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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.

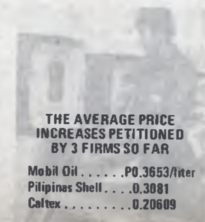
Only two oil companies — Basic-Landoil Energy Corp. and the government-owned Petrophil Corporation — have not filed petitions.

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

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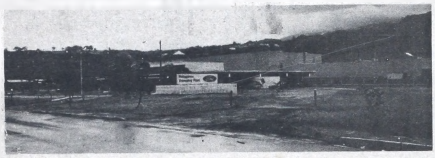
INSIDE

Exporters at BEPZ

Peña breaks silence on complaints

(Continued from page 1)

"We are not sweeping under the rugs the defects of the system, we are working on them," the EPZA administrator continued.



The Ford stamping plant

NO TREND. He discounted any suggestion of a general trend among registered and prospective investors in the export processing zones to back out, attributing the change of heart on the part of a number of them to the workings of economic forces over which EPZA has no control.

He said he had counted seven export enterprises that started operations at the BEPZ but later closed shop. Compared to the "success" record — 57 companies in operation to date, after seven years — Peña conceded a "10% attrition" rate.

"It is my thesis that in a free and open economy like ours, companies which, for one reason or another, are inefficient will have to close up shop," Peña said.

He gave these reasons why companies have terminated operation at the BEPZ: lack of expert management, business partners who can not come to terms, and the firms' thin capitalization.

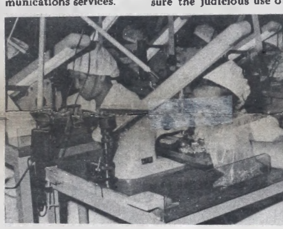
For those firms which had shown interest but decided not to come in [illegible], he said [illegible] their desire) to look for the best sites or terms and conditions they can get" among alternative countries trying to outdo each other in competing to attract the firms.

Peña cited expansion programs of five export companies located at the BEPZ; namely Ricoh Watch Philippines, Inc., Mattel Philippines, Inc., Manila Glove Manufacturing, Inc., Bataan International Garments, Ensite Ltd. (Ford Philippines stamping plant), and Mariveles Apparel Corp.

MANAGEMENT. Criticisms had been leveled on the BEPZ management for what export enterprises in the zone perceived as wrong priorities in developing service facilities. They had cited inadequate water, communication and other 'basic" services, while construction of the EPZA administration building, cinemas, shopping centers, and other projects proceeded.

"We must remember that BEPZ was originally a marginal fishing zone (which) we were asked to convert into a new modern industrial community," Peña said. Towards this end, he said EPZA brought in, aside from factories, much of the 60,000-70,000 souls now in Mariveles (the town had a population of only 16,000 in the 1970s, according to Pena).

All the 11 basic human needs (identified by the human settlements ministry) deserved equal positions in the BEPZ scale of priorities, he emphasized. He pointed out that the zone's population needed a school, medical facilities, recreational facilities and hotels as much as water, power and communications services.



Ricoh Watch workers

"Some of these facilities are easier to deliver than others because we have the knowhow to do them, so that these are realized ahead of the (rest of the) requirements," Peña said.

Water is delivered to certain areas in the water system which is not now reached by the piping system. The supply used in watering the golf course come from a creek and not from the potable water supply system, he said.

He denied that EPZA is overcharging the export firms in their electric power bills. EPZA is only passing on to them "what the NPC charges us," he said.

He justified the switchover from an automatic-exchange telephone system to a manually operated switchboard system. The present 37-trunkline telephone facility in the BEPZ, which had been complained about by exporters for being inefficient and inadequate, could be expanded to accommodate 100 extensions through manual operations, he said.

The operation of the telephone system was turned over two weeks ago to the Philippine Long Distance Telephone Co. which instituted metered calls with the use of the manually operated exchange — a move much criticized by the BEPZ exporters who even complained to President Marcos.

Peña said the metered telephone system will insure the judicious use of the communication facility. In the past the exporters tied down lines by dictating even company payrolls or purchase orders over the phone, he said. PLDT also indicated it would increase the number of switchboards if necessary, he added.

NECESSITY. EPZA did not intend to handle the utilities (such as water, power and communications) but "we had to do it" because these could not be provided at once by the proper utility companies.

If the services delivered by EPZA in these areas were poor, as claimed by the export firms at the BEPZ, it is probably because EPZA, is, as Peña pointed out, "not a utility company."

Peña said EPZA was not responsible for the cost of the controversial water supply reservoir, which he said had been designed and constructed under the management of the National Power Corp.

The charge for water supplies in the BEPZ is the same as in Metro Manila, Peña said as he denied that EPZA is shifting the cost of the BEPZ water system to the export firms.

PHONE SYSTEM. He said the switchboard telephone system would fill in the communication requirements until the new equipment which would allow "unlimited telephone lines" is installed in about two years. The telephone system, to cost 384 million yen and financed from an OECF loan, will be delivered by the Nippon Electric Co. some 15 and a half months after its receipt of the letter of credit from EPZA, which Pena said, was due to open shortly.

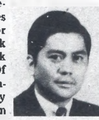
He indicated that PLDT may also operate the new telephone system. The exporters had expressed fears that PLDT's management of the BEPZ telephone system would be for good, instead of only for the remainder of the life of the present 37-line "interim" facility.

The objection of the exporters to PLDT's entry in the telephone system is apparently based on the more expensive cost of PLDT's service which they had anticipated. PLDT's new rate for calls between BEPZ and Manila is: P4.70 for the first two minutes and P2.35 per succeeding minute. The new rates are much higher than the P1.80 the exporters used to pay for an unlimited length of call.

PLDT's rates at the two other export processing zones are: P5.60 plus P2.80 from Baguio City to Manila and P9.40 plus P4.70 between Mactan and Manila.

Risk avoidance/reduction

By ALBERT DEL ROSARIO



Risk management subdivides into two major categories, risk control and risk finance. Of these, risk control is clearly the foundation and is therefore considered the more significant element.

Identification and measurement

In implementing risk control, the first step is the identification of all potential loss producing factors, both insurable and uninsurable, to which an organization is exposed. The risk factors identified are then measured or quantified in terms of loss frequency, including severity, predictability and probability so that ultimate strategy can be expressed in numerical terms. Following identification and measurement, risk reduction are extremely important strategies in the exercise of risk control.

Avoidance and elimination

Where risks are considered as being so inherently hazardous as to make it prudent to pursue the action, elimination and avoidance procedures should be undertaken. To illustrate, risk elimination or avoidance would involve such decisions as a change of plans in the design stage due to the recognition of high risk potentialities, a discontinuance of a hazardous process or possibly contracting it out to another firm which is more specialized in the process, withdrawal of a product from the market, and an avoidance of business operations in areas of high political uncertainty, or where extreme weather conditions, flood or earthquake, could subject operations to undue risk.

Often there are methods that can reduce the level of risk to a degree that does not necessitate the need for any disruption of operations or plans. However this is not always the situation. Risk avoidance may involve an activity that produces benefits but substitutes other risks. For example, a decision to avoid flood risk by building on a higher site may mean that benefits of lesser construction cost and easy production flows on a flat site are offset by an increased expectation of wind losses in a higher and more exposed position. Whatever alternative is decided upon, following a cost-benefits evaluation, a careful identification and analysis of the risk is vital.

Reduction

Reduction of risk is the final stage in the risk control process. Its objective is to create reasonably secure pre-loss conditions and to establish a post-loss plan to lessen, in so far as possible, adverse effects of the loss event. Risk reduction involves analysis of:

1) Pre-conditions for a loss, such as faults in premises, plant design, etc. Examples are a badly insulated electric wire (fire risk), an unguarded machine (human safety risk), inadequate perimeter protection (security risk) or the escape of toxic fumes from fractured piping (human safety/pollution risk).

2) Prevention of loss which deals with devices designed to prevent the pre-conditions of loss from actually developing into a loss such

Risk Management

as electric fuses, security locks on external doors, automatic cut out devices on machinery to cope with overheating or the entry of a foreign body, security bars on windows and filters in fume extract chimneys.

3) Early discovery of the loss event. The size of many losses can be reduced if the event is discovered and treated quickly. Fire alarms, sprinkler systems, and security patrols give early warning of the outbreak of fire or unlawful entry to premises.

4. Limitation of loss. If an employe is injured or a fire occurs, it may still be possible to limit the loss either by rapid action, or by use of facilities already available. Prompt first aid treatment may limit the extent of injury and the use of normal or automatic fire fighting equipment may extinguish a fire or prevent its spreading.

Salvage operations, too, can reduce the loss following fire. Additionally disaster planning for catastrophic events is an essential limitation of loss technique, and one that can in itself be a complete subject.

Risk reduction methods elected obviously will depend on the nature of the operation and the management structure being evaluated, but typically, it will always involve physical devices designed to reduce either possibility or size of loss, procedural techniques to adapt to working methods and characteristics, and organizational planning.

9 firms get BOI incentives

(Continued from page 1)

Mattel will produce 2.7 million units of dolls a year, 11.2 million units of costumes and costume ensembles and 0.9 million units of assorted plastic toys.

Mattel Inc. of the United States, the parent company, will absorb 100% of production to be marketed in the United States, Europe, Asia and South America.

Josefina Manufacturing Inc., an export producer of garments with an annual production capacity of 68,000 dozens, was also registered under the Export Incentives Act.

AGRIBUSINESS. The BOI likewise approved the registration of Vitarich Danish Foods Inc. and Console Farms Corp. under the Agricultural Investment Incentives Act (Presidential Decree No. 1159).

The Vitarich project, estimated to cost P6 million, will involve the production of 53 head of purebred "Hypor" boars and gilts.

On the other hand, Console Farms proposes to set up an integrated piggery and feed mixing plant at an estimated cost of P6.01 million.

Approved under the Foreign Business Regulations Act (Republic Act No. 5455) were the applications of the following:

* Scientific Drilling Controls of Nevada, USA for authority to set up a branch office to provide services in the field of oil, geothermal and mining ventures.

* Siemssen & Co. (Hong Kong) Ltd., a German firm registered in Hong Kong, for authority to transfer the activities of its local-office to Preneba & Co. (Hong Kong) Ltd.

* Alhambra Industries Inc., a 100% Swiss owned firm, for authority to increase its capital stock from P13 million to P18.2 million and to accept the investment of Philinvest AG.

* Intercane Pacific Ltd. of Hong Kong for authority to set up a branch office to act as coordinator of marketing activities of Intercane Systems Inc. and NGM International in the Philippines; to render support services and administrative assistance to local buyers of Intercane products; to explore the possibility of future manufacture of "Tilby" cane separators; and, to market animal feeds, alcohol, chemicals, fertilizers, fuel, lumber, sugar, wax and pulp and paper.

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