



Vol. XIII

No. 9

September

1933

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the single item that increased over the previous year. With a dry August and the beginning of a dry September, bound to shorten the rice crop, the following table from the 1932 yearly report illuminates the freight situation:

REVENUE FREIGHT TONNAGE

Commodities	1932	1931	1930
Rice	96,122	173,478	162,653
Palay	14,028	24,863	29,883
Sugar, crude	280,784	135,658	205,509
Sugar cane	742,269	477,684	482,763
Copra	95,944	116,676	116,900
Cocunut	13,680	22,994	22,268
Hemp	1,654	2,467	3,789
Tobacco	5,730	6,713	6,562
Livestock	1,302	1,962	2,755
Mineral products	110,116	91,759	111,756
Lumber	52,200	57,056	60,113
Other forest products	41,992	39,122	46,714
Manufactures	214,562	203,052	227,424
All other, including L. C. L.	138,017	172,912	184,909
TOTAL	1,808,400	1,586,996	1,667,315

Now a short rice crop is a brief incident in a railroad's career. Something more permanent promises to limit the road's freight business, a quota on Philippine sugar given free entry in the American market; and something more besides, if the Hawes-Cutting bill comes into effect, quotas on rope and coconut oil allowed to go duty free into the United States. Rates tending downward, to get what freight is to be had, can hardly be escaped. Thus the road hauled last year 221,404 more tons of freight, or 13.9%, than it hauled in 1931, "but the increases were principally in items of freight carried at low average rates, such as sugar cane and crushed rock for road building, which were more than offset by decreases . . . of rice, copra and miscellaneous freight which are carried at comparatively high rates."

Freight in less than carload lots, paying high rates, has been diverted to truck lines running into Manila, to a large extent. Drivers act as agents for shippers, no regular rates are maintained and no bills of lading issued. Both in freight and passenger business the road feels the competition of trucks, as railroads do everywhere. Public interest attaches to what the road is doing to extricate itself from the slump in its trade. Parallels between this road and great roads in America that have got back to a paying basis by thorough modernization of their service can't be exact, yet they do have some application. Manager Paez's policy is, however, and necessarily, one of gradual improvement; he must do piecemeal what a great trunk line in an industrial country might do, as the Pennsylvania did do, with a single issue of credit.

The road has begun operating its own truck lines, aside from the old Benguet Auto line. It has 2 such lines in Cavite, coordinated with its rail lines. It also has joint schedules north with the Northern Luzon Transportation company, south in the Bikol region with the Ammen Transportation company. This incursion into the truck traffic is favorably reported upon and is planned to be extended. Revenue of the old Benguet line at Baguio, to Damortis, making train connections, grew ₱78,419.86 last year. The investment at stake is ₱346,175.87. A fourth truck line is operated at Pasacao.

An interview was had with Manager Paez about faster passenger trains north, between Manila and Damortis, 222 kilometers, or 163.75 miles. When the government bought the road that schedule was 8 hours; it has been reduced to 5 hours, not much less than the ordinary motoring time clear to Baguio from Manila, but if it could be cut to 3 hours passengers could reach Baguio from Manila in 4 hours and there should then be a tendency to use the trains in preference to automobiles—as now there is a tendency to use automobiles in preference to the trains. To speed its trains as well as reduce operating costs, the road has converted many of its coal-burning engines into oil-burners. Coal cost last year ₱0.224 per locomotive kilometer, oil cost ₱0.160. Oil eliminates the soot nuisance and dispenses with the services of 1 fireman per engine, but doesn't mitigate the nuisance of dust and heat.

THE RAILROAD

The capital of the Manila railroad is ₱25,127,000. It is owned by the Philippine government. Total long term debt of the road is ₱53,408,198. There are ₱26,472,000 of 5% mortgage bonds due July 1, 1936. There are ₱21,172,000 of 4% gold mortgage bonds due May 1, 1939. There are ₱2,138,000 of 4% gold mortgage bonds due May 1, 1959. There are ₱3,000,000 of 7% sinking fund bonds due May 1, 1937. There is a 6% note for ₱50,000 of the Benguet Auto Line, and there are advances of ₱576,198 from the Philippine government, some at 4% and some at 7%. Last year, though only for the second time since the government bought it in 1917, the road had an operating deficit. Its revenue was ₱8,963,858.96 against ₱10,341,576.17 for 1931, a drop of ₱1,377,717.31 or 13.32%. As is the case with most railroads, sinking funds to retire bonds when due are not carried.

The road lost money last year because traffic fell off, but also because several rates were reduced in order to get the patronage it actually received. It is alarming when for any reason a railroad fails to earn profits, they have a tendency to keep on downhill to eventual bankruptcy; it is therefore interesting to see what the Manila railroad is doing to avoid this habit of decline, and first of all it is fair and gratifying to note that operating expense is being reduced, whereas the average expense 1927-1931 was ₱3,041,103.80, last year's was ₱6,797,547.67.

The reduction in a single year of ₱749,845.81 shows commendable thrift in the road's administration, such as anyone who knows Manager José Paez would expect. It was effected while more than 70 kilometers were being added to the lines, and it involved pay cuts and reduction of personnel. It brought the year's net loss down to ₱97,377.17.

The road has no bright outlook this year and should surprise no one if it turns up another deficit. Of its earnings, almost ₱9,000,000, last year 52% was from freight, 36% from passenger service, and ₱475,641.78 came from the express service, ₱291,151.27 from boats operated, ₱130,986.15 from mail charges and ₱201,176.21 from other operating revenue,

To eliminate dust and heat, the road is working around to air-conditioned coaches, which have won back to the railroads much traffic in the United States. That fast passenger trains pay is indicated by experience with the La Union Express, 6 hours lacking 3 minutes between Manila and San Fernando; this train earned ₱1,392.19 more last year than in 1931, and made it necessary to run fewer express trains to Damortis, which were only run during the Baguio season, March, April and May. Rails on the Manila-north line are only 60-pound metal, but they will suffice, it is contended, with stone ballasted roadway, to support trains running to Damortis in 3 hours; and the essential stone ballast, supplanting gravel and sand, is being adopted.

Over lines of 60-pound rails, Japan manages very fast trains; and in England, over stone ballast, are run some of the world's fastest trains. From a 4-hour schedule to Baguio, 3 hours by train to Damortis, the railroad may expect much third-class patronage now given truck lines and very material first-class traffic besides. Little patronage can be diverted from the airplane line to Baguio, the trip in an hour, but patronage will surely come from folk who now motor between Baguio and Manila in their own cars because the train trip is several hours longer.

Manager Paez recommends completion of the Bicol extension, in which there is still a gap of 40 kilometers between New Aloneros and Port Ragay that involves a boat portage of 2 hours 25 minutes and makes the time 20 hours between

Manila and Legaspi. Seventy-one kilometers of the extension were built last year, chiefly under the administration of Harry V. Campbell, railway construction engineer and at the remarkably low cost of ₱60,000 a kilometer, "including cost of land, grading, track, sidings, station buildings, bridges, water supply systems, the whole road complete and in operation." The estimate had been ₱100,000 a kilometer. The people have ₱4,200,000 invested in this unfinished improvement, for which that much additional stock of the railroad was bought by the government. Work has now been suspended, as the work on the spur from Tarlak to San José, a fine prospect for rice haulage, has been suspended at Muñoz, for want of funds.

There can be no remarkable returns from the Bicol investment until markets for hemp and copra improve, for the farmers and merchants in that region are too poor to pay their taxes: while they still dry copra and have it to ship, hemp fields are widely abandoned. But the railroad taps much fertile country open to settlers and it believes settlers will go there and found communities and raise crops that will give it trade.

The fact can't be evaded, however, that with independence and a curtailed American market better average business conditions will be far in the future, should they ever be reached at all. It is this dilemma of the railroad the people should understand. They own the road, the road's debt is theirs.

Bank Commissioner Garcia's Yearly Report

Consolidated Statement of Resources and Liabilities of All Banks and Trust Companies in the Philippine Islands at the Close of Each Fiscal Year Indicated.

	RESOURCES				
	1932	1931	1930	1929	1928
	Pesos	Pesos	Pesos	Pesos	Pesos
Loans and discounts.....	73,227,262	66,793,634	76,848,062	80,391,413	109,306,937
Overdrafts.....	61,972,547	66,561,202	67,915,296	65,912,938	60,200,523
Stocks, securities, etc.....	36,899,718	32,296,179	22,913,308	11,524,394	12,247,640
Banking house, furniture and fixtures.....	4,443,264	2,574,385	2,423,011	2,352,453	2,387,478
Other real estate and chattels owned.....	4,740,199	3,990,011	3,639,670	3,629,034	3,054,534
Due from head office, branches, agents and correspondents.....	23,743,597	16,299,810	38,478,877	47,146,267	34,536,818
Due from other banks.....	7,496,501	4,903,592	3,050,635	5,398,558	8,198,375
Bills of exchange.....	5,090,059	8,616,973	20,883,441	26,219,055	18,347,694
Cash on hand.....	16,261,503	19,568,927	17,487,351	18,972,575	15,224,113
Checks and other cash items.....	597,170	420,807	877,146	1,065,435	1,113,392
Profit and loss accounts.....	15,457	33,940	34,162	1,978,537	1,003,316
Other resources.....	10,645,628	13,544,273	7,660,654	7,447,418	6,469,278
Total resources.....	245,132,905	235,573,742	262,220,613	272,638,277	272,392,088

*Includes Customers' Liability Under Trust Receipts.

	LIABILITIES				
	1932	1931	1930	1929	1928
Capital.....	24,463,300	24,463,300	26,484,550	25,484,550	25,478,150
Surplus.....	8,879,411	7,858,208	7,811,899		
Reserves.....	8,199,062	8,340,220	6,237,145	7,575,189	6,142,132
Undivided profits.....	959,935	2,107,152	1,580,332	9,866,983	8,672,495
Bank notes in circulation.....	13,919,283	15,469,176	17,049,453	18,980,754	24,017,003
Due to head office, branches, agents and correspondents.....	21,934,510	25,416,630	41,619,314	49,945,794	27,386,495
Due to other banks.....	3,786,061	3,132,401	3,847,798	3,921,986	5,417,019
Dividends unpaid.....	448	465		338,343	337,744
Demand deposits.....	47,016,850	50,954,239	60,868,276	60,492,789	69,078,633
Time deposits.....	45,584,079	42,657,128	35,815,001	30,723,692	33,035,645
Savings deposits.....	13,578,871	43,135,103	47,874,363	54,986,822	62,554,310
Bills payable:					
Domestic.....	385,447	34,270	28,358	20,341	7,008
Foreign.....	152,056	183,050	640,298	459,941	392,994
Cashier's checks.....	50,842	667,311	613,357	638,491	119,893
Certified checks.....	363,666	180,249	376,231	618,673	572,233
Suspense accounts.....	2,027,126	1,279,063	694,415	77,682	1,119,236
Other liabilities.....	11,172,888	9,694,069	10,713,823	8,490,247	8,060,808
Total liabilities.....	245,132,905	235,573,742	262,220,613	272,638,277	272,392,088

The general business of banks and trust companies during the year under review showed a marked improvement over that of 1931. The increase in their total resources by ₱9,559,163, in spite of the world-wide economic disturbance, is an indication of an attitude of continued confidence in these institutions by the people of this country. While in many parts of the world the year 1932 was one of serious derangement of credit giving rise to a series of reported bank failures, in this country, on the other hand, activities in banking and credit were quite normal, with the exception of the transactions in foreign exchange which, in a minor degree, dropped from their 1931 level.

It is evident, therefore, that the tidal wave of fear and uncertainty which has been sweeping the world over, tearing down old established banking institutions and leaving financial bankruptcy and economic misery in its wake among nations and peoples alike, did comparatively little damage in this country.

The statement presented above shows that while overdrafts decreased by ₱4,588,655, loans and discounts increased by ₱6,433,628 or a net gain in these two items of ₱1,844,973. Cash on hand was ₱3,907,224, less than reported in 1931. This decrease, however, was more than offset by an increase in security investment of ₱4,633,539 indicating a certain trend in policy to put the available funds of the banks into productive use.

Likewise, deposits during the year registered a net gain of ₱9,693,300 over those of 1931. In this connection, it will be noted that while demand deposits decreased by ₱3,937,389 at the same time there was registered an increase in the time deposits by ₱13,216,951, with savings accounts remaining at almost the same level as that of 1931.

The unprecedented rise in time deposits during the year is a sure indication that on account of the dull business conditions people preferred to put their money on deposits which would assure them of a steady return while waiting for better business opportunities. It is not to be expected, however, that the character of this account can be anything but temporary and at the first manifestation of the advent of better times a big portion of this fund would undoubtedly be put to more productive uses.

Surplus for the year made a gain of ₱1,021,203 over that of the previous year while undivided profits dropped by ₱1,148,117 during the same period. The decrease in the latter item was a result of the cleaning up of the portfolios of some of the banks of bad and undesirable papers so that they may be able to face the new