

MINISTRY PAPER No.: _____

**PERFORMANCE OF THE FACTORIES CORPORATION OF JAMAICA LIMITED
FOR FINANCIAL YEAR 2006/2007 AND FOCUS FOR FINANCIAL YEAR
2007/2008**

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 Financial Year 2006/2007 and its focus for Financial Year 2007/2008.

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 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 (MITEC) 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 created.

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 (109.0 acres) of vacant lands and some 174,713.51 sm (1,879,917.37 sq. ft.) of factory space situated at thirty-six (36) locations in eleven (11) parishes.

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

♣• Manufacturing	32%
♣• Warehousing	27%
♣• Distribution	30%
♣• ICT	7%
♣• Service	2%
♣• Other	2%

6.0 Main Programme of Work for Financial Year 2006/2007

(a) Management of Property Portfolio

- ♣• Identify additional locations that are suitable for development
- ♣• Refurbish space in the Montego Bay Free Zone
- ♣• Dispose of non revenue-generating assets
- ♣• Exchange property of approximately 11.5 acres on Marcus Garvey Drive, Kingston with an estimated value of \$150 M, for suitable Government lands elsewhere
- ♣• Exchange a two (2) acre property at Denbigh, Clarendon valued at \$12 M, for suitable Government lands situated elsewhere
- ♣• Sale of two (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 buildings with area of 25,711sq. ft. valued at approximately \$48 M at Nanse Pen, Kingston.

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(b) Targeting of Business Clusters Requiring Space

- ♣• Increase occupancy to eighty percent (80%)
- ♣• 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
- ♣• Design and implement programme to achieve and maintain desired index.

(c) Improving Profitability

- ♣• To secure more favourable terms on existing loans
- ♣• Secure development partners
- ♣• Reduce trade receivables from forty (40) to thirty five (35) days
- ♣• Increase effort to collect outstanding amounts by the use of collection agents
- ♣• Institute eviction process on a timely basis
- ♣• Disaggregate returns on assets by site to ascertain site viability
- ♣• Achieve an eight percent (8%) return on assets
- ♣• Achieve higher returns on fixed deposit holdings
- ♣• Increase revenue and minimise costs.

(d) Implementing Staff Development Programme

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

(e) Improving System of Management and Accountability

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

6.0 Highlights of Achievements for Financial Year 2006/2007

(a)	<p>Managed Property Portfolio</p> <p>Two (2) properties were sold during the first quarter of the review period, realising net proceeds of \$3.9 M. FCJ has been attempting to dispose of the Springfield (Goodyear) property. A prospective purchaser has been identified and the sale of the property is to be decided on by Cabinet. Agreements for sale are being prepared for six (6) properties realising net proceeds totalling approximately \$55.25 M.</p>
(b)	<p>Targeted Business Clusters Requiring Space</p> <p>Repairs in the amount of \$15.9 M were carried out on FCJ properties in an effort to make the product market ready</p> <p>Tender documents being prepared for procurement of a consultant to upgrade the FCJ website</p> <p>A customer index has been established and steps taken to improve customer satisfaction levels with the establishment of an in-house maintenance unit.</p>
(c)	<p>Improved Profitability</p> <p>Revenue was below budget by \$11.5 M while expenditure was \$16.9 M below budget. Investment income increased by \$4.4 M compared to budget mainly attributed to the sale of two (2) properties. A profit of \$34.3 M when compared to budgeted figure of \$28.5M was achieved</p> <p>Trade receivables showed a reduction from 36 to 30 days, exceeding the target by 5 days.</p>
(d)	<p>Implemented Staff Development Programme</p> <p>Training policy has been completed and is in place</p> <p>Staff needs have been assessed and programmes are being identified to meet these needs</p> <p>Job descriptions updated and comprehensive job evaluation exercise completed, approved by the Board and submitted to the Ministry of Finance for approval.</p>
(e)	<p>System of Improved Management and Accountability</p>

	The Policies and Procedures manual was updated and new polices written as required. The quarterly audit of the system is in effect.
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7.0 Projects to be implemented in Financial Year 2007/2008

For the Financial Year 2007/2008, 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, Factory number 4 at the Montego Bay Free Zone will be refurbished and Factories 5,7 and 8 leased, while a new building is slated for construction in the Corporate Area to accommodate the demand for factory and warehouse space.

FCJ proposes to rationalise the 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 meet the following targets.

1. Achieving a minimum of nine percent (9%) net profit
2. Improving occupancy of rental space to eighty percent (80%)
3. Reducing trade receivables to thirty (30) days
4. Reducing interest cost by:
 - a Securing international funding for capital projects, and
 - b negotiating for reduction in interest rates on existing loans.

8.0 BUDGET FOR FINANCIAL YEARS 2005/2006 – 2007/2008

Categories	2005/2006 (\$)	2006/2007 (\$)	2007/2008 (\$)
Income	335,692,795	424,721,696	508,185,636
Expenditure			
(a) Capital	45,435,943	90,053,700	139,121,100
(b) Recurrent	277,792,198	327,858,612	399,288,842

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