

**MINISTRY PAPER NO:** \_\_\_\_\_

## **PERFORMANCE OF THE FACTORIES CORPORATION OF JAMAICA LIMITED FOR 2005/06 FINANCIAL YEAR AND FOCUS FOR 2006/07 FINANCIAL YEAR**

### **1.0 Purpose of Ministry Paper**

The purpose of this Ministry Paper is to inform Parliament and the public about the performance of the Factories Corporation of Jamaica Limited (FCJ) for the Financial Year 2005/2006 and its focus for Financial Year 2006/2007.

### **2.0 Mission**

The Mission of the Factories Corporation of Jamaica is to satisfy commercial/business needs and enhance national development by providing quality commercial space profitably.

### **3.0 Vision**

The Vision of the Factories Corporation of Jamaica is to be a financially strong and be a dominant provider of industrial, commercial and office space.

### **4.0 Background**

The FCJ is a company incorporated under the Companies Act of Jamaica and is fully owned by the Government of Jamaica.

The Ministry of Industry, Technology, Energy and Commerce has portfolio responsibility for the Corporation, whose business is the leasing, managing and developing of industrial properties island wide.

FCJ was incorporated in 1987 to implement the Government's Emergency Factory Building Programme. Under this programme approximately 92,936 sq. m (1 million sq. ft.) of factory space was built.

### **5.0 Role and Function**

With the phasing out of the Jamaica Industrial Development Corporation (JIDC) in 1989 it was decided that FCJ's role should be expanded to include the management of the properties that were under the JIDC's control.

Presently FCJ controls in excess of 44.5 hectares (109.9 acres) of vacant lands and some 175,371 sq. m (1,886,992 sq. ft.) of factory space situated at thirty-six (36) locations in eleven (11) parishes.

The company commenced operation in 1987 with 75% of its tenants engaged in the garment industry. Today the occupancy mix is far more diverse and is represented as follows:

- Manufacturing 40%
- Warehousing 23%
- Distribution 21%
- ICT 8%
- Service 6%
- Other 2%

With the prospect of further rapid growth in the Information and Communication Technology (ICT) Industry, FCJ is presently adjusting its portfolio of space to meet the projected demand.

## **6.0 Main Programme of Work for Financial Year 2005/2006**

### **(a) Management of Property Portfolio**

- Identify additional locations that are suitable for development.
- Refurbish Montego Bay Free Zone Factory # 8 on a phased basis
- Construct new building at Portmore
- Dispose of idle assets, in particular the Goodyear property
- Exchange property of approximately 11.5 acres on Marcus Garvey Drive, Kingston valued at \$150 M for suitable government lands elsewhere
- Exchange 2 acre property at Denbigh Clarendon valued at \$12 M for suitable government lands situated elsewhere
- Sale of 2 acres of land at Twickenham Close, Kingston valued at \$10 M
- Sale of one (1) acre of land at Glendevon, St James valued at \$3.5 M
- Sale of 29, 000 sq. ft. factory building at Naggo Head, St. Catherine valued at \$55 M
- Sale of 22,000 sq. ft. factory building at Nanse Pen, Kingston valued at approximately \$30 M

### **(b) Target Business Clusters Requiring Space**

- Increase occupancy to 85%
- Make product market ready.
- Revise Marketing Plan
- Pursue advertising in selected media
- Attend relevant trade shows to promote sale of space

- Maintain website and update brochure to promote the company and sale of space
- Participate in promotional events
- Provide signage at properties for easy identification
- Determine the current index (base index) by customer survey
- Design and implement programme to achieve and maintain desired index

**(c) Improve Profitability**

- Complete renegotiation with the National Insurance Fund to secure more favourable terms on existing loans totalling \$435.9 M
- Secure development partners
- Obtain capital at nominal rates
- Reduce trade receivables from 60 to 40 days
- Increase effort to collect outstanding amounts by the use of collection agents
- Institute the eviction process on a timely basis
- Disaggregate returns on assets by site to ascertain the site viability
- Identify for divestment, sites that are likely to continue to contribute negatively
- Achieve an 8% return on assets
- Increase revenue and minimise costs

**(d) Implement Staff Development Programme**

- Develop training policy
- Assess staff to determine needs
- Design and identify programmes to meet needs

**(e) Improve System of Management and Accountability**

- Review planning process
- Rewrite and update policy and procedure documents where necessary
- Write new policies and procedures as required
- Ensure quarterly audit of the system.

## 6.0 Highlights of Achievements for 2005/2006

<b>(a)</b>	<b>Managed Suitable Property Portfolio</b>  Additional locations were identified for development, namely: refurbishing of a section of Garmex Free Zone and also 24,000 sq. ft of factory space at the Montego Bay Free Zone which will facilitate the employment of 500 to 600 persons when completed. Two properties were disposed of and sale negotiations commenced for five (5) properties.
<b>(b)</b>	<b>Targeted Business Clusters Requiring Space</b>  Repairs in the amount of \$21.5 M were carried out on FCJ properties in an effort to make the product market ready. Tender documents were issued for the procurement of a consultant to upgrade the company's website.  A customer index has been established and a programme is now in the design stage.
<b>(c)</b>	<b>Improved Profitability</b>  Revenue exceeded budget by \$10.9 M while expenditure was \$5.6 M below budget. Investment income increased by \$5.9 M compared to budget mainly attributed to the sale of two (2) properties. A profit of \$18.6 M above budget was achieved.  Trade receivables showed a reduction from 60 to 38 days, exceeding the target by 2 days.
<b>(d)</b>	<b>Implemented Staff Development Programme</b>  Draft training policy has been prepared.  Staff needs have been assessed and programmes are being identified to meet these needs.  Job descriptions were updated and a comprehensive job evaluation exercise was conducted.
<b>(e)</b>	<b>System of Improved Management and Accountability</b>  The Policies and Procedures Manual was updated and new policies written as required. The quarterly audit of the system is in effect.

## 7.0 PROJECTS TO BE IMPLEMENTED IN FINANCIAL YEAR 2006/2007

For the Financial Year 2006/2007, the FCJ will continue managing its inventory of land and buildings to facilitate industrial and commercial activity across the island. FCJ will maintain focus on business sectors with proven growth potential, and during this period, space at the Montego Bay Free Zone will be refurbished while a new building is slated for construction in the corporate area to accommodate the demand for ICT space.

FCJ proposes to rationalize existing assets by disposing of unproductive and unmarketable space mainly by offering idle lands for sale/lease to industrial investors. In doing so, the Agency intends to improve its profitability to achieve the following targets:

1. A minimum of nine percent (9%) Net Profit
2. Improving occupancy of Rental Space to eight percent (80%)
3. Reducing Trade Receivables to thirty five (35) days
4. Reducing Interest Costs by:
  - a. Sourcing international funding for capital projects, and
  - b. Negotiating for reduction in interest rates on existing loans

It is expected that the completed 24,000 sq. ft. space at Montego Bay Free Zone will facilitate employment of five hundred (500) to six hundred (600) persons in the ICT industry.

## 8.0 BUDGET FOR FINANCIAL YEARS 2004/2005 – 2006/2007

Categories	2004/2005 (\$)	2005/2006 (\$)	2006/2007 (\$)
<b>Income</b>	270,552,959	335,692,795	371,721,696
<b>Expenditure</b>			
(a) Capital	22,871,500	45,435,943	90,053,700
(b) Recurrent	260,186,630	277,792,198	275,899,552

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