited area') and the other a reception area, where visiting industrialists, sub-contractors, Buyers, etc. are interviewed. If the Exchange is located in the Trade Centre, as suggested earlier, it may be possible to have a common reception area for both the Trade Centre and the Exchange.

For the 'operations-room' an area of 5m. x 5 m. will be adequate, as it has to house only two to three lateral filing-cabinets, a Telex m/c and table a Steno's desk, and an Engineer's desk, with two chairs. (See 'Equipment' below).

The reception area of (about 7m. x 7m.) will have a few easy chairs and low tables and is an area where informal discussions can take place without undue interruption.

Equipment

Standard Telex machine complete with paper-tape transmitter and perforator.
Dialling telephone with direct outside line. (A 'repeater' telephone on the Steno's desk is often useful.)

Electric Typewriter with 18" carriage.

2 adjustable swivel chairs (Steno./Draughtsman type)

Steno. table

Table for Teleprinter

Engineer's Desk

2 Lateral-filing cabinets

One complete with shelves, the other with rails and linked pockets (500) and with 500 foolscap folders

Usual office equipment sundries : stapler, paper-punch, filing baskets etc.

Photocopier: preferably dry, Xerox-type (PPC 'plain paper copier')

capable of copying from either side of the same original, and from books, catalogues, and of producing multiple copies from one original.

(Size 20cms x 40 cms.approx.)

Roneo Vickers 'Stripdex' quick access panels HD50S (50 panels) complete with 5,000 strips to suit.

Roneo Vickers 'Multicard' Unit (or equivalent) M30/11/12 complete with 100 separators. (For 4,000 Item Cards + 400 Concept Cards)

1 Mark V 'Visican' Punch (1/12 dia. cutters) (Information Systems Ltd.,

1 'Autospot' Hand Punch (" ") High Wycombe, U.K.)

2 low tables ('coffee tables')

4 Easy chairs

4,000 Item Cards (nominal A4 size, manuf. in Hyderabad) (plain, yellow)
500 Concept Cards (" " ") with 4,000 x 1/3"
Coordinate spaces.

50 Concept Cards. The colour of the Concept Cards must be different from each other, and from the Item Cards. (e.g. grey + blue)

If used with Roneo, or other similar storage unit, the bases of all Concept and Item Cards must be 'notched' to suit.

Enquiry Forms (yellow, pink, blue) and Check Sheets (pink) printed locally
Light-box. Wooden box slightly larger than A4-size, with illuminated ground-glass screen and coloured filter, for viewing stacked Concept Cards (Locally made)

Enquiry Rack. Wooden rack for storing enquiry files of current enquiries (9mm dowels at 38mm pitch) (Length to suit) (locally made)

Enquiry Files are made from 1.1/2 Foolscap Folders, 1/2 of a folder being stapled on the back of a folder, to form a pocket. The bottom edge is 'notched' (9mm leather punch) to fit the enquiry rack.

Budget for a State Sub-contract ExchangeFixed Expenditure

1 Steno. table	500	
1 Engineer's desk	1 400	
2 Low tables ('coffee-tables') @ Rs. 250 ea.	500	
4 Easy chairs @ Rs. 250 ea.	1 000	
1 Electric Typewriter with 18" carriage	10 000	(imported)
Telex installation charge	150	
Telephone installation charge	100	
Telex Security deposit	5 000	
Telephone " "	1 000	
1 Photocopier (20 cms x 40 cms) dry, Xerox-type, ('plain-paper' copier) capable of producing multiple copies from one original, and of copying from both sides of the same original, from books, catalogues, etc.	20 000	(imported)
1 Lateral-filing cabinet (steel) complete with 5 rails and 500 linked pockets	1 500	
500 Foolscap files for above	1 000	
1 Steel cupboard complete with shelves	900	
1 'Visiscan' Mark V Punch (1/12" dia cutter) (Information Systems Ltd. High Wycombe, U.K.)	1 000	fob UK
1 'Autospot' hand punch (1/12" dia cutter) (Information Systems Ltd. High Wycombe, U.K.)	200	fob UK
1 Roneo 'Multicard' storage unit, type M30/11/12 with 100 separators (or equivalent design)	2 500	fob UK
1 Roneo 'Stripdex' HD50/S quick access system (50 x 8" panels) c/w 5 000 strips (available in India)	500	
1 Wooden 'light-box' (locally made)	100	
1 Enquiry Rack to take Enquiry Files (locally made)	100	
Various office sundries: filing baskets, stapler desk lamps etc.	2 000	
75m ² of tufted, rubber-backed (cotton) carpet at Rs 75/m ²	5 625	
4 000 Nominal A4 size, Item Cards, with mitred top l.h. edge, and bottom notched to suit storage unit. Colour yellow. Not printed		
400 Concept Cards, (similar physical size/shape) printed with 4 000 x 1/8" co-ordinate squares. Colour: grey		
40 Concept cards (as above) Colour: blue	2 500 (total)
(All Item and Concept Cards printed through SISI Hyderabad)		
	c/f	<u>57 575</u>

	b/f	57 575
2 000 Enquiry Forms : yellow)	Forms required for	
1 000 " " : pink)	'initial stocking'	
10 000 " " blue)	of Exchange	
1 000 Check Sheets : pink)	All forms printed	
	locally	
(total)	2 000
2 'Ambassador' Car		86 000
	(Fixed) Total	1.45 575

Recurring Expenditure

a) Calculated on an annual basis

1 Telex machine rental (c/w perforator, transmitter, power pack, switching unit)	3 856
1 Telex line rental (within 5 kms. radius of Exchange)	300
1 Telephone instrument/line rental	600
Telephone calls (estimated)	5 000
Telex calls (estimated)	1 000
Consumable stationery, various: Telex rolls, photocopier paper etc.)	1 000
2 Cars, depreciation (10-year basis) Rs 4,300 each	8 600
2 Cars, maintenance and servicing, tax Rs 2 500 each	5 000
Petrol, oil and minor expenses 500 days at Rs 60/day	30 000
Office Rent: 75 m ² at Rs 100/m ²	7 500
	(a) Total 62 856

b) Salaries

1 Technical Director, at Rs 3,000 p.m. + car + housing assistance, and usual perquisites (= Rs 4 000 p.m.)	48 000
2 Field Officers at Rs 2 250	54 000
1 Secretary/Receptionist at Rs 1 500 p.m.	18 000
2 Drivers at Rs 500 p.m.	12 000
1 Peone at Rs 250 p.m.	3 000
Travelling/subsistence allowance for 2 Officers at Rs 100/day for 250 days(each) when visiting distant units. Assumed half local, and half 'away-from-base' trips, Total days 500 days	5 000
	(b) Total 1.40 000

Notes

1. The Budget refers to the setting up a State-based Exchange, with no facilities, to cater for 4,000 units, with 2 Officers visiting on a full-time basis but with only 'simple consultancy' carried out. Since the running-cost is approximately Rs 2 lakhs, the Exchange will need to charge (on average) Rs 50 to each unit, to be self-financing.
2. The salaries quoted above, are well above those available in Government service. The Exchange requires a small, high-calibre staff, and is prepared to pay to get the right people. It is a commercial organisation, a Public Limited Company, paying 'open-market' rates. Economising on staff is one certain way to ensure the Exchange's end.
3. Any extra functions such as the forming of consortia for small units, setting-up as an Export House, will, of course, entail additional expense.

Total 1st year **expenditure** is Rs 3.48 lakhs

Running costs (estimated)

Rs 2.03 lakhs

* Suggested form of Service Agreement for the operation of a State Sub-Contract Exchange

1. The Exchange operates this service as a Centre for finding out those companies capable of carrying out a particular task or supplying a particular product at a particular time. At no time will the Exchange undertake to be responsible for the manufacture of a specific item or the performance of a specific service.

2. The Exchange agrees to:
 - (i) compile a list ('Item Card') based on the information supplied by the Company of all his machines, equipment, processes and skills which he wishes to make available to other companies.
 - (ii) to keep this list accurate and to amend it at any time on receipt of written instructions from the company.The Exchange will not wilfully disclose the details of the 'Item Card' information to any other company, Government or semi-Government body or organisation. The information will only be disclosed to a Buyer, against his specific enquiry.

3. When asked a specific question by the Company the Exchange endeavours to find companies technically capable of carrying out the specified work or service. The Exchange then communicates with these companies to find those able and willing to do the work or give the service required. Their names are then communicated to the enquiring Company who himself approaches the companies of his choice. If expressly asked by the enquiring Company his identity will not be disclosed to any of the companies able to do the work.

4. Information received by the Company under the provisions of this Agreement is to be used solely for the purpose of the work or services to be performed for or by the Company and shall not for any other purpose be disclosed to any person or persons unless the written consent of the Exchange is first obtained. .

* between Exchange and all user companies in India.

5. Under no circumstances does the Exchange warrant or guarantee the quality or suitability for any particular purpose of any work or service performed by any companies and under no circumstances will the Exchange be liable for loss or damage or expense which may be incurred by the Company as a result of information supplied to the Company by the Exchange whether such information be supplied negligently or otherwise.
6. At no time will the Exchange prefer or recommend any one company rather than any other company nor will it report to one company or third party on the activities of any other company.
7. The Exchange offers the service as an information service. Although the Exchange will endeavour to the best of its ability advise a Company of enquiries suited to its capabilities and available capacity, this Agreement implies no contractual obligation on the part of the Exchange to supply the said Company with work.
8. The Exchange shall have the right to refuse admission to Membership or to renew a Company's Membership of the Exchange.
9. The Agreement shall be for a period of two years from the date of signature and thereafter yearly unless three months' notice is given by either party in writing such notice to take effect on the expiry of two years or any anniversary thereafter.
10. Payment for the service set out above shall be by means of an annual subscription as set out in the Schedule below, and payable in advance.

For the purpose of calculating this sum 'the term number of employees' shall be deemed to mean the total number of full-time employees of the Company at the date of signature of renewal. No subscription or entrance fee shall be refundable.

11. Enquiries will be dealt with between the hours of.....and.....
Monday to Saturday, with the exception of the statutory national and
State holidays.

Note

This is not a legal document, but indicates the points which have to be covered in any such Agreement.

It stresses that the Exchange is purely an information centre and undertakes no responsibility for manufacture, nor does it accept legal responsibility for faulty goods, or delays in delivery. This does not, of course, mean that an Exchange is not interested in such matters! We are considering the purely legal aspects of the Exchange's work with its clients. The Agreement also makes the point that the Exchange can never be an automatic 'work finding' service. The client company, of whatever size, is paying for information, not for work.

The subscription rates will be decided by the Exchange's Board.

Appendix XI

Composition of the Board of control for the proposed International
Sub-contract Exchange in New Delhi

Executive Council

- | | | |
|----|---|--|
| 1. | Ministry of Industry and Civil Supplies
Small Scale Industries | Development
Commissioner
(Chairman) |
| 2. | Ministry of Industry and Civil Supplies | Jt. Secretary
(designated)
(Deputy Chairman) |
| 3. | Ministry of Commerce | Jt. Secretary
(designated) |
| 4. | Federation of Indian Export Organisations | designated
representative |
| 5. | Export Inspection Council | designated
representative |

6/12 Seven representatives elected annually by the

Consultative Council

representing all Export Promotion Councils and other organisations judged to be necessary on this Board.

Although each of the seven 'delegates' comes initially to represent his organisation alone, he will, when sitting on the Executive Council be acting on resolutions passed by a 2/3 majority of the Consultative Council, which represents all sectors. Hence, although the promotion of sectoral self-interest is not excluded, it may by this means be minimised.

By the adoption of the 2-tier Board, we hope we can reconcile the opposing requirements of universal representation and effective decision-making.

The Budget is given in Appendix XIII.

Staff, accommodation and equipment for the proposed International

Sub-contract Exchange

Staff

Whilst for the State-based Exchanges, the staff must have an 'industrial' bias the Officers in the International Exchange will be drawn from the Sales or Purchasing side of industry and commerce, as their main function will be to meet on equal terms, professional Buyers from large foreign companies.

Technical Director

As before, in the case of the State Exchange, he must be a person of 10 years' varied experience in Industry and with Graduate qualifications in Engineering, Science, Business Studies, preferably with recent experience of export marketing and or selling. He must be able to meet Buyers from all the principal markets, and to put the case forcibly for the suitability of Indian products to satisfy their needs.

He must be able to meet high-level Trade Delegations from overseas, and also himself to take part in similar ones abroad. He will be required to attend, from time to time, specialist Exhibitions abroad.

He must also be able to work smoothly with Government departments which impinge on the work of the International Sub-contract Exchange.

Officers

Of graduate level (in the disciplines enumerated above) they will be accepted with less experience (5 years). They will spend their time interviewing visiting Buyers, and seeing that their programme of visits both in the immediate Delhi area, and to other State Exchanges, is properly arranged. They will be required to analyse incoming enquiries, to ensure that they are correctly transmitted to the appropriate State Exchanges, and to make sure that the quotations etc. are correctly transmitted back to the foreign Buyer.

They also, in their turn, will be required to be on the stands of important Indian exhibitions abroad.

It may be useful for all International Exchange and State Exchange staff to occasionally visit each other, to appreciate the problems, from the other's point of view.

Secretary (receptionist, Telex operator)

A person able to take dictation (120 wpm) and to type (65 wpm) with a good grasp of business and technical language.

Able to operate a Telex machine.

Of pleasing appearance and personality, able to meet with confidence Buyers from foreign companies.

During the early stages of the International Exchange, one person will have to handle the jobs of both Secretary and Receptionist. At a later stage two people will be required, but each should be capable of doing the other's job efficiently.

Accommodation

As for the State Exchange a small 'operation room' will house the Telex machine etc. and will be a 'prohibited area' to non-operating staff. (5m x 5m)

The reception area, in this case, will be larger, as receiving people is an important function of the Exchange. In addition to the general reception area, it may be advantageous to have small private rooms, where confidential business discussions can take place. The main area can be about 10m x 10m with the small rooms about 3m x 3m. equipped with chairs and a table and an internal telephone.

Equipment

'Operations Room'

- Telex machine with complete with paper-tape transmitter and perforator
- Dialling telephone with direct outside line
- Electric typewriter with 18" carriage
- 2 Adjustable swivel chairs (Steno. draughtsman type)
- Steno. table
- Engineer's desk
- 2 Lateral-filing cabinets
(One complete with shelves, and the other with rails and 500 linked pockets)

500 Foolscap files for above

Photocopier: preferably dry, Xerox-type (PPE 'Plain paper copier') capable of copying from either side of the same original, and from books, catalogues, and of producing multiple copies from one original (Size 20 cms x 40 cms approx.)

Enquiry Form and Check Sheets

Enquiry Folders (see Appendix VIII 'Equipment')

Enquiry Rack (" ")

Reception Area

6 Easy chairs

3 Coffee tables (low tables)

Private Rooms (each) (two)

1 Table

3 straight backed office chairs

Notes

1. This represents the 'opening' situation of the Exchange, and will be adjusted as the Exchange develops. A second Telex m/c will later be added, so that one can remain permanently on the overseas circuit, whilst the first m/c can be used for internal (within India) calls.
2. Also, as business develops, the number of Officers will have to be increased, as in the State Exchanges, so that complete coverage of the important export sectors is assured.

Budget for the proposed International Sub-contract ExchangeFixed Expenditure

1	Telex machine installation charge	150
1	Telephone instrument " "	100
1	Steno. table	500
1	Telex table	300
1	Engineer's Desk	1 400
6	Easy chairs at Rs 250 each	1 500
3	Low tables at Rs 250 each	750
6	Chairs (office) at Rs 200 each	1 200
2	Tables (6' x 4 ') at Rs 500 each	1 000
1	Later-filing cabinet (steel) c/w 5 rails and 500 linked pockets	1 500
500	Foolscap files (for above)	1 000
1	Steel cupboard with shelves	900
1	Photocopier (20 cms x 40 cms) dry, Xerox-type ('plain-paper' copier) capable of producing multiple copies from one original, and of copying from both sides of the same original, from books, catalogues, etc.	20 000
	Telex + Telephone Security deposit:	6 000
1	Electric typewriter, 18" carriage	10 000
	Various office sundries (desk lamps, filing baskets, etc.)	2 000
100m ²	Tufted, rubber-backed carpet (cotton) at Rs 75/m ²	7 500
1	'Ambassador' car	43 000
	(Fixed) Total	<u>98 800</u>

Recurring Expenditure

(calculated on an annual basis)

a) 1	Telex machine rental (c/w perforator, transmitter, power-pack and switching-unit)	3 856
1	Telex line rental (within 5 kms. radius of Exchange)	300
1	Office Rent 100 m ² at Rs 100/m ²	10 000
1	Car: depreciation (10-year basis)	4 300
1	Car: maintenance and servicing	2 500
	Petrol, oil and minor running expenses 100 days at Rs 60/day	6 000
	Consumable stationery: (Telex rolls, Enquiry Forms, photocopier paper, etc)	1 000
	Telephone calls (estimated)	2 000
	Telex " (")	4 000
	Telephone instrument/line rental	600

c/f 34 556

b) Salaries

1 Technical Director at Rs 4,000 p.m. + car + housing assistance, and usual perquisites (= Rs 5,000 p.m.)	60 000
1 Officer at Rs 2 500 p.m.	30 000
1 Secretary/Receptionist at Rs 1 750	21 000
1 Driver at Rs 600 p.m.	7 200
1 Peon at Rs 300 p.m.	3 000
	<hr/>
(Recurrent) Total	1.21 200
	<hr/>

Note

1. This represents the 'starting-up' cost of the International Exchange, with skeleton staff. We do not envisage a large 'travelling cost' in the salary component for the International Exchange, as most of the travelling will be within the vicinity of Delhi. Also, there is no permanent visiting commitment, as in the case of an Officer at a State Sub-contract Exchange.
2. The salaries quoted above, are well above those available in Government service. The Exchange requires a small, high-calibre staff, and is prepared to pay to get the right people. It is a commercial organisation, a Public Limited Company, paying 'open-market' rates. Economising on staff is one certain way to seal the Exchange's end.
3. As the International Exchange grows, it will have to engage more Officers, with experience in diverse sectors, so as collectively, to be able to handle any enquiry which may be sent to the Exchange.

Total 1st year expenditure

Rs 2.54 lakhs

Running costs (estimated)

Rs 1.55 lakhs



