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Rural bankers alarmed over palay underpricing

'Farmers unable to pay loans'

Rural bankers have expressed alarm over the reported activities of traders who underprice palay sold to them by the farmers. Eugenio S. Perez, Jr., president of the Rural Bankers Association of the Philippines, said that in Panay island, palay is selling at half the P1.40 per kilo buying

price of the National Grains Authority. These depressed prices have so shrunk the income of farmers that they are unable to pay their loans. Perez said that with the increase in the target area of the new phase of Masagana-99, the prices would go down further. He suggested that the government enforce a floor price for palay and make the National Grains Authority buy more its present share of 18% of the total rice production of the country. Page 8

Higher oil bill, slower growth of nontraditional exports

Trade deficit now seen at \$1.78B

The country's trade deficit may hit \$1,784 million this year, a rise of 15.8% over 1979, according to a report from the Ministry of Trade. The report added that export receipts may grow by only 31%, a slower rate than last year's 34%, while imports would grow by 27%. The ministry attributed the decline in

growth to the projected slower performance of non-traditional exports - 30% this year (to \$2,769 million) as against 42% in 1979. Oil bill increases were likewise expected to swell the trade gap, according to the ministry. Page 8

MM jeepney men now want higher fares PSC to raise price ceilings in provinces

Metro Manila jeepney operators and drivers, crumpling under the pressure of high fuel prices, have asked the Board of Transportation to increase their fares. The Buklod Mangagawa sa Sasaysan, headed by Celestino P. Clavito, is asking for an increase in the basic fare from of 60 centavos to 70 centavos for the first five kilometers. It is also asking for a half-centavo raise in the per kilometer rate, from 11.5 to 16.5 centavos per kilometer.

The Price Stabilization Council (PSC) will adjust the price ceilings for essential commodities in the provinces shortly. The PSC said the adjustments will be raised depending on the cost of transport from Manila, where most of the commodities come from. The prices of rice, corn, sugar, milk, cooking oil and school supplies will thus vary according to the nearness of the place to Manila. Only the prices of canned fish have not yet been computed, the PSC said. Page 8



PCMP firms urged to buy more parts made locally

The Consolidated Automotive Parts Producers Association Inc. (CAPPA) has proposed that the car firms participating in the Progressive Car Manufacturing Program (PCMP) be required to acquire some 40 parts and components from local suppliers. CAPPA said some of these parts are already being used by PCMP participants. Under the present guidelines, PCMP participants are required to source locally only two items - tires and batteries. Page 8

Corporate Developments

• BPI-Comtrust merger nearly covered by capital gains tax

The Bataasang Pambansa committee on finance yesterday debated on whether the exemption from the capital gains tax for banks merging or consolidating in order to obtain a license for universal banking, would be made effective upon approval of the relevant Cabinet bill. A timing like that would penalize banks that have already merged. It was a close shave for the Bank of the Philippine Islands which recently acquired the Commercial Bank and Trust Co. Fortunately for BPI, its merger is not yet consummated. Page 7

• Tanduy eyes export to offset slump in sales on local market

Tanduy Distillery, Inc., suffering a slump in sales, is aiming for a share of the United States rum market. It will ship an initial 2,000 cases next month to Texas and California, from where it hopes to expand to other states. Page 7

• Delta Motor's Mini-Cruiser, Tamaraw to be sold in Egypt

Delta Motor Corp. reported signing an agreement in principle for the assembly and distribution of its Delta Mini-Cruiser and Tamaraw in Egypt. At least 3,000 units worth a total of \$15 million are in the order. Page 7



Sugar workers hold convention

Sugar mill and plantation workers start a two-day national union convention tomorrow in Bacolod City. Besides putting 560,000 plantation workers and 30,000 mill workers together under one union, convention organizers said they will also discuss ways to force the government to lift their employees' exemption from the various wage decrees. Page 8

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LATEBREAKERS

• **Loan from Germany**
A loan agreement of DM33 million (P139 million) between the Federal Democratic Republic of Germany and the Philippine government will be signed this morning at the Ministry of Foreign Affairs. MFA officials said. The loan will be allocated to the following government projects: Imelda Settlement Project in Southern Leyte; Dagat-dagatan Resettlement Project; procurement of special equipment for the National Cartographic and Photogrammetric Center; and procurement of two container cranes for the Manila International Port.

• **No oil strike**
The oil reserve expected to be within the Batas 1 structure in offshore northwest Palawan has "migrated" and Philippines Cities Service, Inc. (PCSI) has decided to temporarily plug the widest oil well, the Ministry of Energy announced yesterday. Based on a series of drill stem tests (DST) and visual examinations of core samples gathered from the well's borehole, PCSI concluded that the oil once trapped within the Batas 1 structure is no longer there and that the initial oil shows were merely "residuals."

• **Senegal buying RP rice**
Senegal wants to import Philippine rice and other products, and has proposed negotiation of a bilateral trade agreement. A government buying mission from the West African nation arrived Wednesday afternoon for rounds of talks with local officials from Aug. 28 to 31. Headed by Director Amador Moustapha Tall of the Senegalese Ministry of Commerce, the six-man mission visited Thailand before coming to the Philippines. Trade consultations with Philippine government officials are going on.

The Stock Market

Trading on mines provided the only excitement at the exchanges yesterday but the issues lost steam at the home stretch. Activity in the oil sector was light. None of the issues posted gains while losers gave up small points. Combined peso turnover at P8.8 million dropped by almost 30% from Wednesday's P12.1 million. Page 16

INSIDE SECTION II

DISCOUNT RATE: MITI Minister Tanaka says the 7.5% cut in Bank of Japan discount rate is too small. Page 9
MORATORIUM: The US General Accounting Office urges a moratorium on foreign acquisitions of US banks with assets of \$100 million or more. Page 9
TRADE DEFICIT: The US trade deficit dropped in July to \$1.85 billion from June's \$2.28 billion, mainly because of a 17% drop in oil imports. Page 9
UK UNEMPLOYMENT: The total of unemployed in Britain this month

topped 2 million for the first time since World War II. Page 9
OIL STOCKPILE: Japan plans to increase its oil stockpile to 30 million liters. Page 10
MONETARY MOVEMENTS: Gold closed higher at \$634 an ounce in London, firm in Hong Kong at \$627. The US dollar was little changed in New York but down in London and Tokyo. Page 10
COMMODITY FUTURES: Prices of selected commodity futures closed as follows: Page 11

APHONE INTERCOMS

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'Supermarket' trade houses to open soon

A number of Philippine trade houses that will operate much like supermarkets will be created soon in Manila and various foreign cities, including one which may be managed by the Ayala Corporation.

Contracts have been signed between the Ministry of Trade and the Chamber of Department Stores, Inc., for the opening of a "supermarket-type" trade house in San Francisco, and the Philippine Traders Mart, Inc., for another in Los Angeles. The Los Angeles trade house manager, Jose R. Pecton, said a "mass signing" took place last week.

Under the trade ministry's expanded trade program, management of these groups will be entrusted to a group of businessmen, an OCT or any of the Philippines' top 100 corporations.

ASSISTANCE. The trade ministry would extend financial assistance to each franchise holder or store in the supermarket-type trade house in the form of:

- * a monthly subsidy for rental of the store space, amounting to \$2,000 for the first six months of operation;
- * reimbursement of expenses on the opening or inauguration of the store, up to \$2,000;
- * cost of freight for initial shipment (port-to-port only) in a 40-foot container; and
- * reimbursement of promotional expenses up to \$2,000 annually.

Delta Mini-Cruiser, Tamaraw to be assembled in Egypt

Delta Motor Corp. reported another breakthrough in its Egyptian drive with the signing of an agreement in principle for the assembly and distribution of its Delta Mini-Cruiser and Tamaraw in Egypt.

The memorandum agreement was signed Tuesday by top officials of DMC and the Arab-American Vehicles Co. (AAV) of Egypt and Kelton Trading S.A. of Geneva, Switzerland.

Under the agreement, DMC will initially export 3,000 completely knocked-down (CKD) units of Delta Mini-Cruisers and Tamaraws annually.

AAV will assemble the CKD, and Kelton Trading will distribute the vehicles the Middle East, Mediterranean and African countries.

The initial minimum order of 3,000 units has an estimated value of \$15 million based on unit prices of \$5,000 per Delta Mini-Cruiser and \$4,000 per Tamaraw.

in Miami (to be operated by the Philippine Handicrafts Producers Cooperative with 250 members) and a Manila (to be run by East Art Trading).

The four trade houses were inaugurated by October, he said.

Negotiations are under way for the opening of two more to be established in Honolulu and Dallas, Texas.

The one at Dallas will possibly be owned and operated by Ayala Corporation, a source said. Ayala is one of the local companies which has set up overseas trading offices (OTOs).

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Capital gains tax break: when to implement

JOSE P. OMPOC, Jr.
Reporter

For being the first private commercial bank to anticipate the tax break will be used by other banks which merge with other banks for the purpose of obtaining a universal banking license, the Bank of the Philippine Islands — which recently acquired Commercial Bank & Trust Co. — came close to being subject to capital gains taxes arising from the merger.

This development arose yesterday during a meeting of the finance committee of the Batasang Pambansa to discuss refinements to two Cabinet bills which intend to extend tax breaks for universal banks.

Discussed were Cabinet Bill No. 40, which seeks to exempt from capital gains taxes

any capital gain arising from mergers and Cabinet Bill No. 41 which seeks to amend certain sections of the National Internal Revenue Code pertaining to the taxation of earnings realized from certain banking transactions such as interest earnings on deposits.

Both bills have passed first reading at the Batasan.

The committee members debated on the date of effectivity of the bill exempting gains taxes on capital gains.

The members noted that if this bill were made effective upon its approval, then mergers before that time may be subject to capital gains taxes.

Much as the members of the committee tried to avoid citing the BPI-Comtrust merger, they agreed that a "similar move would in fact penalize a bank which precisely was moving towards the policy objective of the government.

The issue, however, is moot. A check with BPI officials yesterday showed that the merger with Comtrust transaction has not yet been consummated.

The merger is yet to be formally approved by the Central Bank, although the CB has approved the transaction in principle.

Incidentally, BPI has a pending application with the Bureau of Internal Revenue specifically asking for an exemption from capital gains taxes

arising from the merger. The BIR is studying this petition.

OTHER WAYS. Even in the event that the effectivity of the exemption is on the date of approval of the bill, stockholders of both banks would still have other legal means to capital gains taxes under the bill.

The larger issue that the committee members tackled yesterday was whether the stockholders of banks would be exempted from capital gains taxes arising from the disposition or exchange of the property.

DISAGREEMENT. However, they disagreed on whether to grant an exemption or only deferral of capital gains taxes on mergers or consolidations through stock swaps.

During a raptation towards the end of the meeting, the assemblymen were evenly divided. Of eight members present, four were for deferral while the other four were for exemption.

Finance Minister Cesar Virata, chairman of the committee, declined to vote.

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Tanduy aims for share in US market

A 20%-30% drop in sales and the recent 100% increase in specific taxes on liquor have prompted Tanduy Distributors to make an all-out effort to penetrate the export market for its 40-smooth gold and "light white" rums. Tanduy general manager Celso L. Lobregat said.

Lobregat said Tanduy will ship an initial 2,000 cases of the products on Sept. 5 to Texas and California. The company will try to capture 5% of the rum market in the US, he added.

Long-range plans for exportation of "smooth gold" and "light white" rums include branching out from Texas and California to other states and sell 30,000 to 40,000 cases in the US in five years.

DISTRIBUTOR. Garner and Garner International has been designated as sole distributor of the products in the US. According to H. Clayton Garner, president and founder of Garner and Garner, his firm has earmarked a \$600,000 budget to promote the products. Advertising will be handled by Ogilvy and Mather, Inc.

Lobregat said the income from the present P1.20 to P2.40 per proof liter on liquor, including beer, is expected to rise as sales in the domestic market, considering it will also jack up prices of the products by at least P0.80 per bottle.

Prospects in the US market are brighter, Garner said rum is the fastest-growing liquor category and second to vodka in sales ranking in the US. The increase in rum sales in 1979 was 134% compared to vodka's 6%.

Garner added that Tanduy is likely to grab a good share of the rum market in the US. He said Bacardi, a leading Puerto Rican brand sold in the US, is having difficulties in its production because of "limited resources."

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ANNOUNCEMENT

DUE TO SOME UNAVOIDABLE CIRCUMSTANCES, THE INAUGURATION OF THE SECURITIES AND EXCHANGE COMMISSION BUILDING WHICH WAS SCHEDULED ON FRIDAY, AUGUST 29, 1980 HAS BEEN POSTPONED UNTIL FURTHER NOTICE.

THE ANNOUNCEMENT OF THE INAUGURATION ON A LATER DATE WILL BE ANNOUNCED ACCORDINGLY.

(SGD.) JULIO A. SULIT, JR.
Associate Commissioner