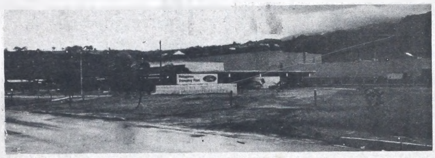
Exporters at BEPZ

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.

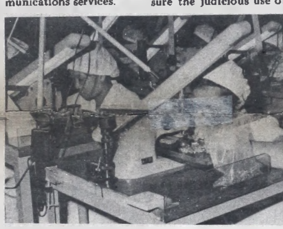
For those firms which had shown interest but decided not to come in after all, he said [illegible] their desire) to look for the best sites or terms and conditions they can get" among alternative countries trying to outdo each other in competing to attract the firms.

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 Peña).

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.

Business Day

Published under PCPM Certificate of Registration No. 108

RAUL L. LOCSIN
Editor/Publisher

EXEQUIEL S. MOLINA
Editorial Director

LETICIA M. LOCSIN
Managing Editor

MIGUEL Z. PATOLOT
Executive Editor

JOSE M. GALANG, JR.
News Editor

JUAN R. REDOBLADO
Senior Editor

Domestic Subscription Rates:
Metro Manila — P200/one year
Provincial (By Mail) — P 285/one year
* With BD File — Add P55/year
Foreign Rates:
N. America/Europe/Mid. East — $630/one year
S. America/Africa — $780/one year
Asia Pacific — $450/one year
For foreign subscription rates to other countries/regions, please direct inquiries to Circulation Department.

BUSINESS DAY is published Monday, through Friday by Businessday Corporation, with editorial offices and plant at No. 113 West Avenue, Q.C., Philippines, telephone 99-15-46 to 49 connecting all departments; advertising and circulation offices at No. 113 West Avenue, tels. 96-67-16, 96-77-06, 96-67-41 for advertising and 99-99-02; 99-98-53, 99-05-44 for circulation. All rights reserved. The contents of this publication may be reproduced in whole or in part provided due credit is given. RE-ENTERED AS SECOND CLASS MAIL MATTER AT THE MANILA POST OFFICE ON April 2, 1979.

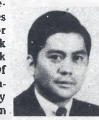
MEMBER PRIMO Print Media Organization

THIS PUBLICATION IS AUDITED BY ACM AUDIT COUNCIL FOR MEDIA INC

Risk Management

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 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.