Business Day

SOUTHEAST ASIA'S FIRST BUSINESS DAILY • MANILA, PHILIPPINES

ISSN 0007-6635

VOL. XIV, NO. 99 • 16 PAGES TUESDAY, JULY 15, 1980 P1.30 IN METRO MANILA; P1.50 IN PROVINCES

OPEC LEADER — Dr. Mana Saeed Al-Otaiba (left row, nearest President Marcos' desk), United Arab Emirates oil minister and last year's OPEC president, called on President Marcos yesterday. At lunch which Mr. Marcos hosted later, Al-Otaiba said the Organization of Petroleum Exporting Countries will increase to $20 billion its aid fund to help less developed countries like the Philippines. Others in photo are members of the visiting minister's party, including Ahmed M. Al-Rahma, Abbas Mohamed Abbas Zaki, Abdulla Al-Farisi, Idris Haboush, Nasser Al-Jabari, Khaled Al-Ashi and Joseph Al-Sheikh. (Story on page 8)

New MOLE policy

Skilled workers' outflow curbed

By RODRIGO V. ALVAREZ
Reporter

The Ministry of Labor and Employment no longer allows any skilled Filipino workers employed in certain "critical" industries to leave for employment overseas if his employer here does not approve of the departure. If the departing worker is unemployed, he must show proof he has been out of job for the past six months.

Critical industries are those where there is a current need for limited skills and professions. They include the following: petrochemicals, aviation, telecommunications, power, hotel (skilled workers), and agricultural research and technology.

This new MOLE policy is in response to protests persistently raised by business firms on the continuing exodus of skilled workers and professionals, on whom they have incurred substantial costs to train.

The list of critical industries was arrived at following a series of dialogues with various industry groups, the ministry and its overseas placement-related bureaus, the Overseas Employment Development Board (OEDB) and the Bureau of Employment Services (BES).

The government move supported a proposal of the Philippine Association of Flour Millers, Inc. (PAFMI), which sought OEDB's assistance to require PAFMI clearance to applications of skilled workers in the domestic flour milling industry to get jobs abroad.

PAFMI president Felix K. Maramba, Jr., also executive vice-president of Liberty Flour Mills, Inc., said in an interview that the domestic industry last year lost about 200 technical men, who left for Saudi Arabia. These technicians, who were mostly recruited by private fee-charging agencies, were hired by employers of three newly constructed Saudi flour mills, Maramba explained.

(Continued on page 8)

Pilipinas Shell seeks price hike of 30.81 ctvs per liter

Pilipinas Shell Petroleum Corp. is asking the Board of Energy permission to increase prices of its petroleum products by an average price of 30.81 centavos per liter.

Pilipinas Shell's petition, formally filed yesterday, was the third to be received by the BOE.

Mobil Oil Phils., Inc. and Caltex Phils., Inc. filed last week their respective proposals for average price increases of 36.53 centavos and 20.609 centavos, respectively.

Only two oil companies — [illegible]-Landoil Energy Corp. and the government-owned Petrophil Corporation — have not filed petitions.

In its petition, Pilipinas Shell said it needs the price increase due to new increases in crude oil prices, chemicals, inland freight, refinery costs, and provisions for continuing increases in working capital and fixed asset requirements.

Pilipinas Shell said the 30.81-centavos increase it is asking for represents the following:

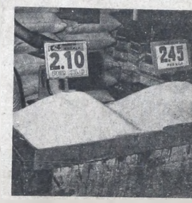
* an average of 26.98 centavos per liter in the new crude oil prices

(Continued on page 7)

THE AVERAGE PRICE INCREASES PETITIONED BY 3 FIRMS SO FAR

Mobil Oil	P0.3653/liter
Pilipinas Shell	0.3081
Caltex	0.20609

Rice price up 15 ctvs per kilo very soon



By JULIE J. DE LA CRUZ
Reporter

The National Grains Authority (NGA) is expected to announce very soon a P0.15-increase on the [illegible] of milled rice, [illegible] been approved by President Marcos. A presidential letter of instructions to this effect will be issued soon.

The new price ceiling was recommended by an inter-agency committee composed of the ministries of trade, finance and agriculture, the NGA, Central Bank and the National Economic and Development Authority.

Actually, the draft of the LOI was submitted to the President as early as April, along with the LOI increasing the support price for palay from P1.30 to P1.40 per kilo.

But the President delayed announcement [illegible] effective July 1, to prevent public hoarding and panic-buying.

The Cabinet standing committee headed by Finance Minister Cesar Virata has earlier approved in principle an agriculture ministry recommendation last April to raise the retail price of milled rice by at least P0.15 per kilo, along with the proposal to set the new support price for palay at P1.40 per kilo.

(Continued on page 7)

EPZA's Peña breaks silence on exporters' complaints

By ABRINO AYDINAN
Reporter

"The BEPZ (Bataan Export Processing Zone) is functioning and functioning very well," Administrator Teodoro Q. Peña of the Export Processing Zone Authority said in an interview with *Business Day* last week. He also indicated that the EPZA is working on the complaints of export firms in the zone.

PEÑA

Peña made the statement to "lead off" his "clarification of the situation in the BEPZ." (See *Business Day*, June 17, 30 & July 7).

"There is a tendency to blow up facts" about the BEPZ, Peña said, although he recognized the existence of "defects" in the system. "There is no perfect system; just like the (living organism's) body, there are always infirmities," he said.

(Continued on page 2)

Corporate Developments

• Despite equity deficit, Ford gets okay on P142-m CP issue

The Securities and Exchange Commission yesterday gave the go-signal to Ford Philippines, Inc. to issue P142 million worth of commercial paper in the money market.

(Commercial papers are securities issued by a company to financial institutions; they are actually a form of borrowings.)

Ford's authority to issue such instruments will last only two months from date of approval. However, it appears that the company will jump on the opportunity, since its resources are in need of replenishment.

Ford's losses piled up through its years of participation in the Progressive Car Manufacturing Program, amounting to P167.3 million as of last year, according to the financial statements submitted to the SEC. The parent company in the USA has injected about P193.67 million into the local subsidiary. What remains of this capital infusion is P27.69 million as of last year (with P1.3 million

(Continued on page 7)

• 9 firms get BOI incentives

The Board of Investments (BOI) last week approved the registration of Norphil Agro-Industrial Corp., an export producer of peanut oil and meal, under the Export Incentives Act (Republic Act No. 6135).

The project which is estimated to cost P48.5 million, will have an annual production capacity of 12,960 metric tons for peanut oil and 13,770 metric tons for peanut meal.

The firm intends to export 100% of its peanut oil production and 70% of peanut meal output. The balance of 30% will be sold to local feedmillers. Target export markets are Japan, Europe and Southeast Asia.

For the first five years of operations, the firm expects record sales of $66.027 million.

Norphil has marketing tieup with Nippi Boeki Kabushiki Kaisha and Sumitomo Corp. of Japan.

OTHER APPROVALS. Also approved under the Export Incentives Act was the P12.278 million project of Mattel Philippines Inc., an export producer of toys (Barbie and Sunshine dolls), costume and costume ensembles and other plastic toys.

(Continued on page 2)

'Nothing definite' yet on IFC equity in PASAR

The Philippine Associated Smelting and Refining Corp. (PASAR) has yet to complete negotiations with the International Finance Corp., an affiliate of the World Bank, for a possible equity investment in the country's $250-million copper smelter.

In an interview with *Business Day*, Constante V. Ventura, PASAR president, said negotiations between PASAR and IFC are "still going on." In effect, Ventura denied reports that PASAR had already accepted IFC's offer to put in 6% or $5 million of the $100-million equity of the copper smelter, one of the planned 11 major industrial projects of the country.

The PASAR official said an IFC inspection team was here a few days ago to assess the situation and verify the financial figures related to the project provided to them.

The data gathered by the team will still be evaluated by IFC and "nothing is definite yet," Ventura said. However, he added that IFC has indicated its willingness to invest $5 million in the project.

EQUITY SHARING. Depending on how much equity will finally be put in by IFC and considering the 32% equity share already finalized with a Japanese consortium of Marubeni Corp., Sumitomo Corp. and C. Itoh, Ventura said equity sharing between the National Development Corp. (NDC) and the nine co-owner copper mining firms will still be determined.

Originally, only 30% of the project's equity was to be allowed for foreign investors and 70% to be shared by NDC and the nine mining

(Continued on page 8)

INSIDE

IMPORT CONTROLS: The president of the EEC Council of Ministers favors selective, temporary import controls . . . . Page 9
NATIONALIZATION: Iraqi brass favors nationalization of all foreign oil firms and total boycott of the US . . . . Page 9
MONETARY POLICIES: Miller not opposed to tight monetary policies of most European countries . . . . Page 9
GOLD SALE: US policy on gold sale unchanged . . . . Page 9
DEVALUATION: Turkey devalues lira by up to 3% against major currencies except dollar . . . . Page 11
WB MISSION: A World Bank delegation is now in Peking to study China's economic conditions . . . . Page 11
TRADE SURPLUS: Australia's visible trade showed a $318-million surplus in June . . . . Page 12
STOCK TRADING: Cross sales pushed transactions up at the stock exchanges; losers outnumbered gainers . . . Page 16

RP among possible beneficiaries

OPEC to hike aid fund for LDCs

The Organization of Petroleum Exporting Countries (OPEC) is increasing from $4 billion to $20 billion its aid fund for projects undertaken by less developed countries to meet their development and energy needs, it was disclosed yesterday by Dr. Mana Saeed Al-Otaiba, oil minister of the United Arab Emirates and OPEC president last year, during a luncheon meeting with President Marcos.

OPEC aims to further increase this development fund in the coming years to $100 billion, Otaiba added. This proposal will be taken up during the OPEC summit meeting to be held in November in Baghdad, Iraq.

After the meeting with Otaiba and his delegation, President Marcos told newsmen that the visit is a result of efforts of the Philippines to establish contact with various sources of crude oil.

He also said he has sent out several buying missions to the Middle East and South American countries to augment present oil supplies.

The President said that during his meeting with Otaiba, he urged the OPEC to "work out solutions for the problems of countries that belong to the Third World, especially on the impact of OPEC policies on pricing."

Otaiba said OPEC, as an organization, is ready to "devote more contributions towards the Philippines' economic development."

He also demanded that industrialized nations give a counterpart contribution to the development fund.

OPEC FUND. The OPEC development fund provides long-term development financing for development projects of less developed nations on concessional terms. In some instances, it gives interest-free loans.

The Philippines has availed of the OPEC development fund. Records show that as of June 30 this year, the Philippines had borrowed $16.25 million from the fund for an irrigation project in Bukidnon ($3.5 million), the Cotabato-General Santos road ($8.25 million) and for fishpen development in Laguna Bay ($4.5 million).

The Philippines also expects to get another $15 million from the OPEC fund which is administered by the Asian Development Bank (ADB). Half of this (or $7.5 million) will be used to finance part of the construction of the National Power Corporation's transmission and power transformer facilities in Mindanao and Negros island. The balance would be spent on infrastructure development.

IFC-PASAR talks still going on

(Continued from page 1)

firms, namely, Atlas Consolidated Mining and Development Corp., Philex Mining Corp., Marinduque Mining and Industrial Corp., Lepanto Consolidated Mining Co., CDCP Mining Corp., Black Mountain, Western Minolco, Marcopper Mining Corp. and Sabena Mining Corp.

However, the smaller mining firms have indicated that they will be unable to come up with their required equity contribution.

As this developed, the foreign investors had expressed their willingness to put up part of the balance.

To fill in the gap, PASAR invited IFC to invest in the project.

Ventura emphasized that IFC's participation is purely an investment undertaking. "There are no strings attached," he said, debunking rumors that PASAR intends to acquire a loan from World Bank.

Outflow of workers in critical industries restricted by gov't

(Continued from page 1)

"If this trend continues, we may soon suffer a lack of sufficiently trained personnel to run our mills, and may eventually affect domestic flour production," Maramba said. "We are not against our technical men wanting to improve their own selves economically. . . but government should adopt preventive measures so that the flour milling industry will not be unduly hampered."

Affected local flour millers were General Milling, Republic Flour Mills, Pacific Flour Mills, Universal Robina Corp., Wellington Flour, Pillsbury Flour and Liberty Flour. Most employees who left these firms, Maramba said, had been actively connected with these companies for about 10-15 years.

CERTIFICATION. Under the MOLE system, the OEDB and the BES will require prospective overseas workers to secure a "certification of no objection" from their present employers. This requirement will give employers time to look for replacements in jobs vacated by workers who resign and leave for abroad.

Observers expressed apprehensions that the ministry's policy violates the constitutional right of Filipinos to seek their own means of livelihood.

Sought for comment, OEDB executive director Salvador P. Bigay said that the MOLE policy is premised on a "national need," and the principle that the present manpower export program should not be adverse to local industries. Although manpower exportation is a major contributor to the country's total foreign exchange earnings, the overseas labor program must not negatively affect viability of local industries, he said.

OTHER INDUSTRIES. Bigay said the MOLE policy will apply only to the identified critical industries, where replacements for lost skills are relatively difficult and costly to acquire. He said, however, that the list of critical industries may be expanded by the labor ministry if other non-listed industries file complaints on the "brain and brawn drain."

Bigay said the present brain and brawn drain problem has become "inevitable" inasmuch as the country has limited resources and capabilities, compared to Middle East and other western countries. Apparently, he noted, Filipino industries could hardly meet the wage scales and other employment benefits offered by foreign employers, as evidenced by the increasing outflow of skilled labor.

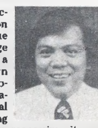
Among the other sectors affected by the loss of skilled workers are the transport and construction industries.

Recently, the Bus Operators Association of the Philippines said that bus companies have been bugged by the problem that drivers and mechanics have left the country for better work opportunities.

Also, a construction firm belonging to the Philippine Contractors Association has reported that it has been losing 50 to 100 workers a year, pirated by foreign companies. As a result, the PCA said that Filipino contractors who bid in international construction contracts often end up competing against foreign companies employing skilled Filipino workers.

Purchase of firm's own shares of stock

By MAT DEFENSOR



A corporation, under Section 16 of the Corporation Law, is allowed to issue shares of stocks in exchange for cash or property. When a corporation purchases its own shares by paying cash or property, the corporation naturally reduces its financial capability. Situations being avoided when a corporation reacquires its own shares through cash purchase are the impairment of the rights of creditors and the undue advantage accruing to some stockholders at the expense of the remainder. Such situations can happen when a corporation under financial trouble purchases the shares of stocks of favored stockholders to save their investments, leaving little or nothing to the creditors and remaining stockholders.

Business & the law

Under the present law, the power of a corporation to reacquire stocks is expressly granted to the corporation only when the appraisal right is given to dissenting stockholders (under sections 17-1/2, 18 and 28-1/2) and in delinquency sales when there is no bidder for stocks for sale (Section 44). Minus those instances, a corporation's right to purchase its own shares, though not prohibited, is not expressly authorized. Hence, in the case of Steenbert v. Velasco (10 Phil. 953), the Supreme Court, knowing that the corporation is insolvent and about to be dissolved, denied the corporation's right to purchase its own shares by invoking the doctrine that the directors of a corporation must act in good faith in preserving the assets of the corporation.

However, the Securities and Exchange Commission in a letter-opinion dated April 5, 1965, and again in a letter-opinion dated Feb. 1, 1979 addressed to Philippine National Bank reiterated the general rule that in the absence of prohibition, corporations have the implied power to purchase their own shares of stock subject to the conditions that:

1. capital is not impaired;
2. a legitimate corporate object is advanced;
3. the condition of corporate affairs warrants it;
4. the transaction is designed and carried out in good faith;
5. it is intended and there results no undue advantage to a few favored stockholders at the expense of other stockholders; and
6. the rights of the creditors are not jeopardized.

Under Section 9 of the proposed code, which hopefully is now a law, a corporation has the power to purchase or reacquire its own shares subject to the limitations that the purchase must be for a legitimate corporate purpose and the corporation has an unrestricted earned surplus. The code enumerates instances considered as legitimate corporate purposes. These are:

1. "To eliminate fractional shares arising out of the declaration to stock dividends;

2. "To collect or compromise an indebtedness to the corporation, arising out of unpaid subscription in a delinquency sale and to purchase delinquent shares sold during said sale;

3. "To pay dissenting or withdrawing stockholders entitled to payment for their shares under the provisions of this code;

4. "To redeem or retire redeemable or preferred shares issued by the corporation at a price not to exceed the redemption or issued value thereof."

Those instances as enumerated above are recognized by the code as not exclusive.

The status of reacquired shares will depend on the purpose of the corporation. If stocks are reacquired under Sections 17-1/2, 18, 28-1/2 and 44 of the Corporation Law or simply by redemption in case of redeemable shares, said shares have the effect of being treated as treasury shares and shall remain issued and outstanding. If shares are reacquired for the purpose of withdrawing them for circulation, such shares may be reverted to the status of authorized but unissued shares.

There are enough safeguards against the impairment of the rights of stockholders and creditors in both the present law and the proposed code. The guidelines set by the Securities and Exchange Commission took care of what is lacking under the present law.