PCMP PROGRAM

RP - made automobiles by 1977?

Fifteen percent of the composition of most 1973 cars that one sees on the road today is made in the Philippines. This content will progressively increase to 25 percent next year, 35 percent by 1975 and, hopefully, 50 percent by 1976.

These phases had been set by the Board of Investment's Progressive Car Manufacturing Program (PCMP) which was formally launched on Jan. 1, this year. Five out of the previous 12 local assemblers of 129 models of 29 different brands — Delta Motor Corporation (Toyota), a consortium of Yutivo, Francisco and Northern Motors under the name General Motors Philippines (Torana and others), Ford Philippines (Escorts and Cortinas), Chrysler Philippines (Dodge Colts and Mitsubishi Minicas) and DMG Corporation (Volkswagen) — are participants in the program.

The rationale behind the PCMP was the Central Bank's concern over the continuous depletion of dollars through car importation (about P400 million a year) by local assemblers.

Beside the dollar savings, the program is expected to encourage the growth of the local parts industry, generate more employment, utilize RP natural resources and, eventually, develop heavy engineering technology in the country, a chief factor in total industrialization.

Local parts manufacturing firms, which number about 100, have so far invested approximately P50 million in the industry, in contrast to some P400 million by car assemblers. The association of car parts manufacturers estimates that this year — the first year of the program — the assemblers will purchase about P30 million worth of car parts from the industry, P45 million in 1974 and P70 million in 1975.

The present 2,000 direct workers employed by car parts manufacturers are expected to double while the country will realize dollar savings of some $30 million a year when the PCMP becomes fully operational by 1977.

The five assemblers are required by the PCMP to provide the expertise and know-how to these firms in exchange for their monopoly of the Philippine market (20,000 cars a year) with possibly a sufficient car surplus for exports. They can also import freely other car components so long as these do not exceed the ratio set by PCMP.

To meet the needs of heavy car part requirements, Ford Philippines, for instance, is establishing its P257-million car stamping plant at the Export Processing Zone in Bataan; Delta Motors Corporation its engine block, cylinder heads and other engine parts factory which is expected to become operational this year; Chrysler and General Motors their multi-million transmission plant in Canlubang, Laguna. DMG also plans to set up its own plant at the EPZA. Other foreign firms like the Australian National Industries, Dana Corporation and Borg Warner Australia have already applied for authorization to set up similar plants here.

Even before the start of the PCMP on Jan. 1, 1973, the local car parts producers had supplied P22 million worth of some 300 local parts to auto assemblers, including the components of Ford Fiera and Sakbayan of DMG which are not part of the PCMP. These items, mostly light and small parts, include rubber, small stampings and welded-machine components, brass and copper sheet and strips, steel tubes, low carbon soldering wire for the manufacture of radiators, cold rolled steel sheets, brass tubes for mufflers and tail pipes, textile fabrics for seats and cushions, asbestos for clutch facings, rubber and copper sheets, copper rivets for gasket and packing, insulators cold rolled bars and nuts for spark plugs and others: Other locally produced car components are wheel rims, tires, chassis and glass.

An earlier survey by the UP institute of small-scale industries showed that except for tires, batteries and other rubber products, there are at the moment very few items that car manufacturers can produce in sufficient quantities to meet the needs of the PCMP program. But it said the industry can easily expand if given the necessary support and favorable market conditions.

The UP survey also revealed that Chinese entrepreneurs compose the bulk of parts manufacturers with an average of 59 percent, followed by Filipinos with 36 percent, and Americans 3 percent.

Government planners foresee the expansion of the car parts industry into the manufacture of components for a wider range of heavy machinery and equipment. The PCMP plan is also geared for the proposed "Asian Car."

Many an industrialization process in other countries has started as a result of the automotive industry. The Philippines hopes this will also be realized here.

DMG car assembly plant: Made in RP components

PRIME COMMODITIES

The rise and fall of prices

July to September, in the Philippines, are lean months. No crop harvests are made during these months. Typhoons, rains and floods, after a period of prolonged drought, wreck agriculture, damage crops, decrease the normal volume of supply, hamper producers from transporting products to the market, lower the prices on items not in demand, and jack up prices of prime commodities.

Indices on all items registered from July to September 1972 showed a significant rate of increase over the previous year. Food index rose to 10.64 percent, with vegetables and fruits registering the highest rate of increase at 84.2 percent; clothing, 14.55 percent; drugs and medical equipment, school supplies, health, education, 1.60 percent. Shelter index went up to 0.13 percent as prices of construction materials moved up. Miscellaneous price index increased to 3.20 percent.

The price spiral continued in September of the same year with shelter rising to 27.11 percent; utilities to 3.79 percent; clothing, furniture, equipment, household operations, education, recreation and food to 10.35 percent. Non-food items rose to 4.55 percent. Most of these price spirals, however, tended to decrease after this lean period only to rise again with the rainy season.

This year, the same pattern is being repeated. A ganta of rice and mongo costs P3.20 and P7.00, respectively; a kilo of meat, P9.50; milkfish (bangus), P5.00; tomatoes, P1.80; onion, P2.70; one dozen eggs, P3.50. Last year, a ganta of rice and mongo were in the market for P2.70 and P6.10, respectively; a kilo of meat, P8.00; milkfish, P4.50; tomatoes, P1.09; onion, P1.20; one dozen eggs, P3.00.

The situation is an offshoot of contemporaneous seasonal conditions. Secretary of Finance Cesar Virata explains that after the rainy season, especially when rice would have been harvested by late September, prices usually go down.

The finance secretary's words are supported by price indexes of the previous year. Prices, after the lean months of July to September of 1971, showed a general downward movement. By October 1972, price index for food dipped down to 10.47 percent; utilities, 3.74 percent; clothing, 1.24 percent; shelter, 0.13 percent; and miscellaneous, 0.96 percent. By November, all items plunged to a 5.14 percent low. The trend continued, and by December, all items registered a fall to 1.30 percent; food to 3.14 percent, fruits and vegetables to 12.55 percent and 6.31 percent, respectively, and clothing to 6.25 percent. This decline continued up to April this year, indicating a momentary price spiralling during the lean months, only to go down again the rest of the year.

Beside seasonal patterns, there are other factors that directly affect price trends. Price stabilization imposed by the government has to a certain extent kept prices of essential consumer items down. Currency devaluation is another major determinant of price fluctuations in the Philippines. The country imports, heavily, to balance the requirements for development — machinery, technical services, and related goods like petroleum oil, cotton fibers, wheat grain, animal feeds and rice.

A crisis resulted in August 1971 and February 1973 when the US dollar underwent a series of devaluations. With the decrease of the peso's purchasing power, whose exchange rate is pegged to the dollar, the value of imports rose, requiring more Philippine currency for the same amount of goods. This was aggravated by the worldwide shortage in foodstuffs brought about by rain, droughts and wars and elimination of surplus, buffer stocks by exporting countries.

Thus, price indices of selected commodities imported in July 1972 read: food, 210.2; wearing apparel, 212.6; construction materials, 133.7; school supplies, 138.5; beverages and tobacco, 171.3; household supplies, 114.9; and house furnishing and equipment, 333.1.

Due to the increase in prices of imported goods, price indices for 1973 of these items have risen to: food, 220.3; wearing apparel, 219.8; construction materials, 182.6; school supplies, 168.9; beverages and tobacco, 183.5; household supplies, 166.1 house furnishing and equipment, 313.9. Only drugs and medicines remained at the 173.3 level.

This increase in prices of commodities with foreign components is beyond Philippine control. The Philippine government has worked, however, to meet the challenge by developing highly competitive Philippine export products capable of producing surplus in foreign exchange.

Former Central Bank Governor Andres Castillo sees, for today, a favorable balance in foreign exchange transactions because of the country's solid international reserves and exports surplus. The government's effort to achieve self-sufficiency in food and other prime commodities will also result in a cutback on imports.

All these may yet trigger a decline in prices of commodities, perhaps even during the lean months.

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