



*Back in 1971, a chance encounter led to the founding of Gaeltec Ltd. This firm is based at purpose-built premises on the outskirts of Dunvegan – a small village in the North-West of the Isle of Skye – the largest of Scotland's Inner Hebridean islands with a population of around 12,000, connected to the mainland by a toll bridge in 1995. Dunvegan is 23 miles (37 km) from the island's main town, Portree and 128 miles (206 km) from the nearest major mainland centre of population – Inverness.*



*Syd Johnson, M.D.*

## WHO

Donald MacLachlan was a successful London-based research scientist, involved in the production of specialised temperature and measurement equipment for biomedical, electronic and industrial applications. The pressures of work in London prompted Donald to escape the 'rat-race' and he relocated to the Isle of Skye, where he undertook various casual jobs in order to make ends meet. The decision to start his own business was taken following the identification of a product gap in the market after a chance conversation in a pub with a fellow research scientist from Edinburgh University who became his very first customer. Donald was able to utilise the skills gained in his previous employment as Chief Executive Research Scientist at the London-based company G.V. Planer Ltd., where he was involved in the production of specialised temperature and measurement equipment for biomedical, electronic and industrial applications.

Donald started to manufacture electronic pressure measuring equipment that was difficult to source in the UK and costly to import from the USA. Working alone from home allowed him to be self-sufficient and continue to enjoy his new rural lifestyle on the island. Donald's first client put him in touch with other buyers and gradually word spread and orders started to increase in what is a highly specialised and narrow market.

A good relationship with his previous employer in London enabled Donald to develop Gaeltec using technologies he had developed while still their employee. He paid GV Planer Ltd. royalties every year from 1971 until the late 1990s. Over time, Gaeltec has developed its own exclusive technologies.

Syd Johnson was Donald's first employee and has since gone on to become Gaeltec's Managing Director, responsible for exports within the firm. Syd moved to the Isle of Skye to take over his family's croft after graduating from university. He was then offered a job at Gaeltec in 1974 and has been with the firm ever since.



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*"We have a very strong brand identity now – I believe it is quite common for those using our products to refer to them as 'Gaeltecs'!" - Syd Johnson, Managing Director.*

## WHAT

Gaeltec manufacture transducers (tiny electronic instruments for measuring pressure). Initially, these were used for technical applications such as measuring wind and water pressure in such diverse applications as formula one racing cars and ocean going vessels. Today, one of Gaeltec's core products is the Catheter Tip Pressure Transducer which is used in the medical industry to provide accurate pressure readings while fluid is being infused or drawn to and from the human body to aid the diagnosis of oesophageal, gastrological and urological ailments. The firm also manufactures digital recording hardware and accompanying software which are used with their transducers to provide PC-based recording and analysis systems. The firm also continues to undertake individual commissions for products for use in both engineering and medical applications.

All of Gaeltec's products are highly specialised and manufactured to strict and specific standards – the firm adheres to international quality management regulations such as ISO 9000. The firm enjoys a very good reputation among its clients as a quality supplier of both products and services. The firm's exceptional success as an exporter is also due to the fact that the electronic goods it produces are high value and low volume. These features enable Gaeltec to operate with very low freight costs (less than 2% of their products' total landed cost), keeping export costs down. Because of their lightweight nature, products can be insured and delivered anywhere in the world using conventional national mail/post networks.

Since the production runs are rather low – around 500 discrete products per year – the production system can afford to avoid automation, providing useful jobs in this remote region of the island.

## WHERE

Distance from markets, resultant transport costs and a limited local market makes export manufacturing on the island very difficult. Consequently, very few manufacturing businesses are based on the Isle of Skye. However, Gaeltec's remote island location has been used as a successful marketing tool – with their memorable location and locally-inspired firm and brand name securing custom.



*“Customers of Gaeltec find it quite remarkable that our firm is located on the Isle of Skye. The exceptionality of our location makes it difficult to forget us” – Syd Johnson, Managing Director.*

There was no perceived drive to export during the business's formative years – more of a natural progression, with the firm's founder only intending to diversify the business to ensure that he could remain financially self-sufficient. However, Gaeltec's participation in medical supplies trade fairs led to a natural progression into international sales as word spread about the firm throughout the very specialised medical supplies industry. The firm now operates a similar product distribution system to other manufacturers in the same industry – using a network of international medical equipment distributors. International opportunities were not actively explored by Gaeltec Ltd. until more recently. The firm has now been exporting for almost twenty years and today the business has fifty-four regular overseas clients and exports to seventeen different countries. The firm has just one direct competitor in the UK and very few in the rest of the world.

Gaeltec employs 22 people, most of whom worked elsewhere before joining the firm and having gained educational and work experience off island. The firm's production requires specialist skills in electronics: skills which are not readily available in the local labour market. However, the firm has successfully recruited a number of islanders on its staff from relevant backgrounds, including science and software engineering graduates. All the staff reside in Skye (the employee having the furthest distance to travel to/from work lives in Portree – the island's main town). None of Gaeltec's employees are directly related to the founder or the current managing director. There are however two husband-wife teams working with the firm.

### **INTERNAL SUPPORTS**

In 1974, a government grant of £20 a week enabled Donald, the firm's founder, to take on his first employee – Syd Johnson.



The business provides its own in-house training and also additional staff training where this is perceived to benefit the business. Two staff members have undertaken further training while employed by Gaeltec: one through distance learning and the other by attending a vocational course at a mainland college.



The firm's flexibility and ability to innovate provides a significant operational advantage. Gaeltec Ltd. will customise or design their products to suit their individual clients' needs whenever possible, which opens up a huge potential market for the firm.

The firm's staff turnover is extremely low: when staff members do leave the firm, it is usually either to retire or relocate off-island. Staff also enjoy ample time flexibility, clocking in and out of work in a discretionary manner, as long as they put in their 40 hours' worth per week.

### EXTERNAL SUPPORTS

Over the years, Gaeltec has benefited from a number of external supports - although these are not strongly perceived as having contributed to the firm's export success.

#### *Regional Support:*



At a regional level Highlands & Islands Enterprise (HIE) - formerly known as the Highlands & Islands Development Board- has contributed towards the capital costs of building new premises for the firm at Dunvegan in 1977, and the expansion of these premises in 1991. Gaeltec eventually bought the premises from HIE. HIE has also funded a number of trips to marketing exhibitions throughout the UK for Gaeltec personnel to promote the firm's products.

#### *National Support:*



In the past, the firm participated in a national government scheme which was run by the Export Credit Guarantees Department (ECGD), an export credit agency. This scheme ensured that the firm received payments for goods upfront and also provided Gaeltec with an insurance policy for any missed payments.

More recently, Gaeltec has been liaising with the Scottish Executive and their contacts in China to try and develop their export market there.



In 2001, Gaeltec was one of fifteen Scottish companies awarded a share of £2 million funding for research and development projects from a Scottish Executive administered SMART: SCOTLAND initiative which encourages small firms to develop highly innovative technology and commercially viable products and processes by providing direct financial assistance towards the costs of carrying out a technical and commercial feasibility study lasting between 6 and 18 months. SMART: SCOTLAND winners who successfully complete their projects and who require further assistance to develop a pre-production prototype can get further support through the SPUR programme.

*European Support:*



Gaeltec has participated in the European Commission's Information Society Technology (IST) Programme, part of the European Union's Fifth Framework Programme for Research, Technological Development and Demonstration Activities, launched in 2002. Under this programme, Gaeltec received a three year grant enabling the firm to collaborate with other European companies to develop a new treatment for cancer of the throat and the oesophagus. This is the first time the firm has been involved with work aimed at treating a medical condition, rather than just diagnosing it: this has the potential to open up a whole new export market for Gaeltec. There are now plans afoot for Gaeltec to participate in the European Commission's 6<sup>th</sup> Framework Programme (FP6).

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*The identification of a highly specialised, high value product which is easily transported, the business's flexible approach to clients' needs and the development of a high profile brand over the last 30 years has enabled Gaeltec to evolve into a highly successful, specialised and internationally renowned manufacturing company; which however has remained small scale, worker friendly and located on a small island, far away from anywhere significant. Gaeltec enjoys a rare combination of a non-automated production system producing a very high value added product, thanks to considerable technological input in the design, portability and reliability of the product.*