

# **PROJECT PROPOSAL**

New Establishment of Wonsan Fishing Tackle Factory

# **1 Description of the Project**

## **1.1 Location**

The present Wonsan Fishing Tackle Factory is located in Jung-dong,, Wonsan, Kangwon Province. According to the master plan of the development in Wonsan-Mt. Kumgang International Tourist Zone (hereinafter the Zone), the factory has to be installed to the other place.

It will be installed in Sinsong dong of Wonsan, about 10km southwest from the center of Wonsan. In the project for the development of the zone, the factories, running for the local economic development and tourism, will be situated in this district. The district is just next to Hyondong Industry Development Zone, a special economic zone.

## **1.2 Purpose**

Wonsan Fishing Tackle Factory will be installed to the industrial development district in the Zone, which will be newly developed and it will be rebuilt into a modern factory that produces fishing tackle and goods needed for fishing industry and tourism.

## **1.3 Current Situation**

Wonsan Fishing Tackle Factory has a long history and has played an important role in the development of fishing industry of the east sea

Since its opening it has produced different kinds of fishing tackle like net, floats, scopes, diving instruments which need in netting fish and sea farming.

Now, taking the advantage of the economic climate of the Wonsan-Mt. Kumgang International Tourist Zone, factory is developing its plan to modernize it with advanced techniques and investments of foreign industries and develop into a new industry which produces fishing tackle and special tourist goods for tourism and fishing industry.

## **1.4 Advantages**

The DPRK is developing people's living standards as the supreme target of the state policy, for this it is putting efforts in the development of fishing industry.

The sea of the Zone has rich marine reasonable like different kinds of fishes and shells and fishing industry plays an important role in the development of tourism.

In the Zone there are some small and big fishing industries and in some sea areas it has the prospect to develop the sea farming in a large-scale.

So in the Zone the demand for the fishing tackle is very strong.

At this moment they import many fishing tackle.

Also in the Zone swimming in the sea and sea tourism possess the large portion.

So the demand for the goods for the sea tourism like lifesaving jacket and diving tackle is getting stronger.

Factory has decades of production history. So it has the technicians and skilled workers who possess fishing tackle manufacturing techniques.

In Wonsan, scientific research organs like the Tonghae Fishing Research Institute and a fishing university are located, so scientific and technical support is possible.

It is provided with the advantageous economic and legal environment in the investment and industry activities in the special economical area in the DPRK.

According to the plan for the developing the zone, the construction of substructures are actively carrying on and it is provided with advantageous condition in electricity, water, communication sector comparing to the other areas.

It is close to a railway station, 1 km away from it, and the Wonsan-Mt. Kumgang highway, so the transport conditions are very advantageous.

As Kalma Stream and Sinsong Sewage Station are near to it, so the water and sewage disposal conditions are good.

## **1.5 Scope and Capacity**

The main products are as follows:

- Flock kinds like deep sea floats, purse net floats, hollow breeding floats, foam floats
- Rope kinds (of different sizes) like rope of vinalon, PP rope
- Different kinds of net (including net for sea fish farming)
- Kinds of plastic containers for deposit and process
- Goods for labor protection like rubber gloves for fishing, raincoat, lifesaving jacket
- Goods for tourism like lifesaving jacket for swimming and fishing tackle

Annual production ability of major goods are as follows:

- Deep see floats: 10,000
- Purse net floats: 10,000
- Different kinds of ropes: 750 t
- Diving suits: 60
- Net kinds: 200t, net courage for sea fish farming: 150
- Plastic container kinds: 10,000
- Lifesaving jacket for swimming: 2,500

The predicting area of the factory is approximately 10,000m<sup>2</sup>, area of construction is 7,300m<sup>2</sup>, the total area of construction is 8,000m<sup>2</sup>.

The total floor area is as follows:

- Production building: 4,500 m<sup>2</sup>
- Office building: 800 m<sup>2</sup>
- Production magazine: 1,000m<sup>2</sup>
- Raw material magazine: 1,000m<sup>2</sup>
- Sanitary facilities: 700m<sup>2</sup>

The production building, production magazine and raw material magazine will be on the ground floor and the office building and sanitary facilities will be on the 2<sup>nd</sup> floor.

The technicians, skillful workers needed for its operation will be 40 and there are there will be 5 persons for management.

## 2 Investment Type and Period of Implementation

### 2.1 Investment Type & Period of Implementation

#### 2.1.1 Investment Type

The project will be operated in the form of equity joint venture. The major investment item of the project is a part of equipments, production technique needed for production process and current fund.

#### 2.1.2 Period of Implementation

Construction: 12 months

Operation: 10 years

### 2.2 Preliminary Schedule

	1	2	3	4	5	6	7	8	9	10	11	12
Approval	■	■										
Design			■	■								
Construction					■	■	■	■	■	■		
Equipment Purchase						■	■	■	■	■		
Assembling & Trial										■	■	
Inspection												■

## 3 Cost and Economic Analysis

### 3.1 Initial Cost

Total cost: US\$ 1,950,000

DPRK's Cost: US\$ 829,400

Overseas Cost: US\$ 1,120,600

Items	Total	Local	Foreign
Land Cost	455	455	
Construction Cost	560.3	167.7	392.6
Equipment Cost	726.7	206.7	520
Vehicles & Fixture	78		78
Floating Fund	130		130
Sum	1,950	829.4	1,120.6

- Land lease cost: US\$ 455,000 (10,000 m<sup>2</sup>, US\$ 45.5/m<sup>2</sup>)
- Construction cost: US\$ 560,300
- Production building: US\$ 292,500 (4,500 m<sup>2</sup>, US\$ 65/m<sup>2</sup>)
- Storehouse: US\$ 104,000 (2,000 m<sup>2</sup>, US\$ 52/m<sup>2</sup>)
- Office building: US\$ 72,800 (800 m<sup>2</sup>, US\$ 91/m<sup>2</sup>)
- Public welfare facilities: US\$ 91,000 (700 m<sup>2</sup>, US\$ 130/m<sup>2</sup>)
- Equipment cost: US\$ 726,700 (newly purchase cost US\$ 520,000)

List of equipment to be newly purchased

No	Name of equipment	Size	Unit	Quantity	Price unit (US\$)	Amount (US\$)
1	Netting machine		Piece	1	1,300	1,300
2	Roving machine	80 sinkers	Piece	1	104,000	104,000
3	Roving machine	100 sinkers	Piece	1	130,000	130,000
4	Back winder		Piece	1	126,100	126,100
5	Thread extruding machine		Piece	1	2,600	2,600
6	Horizontal catapult	120ounce	Piece	1	10,400	10,400
		240ounce	Piece	1	11,700	11,700
		360ounce	Piece	1	15,600	15,600

No	Name of equipment	Size	Unit	Quantity	Price unit (US\$)	Amount (US\$)
7	Vertical miller		Piece	1	22,100	22,100
8	Rope spinning machine		Piece	10	2,600	26,000
9	Rope twisting machine		Piece	2	2,600	5,200
10	Rope finishing machine		Piece	1	5,200	5,200
11	Rope weaving machine		Piece	3	2,600	7,800
12	Gill netting machine		Piece	4	13,000	52,000
	Sum		Piece			520,000

- Vehicle and fixture cost

Vehicle: US\$ 67,600

One tractor (5t), US\$ 19,500

One 10 t-container truck of 190 hp US\$ 31,200

One mini-bus US\$ 16,900

Facilities and fixture in the spot and offices: US\$ 10,400

### 3.2 Profitability Analysis

IRR: 18%

NPV: US\$ 425,100 (discount rate 8%)

Payback Period: 4.5 years

## 4 Project Initiator

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