

# THE AMERICAN CHAMBER OF COMMERCE

# JOURNAL



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Editor and Manager

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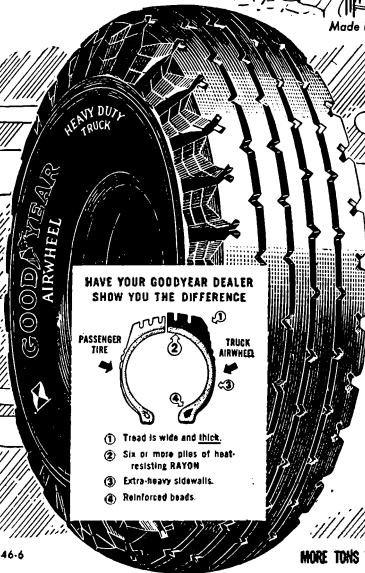
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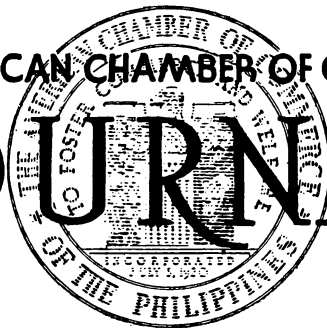
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THE AMERICAN CHAMBER OF COMMERCE

# JOURNAL



## Editorials

A review of the very important Report of the Joint Philippine-American Finance Commission, released last month, is published elsewhere in this issue of the *Journal*. The review ably summarizes the Report, and is non-critical, as a summary should be.

However, no little criticism is to be heard in financial and business circles in Manila, both as to several of the Commission's major recommendations and as to points of detail. The *Journal* is eager to assist in bringing this criticism into the open while intelligent discussion will still be of value to the authorities who must decide upon the carrying out of the recommendations. The *Journal* therefore invites frank statements of opinion for publication in subsequent issues.

Battles and wars have been lost for failure to get across a river, and we in Manila may well fail the emergency of the period of reconstruction (the next few years are called an emergency period in the Report of the Joint Philippine-American Finance Commission, published last month), unless we conquer the Pasig, the narrow river which bisects the city.

It is not too much to say that the unspeakable traffic conditions in Manila are costing the country millions of man-hours and millions of pesos, and that these conditions constitute a tremendous drag on economic recovery.

There are other things wrong with our traffic system besides the inadequacy of our bridge facilities, but that inadequacy is basic; and when the public is informed that only the existing temporarily repaired bridges are to be rebuilt for the present, and that this work will not be begun for lack of steel for another year and will not be completed until still another year has passed, then all Manila feels something like desperation.

The situation, so set forth, seems all the more intolerable when it comes to mind,—as it must, that armies in battle throw bridges across wide rivers in a matter of days, although they may be only pontoon bridges. And it also comes to mind that the old bridges across the Pasig, all destroyed by the Japanese, were at least temporarily repaired in a matter of weeks (in the case of the Ayala Bridge, where a permanent span was put in, several months) by

the United States Army and by the Atlantic, Gulf, and Pacific Company of Manila, working under the supervision of the Army.

Why not throw two or three more temporary bridges across the river immediately? A considerable number of Bailey bridges are reported to have been made over to the Philippine Government from Army surplus, and although it is said that practically all of these have already been allotted to various provincial projects, surely Manila, in the national interest, has the greater claim.

It is true that in repairing the old bridges in Manila, the constructors were able to utilize the standing abutments and piers, while such aids do not exist elsewhere on the river banks. The work which had been begun before the war on the bridge which was to be built over the mouth of the river consists only of some piles. To build a permanent bridge there, as recommended by the *Manila Daily Bulletin*, would take longer, engineers say, than to build or rebuild the Jones and Quezon Bridges.

Several more temporary bridges would seem to be the only answer,—ex-Army, Bailey bridges, characterized as bridges which are built in two sections, one on each bank, and shoved across the river to meet in the middle; the ends on the land are heavy enough to support the structures as they are pushed across.

Such bridges might be built in three or four places, and since they would be temporary, they would not necessarily have to fit in with any future city building-plans. One of these places is at the end of Mendiola Street, where it was planned to build a bridge some years before the war, connecting Azcarraga and Mendiola Streets with the Pandacan District. A bridge there, however, would be rather far out. Another suitable place for a bridge would seem to be one at the end of Juan Luna Street, connecting that street with the Malcocon Drive. It might be made a one-way bridge, the traffic on the Jones Bridge to be confined to that moving in the opposite direction. Another suitable location for a bridge might be found between the Quezon and the Ayala Bridges. And a temporary rather than a permanent bridge might be built immediately at the mouth of the river. These four additional temporary bridges could be built in a number of months rather than years.

Engineers say that there would not be much point in temporarily widening the Jones Bridge because Rosario Street, practically the only approach on the north side, is narrow and already taxed to the limit by the vehicular

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traffic which passes through it. Neither is it practicable to add any additional temporary spans to the Santa Cruz Bridge.

Meanwhile, certain other measures might be taken. A recent checking has shown that while some 29,000 vehicles pass over the Santa Cruz Bridge on an average day, only some 28,000 cross the Quezon Bridge, though the latter is twice as wide and has the better approaches. Better use might well be made of the Quezon Bridge if the proper traffic regulations were laid down.

One reason the Quezon Bridge is not better used, is suggested by the terrific congestion in the Quiapo District. It has been very difficult to get through there ever since motor-traffic was resumed after the liberation, and many people who live in North Manila with offices down-town on the same side of the river, nevertheless cross the river over the Ayala Bridge and recross it over the Jones Bridge as entailing less delay, though not infrequently this means a fifteen-minute wait at the Jones Bridge.

The establishment of a main traffic loop in Quiapo for North-Manila bus-lines and "jeepsneys", forces people who wish to go to the Escolta District to go on foot the rest of the way, and forces others who wish to cross the river to walk to Echague Street to catch another vehicle there. It is probably because of the inadequate bridge facilities that the traffic authorities have thus attempted to divide city-traffic into two, with a wide "no-man's land" in between, instead of directing it with the unit which it naturally is. This, furthermore, so crowds the streets with pedestrians in that area that all vehicle-drivers who do not have

to go there, go around it. It lies like another barrier across the city.

An important contributing factor to the present traffic situation is the narrowing of the already narrow sidewalks by temporary vendors' booths, and their crowding by every variety of perambulating peddler. Practically the whole of down-town Manila, as well as many other sections, are over-run by these people, and what was once such an orderly and modern-looking part of the city, now presents every aspect of a dingy and teeming bazaar quarter. Pedestrians are pushed into the streets where they often halt traffic and shoot up the accident-rate.

The sidewalks should be cleaned up; pedestrians should be gotten out of the middle of the streets; traffic should be more scientifically regulated; but above everything is the need of quickly building three or four more temporary bridges. These could be built in a few months instead of years and would cost far less than even one permanent bridge.

The offices of the American Chamber of Commerce of the Philippines, including the *Journal* office, were transferred from the Trade and Commerce New Chamber Building to the Insular Life Building, Offices fifth floor, late last month. The new quarters are somewhat more commodious and will provide space for a members' lounge and reading-room. As various installations still have to be made, the lounge has not as yet been formally opened.

## Letter to a Member of the United States Congress

July 24, 1947

THE HONORABLE HAROLD KNUTSON  
Chairman, Ways and Means Committee  
House Office Building  
Washington, D.C.

My dear Congressman:

The American Chamber of Commerce of the Philippines is taking the liberty of writing you on the subject of taxation of American enterprises in the Philippines.

For a number of years United States citizens and corporations doing business in the Philippines, as in other possessions of the United States, were extended the provisions of Section 251 of the United States Internal Revenue Code. And if 80% or more of their gross income were derived from Philippine sources, and 50% or more of their gross income were derived from active conduct of business in the Philippines, they were not required to pay a United States income tax on that part of their income that was derived from Philippine sources. They were required to pay income tax to the United States only on income that was derived from United States sources. But since July 4, 1946, when the Philippines became an independent nation, United States citizens and corporations are required, under existing laws, to pay the United States tax less certain credits for Philippine taxes.

The disadvantage to United States corporations and citizens employing capital in the Philippines compared with nationals of other countries, can be seen at a glance in the following figures for a net income of P100,000, prepared by a Philippine certified Public Accountant:

	Americans	Other Nationals	Disadvantage
Individual . . . . .	P 41,766.76	P 26,230.00	P 15,536.76
Corporation . . . . .	38,000.00	12,000.00	26,000.00

while their business competitors, nationals of other countries, are not taxed by their home governments and pay income tax only to the Philippine Government.

As a result, United States citizens and corporations are put at a serious competitive disadvantage, and this comes at the very time when they are striving to recuperate from the tremendous losses suffered from Japanese confiscations and looting and the destruction of war.

The purpose of the partial exemption from United States tax granted to American citizens and corporations by Section 251 of the law, was to encourage American enterprise in areas where the United States had special interests. As a matter of fact, Section 251 was not the only section which embodied this policy. We further refer you to the United States Revenue

Code, Sections 262 and 116f, granting special consideration to American enterprises in China, and to Section 109 granting substantial exemptions to corporations engaged in business in the Western Hemisphere.

We respectfully submit that the policy which extended the benefits of Section 251 to American citizens and corporations prior to the granting of independence to the Philippine Republic, is equally applicable to the present situation. While the Philippines is an independent country, the interests of the United States are greater here than in any area not in Continental North America. This is shown not only by the fact that we are maintaining important military installations here, but by the policy of our Government as set forth in the recent Trade and Amity Treaties entered into with the Philippine Republic. Surely, if logic required that special tax consideration be granted to American interests in the Philippines prior to independence, the same logic requires that it be extended to such interests today. American foreign policy is dedicated to the proposition that the safety of the United States depends upon the worldwide spread of democratic principles, and it is being increasingly realized that this spread in turn depends upon bringing foreign countries and individuals into contact with its operation, and upon American businessmen who are giving these principles practical application. If American citizens and capital are to carry American culture abroad, they must be allowed to compete on even terms with other business enterprises with which they are coming into direct competition.

We respectfully suggest that immediate action be taken to amend Section 251 of the United States Internal Revenue Code to include American citizens and corporations in the Philippines by adding to that Section, after the words "possessions of the United States", the words "or the Republic of the Philippines". We also request that the amendment be made retroactive to July 4, 1946.

This requested amendment to the income-tax laws would only continue the tax status of the American businessman in the Philippines as it was for many years prior to 1946, and will not decrease his customary tax liability to the United States.

We sincerely trust that this request for relief from dual taxation of American businessmen operating in the Philippines will receive your support for immediate action.

Very respectfully,  
AMERICAN CHAMBER OF COMMERCE  
OF THE PHILIPPINES

FRED. H. STEVENS  
President

# AMERICAN CHAMBER OF COMMERCE OF THE PHILIPPINES

ESTABLISHED 1920

**PURPOSES.** The promotion and development of American trade, commerce, and industry in the Philippines and the Far East;

The provision of means for the convenient exchange of ideas in this promotion and development;

The cultivation of friendly relations between Americans and Filipinos and other peoples of the Far East;

The enrolment of all American citizens residing in the Philippines with a view to bringing about closer association in the achievement of the purposes set forth.

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# Income Tax Comparisons between Americans and Other Nationals

AMERICANS, BRITISH, AND OTHER NATIONALS ENGAGED IN TRADING OR MANUFACTURING  
IN THE PHILIPPINES AS INDIVIDUALS AND COMPARISON OF THEIR NET INCOME REALIZED  
FROM SOURCES WITHIN THE PHILIPPINES, AFTER DEDUCTING THEIR INCOME TAX LIABILITIES  
TO THEIR OWN COUNTRIES AND TO THE PHILIPPINES, THE COUNTRY OF THEIR RESIDENCE

	I.		II.		III.	
	AMERICAN CITIZENS	BRITISH CITIZENS And Other NATIONALS	AMERICAN CITIZENS	BRITISH CITIZENS And Other NATIONALS	AMERICAN CITIZENS	BRITISH CITIZENS And Other Nationals
INVESTMENTS—Fixed, Cur- rent, and Other Assets used to produce income invested in the business.....	P 500,000.00	P 500,000.00	P 300,000.00	P 300,000.00	P 100,000.00	P 100,000.00
Gross Sales.....	P 600,000.00	P 600,000.00	P 400,000.00	P 400,000.00	P 200,000.00	P 200,000.00
Less—Cost of purchased or manufactured goods sold....	300,000.00	300,000.00	200,000.00	200,000.00	100,000.00	100,000.00
Gross Profit on Sales.....	P 300,000.00	P 300,000.00	P 200,000.00	P 200,000.00	P 100,000.00	P 100,000.00
Deduct—Operating Expenses (exclusive of income tax, and compensation for the services of the owner).....	150,000.00	150,000.00	100,000.00	100,000.00	50,000.00	50,000.00
Net Taxable Income.....	P 150,000.00	P 150,000.00	P 100,000.00	P 100,000.00	P 50,000.00	P 50,000.00
Less—Income Tax:						
Philippines.....	P 46,180.00	P 46,180.00	P 26,230.00	P 26,230.00	P 9,480.00	P 9,480.00
U.S.—Normal and surtaxes..	P 74,841.00		P 41,766.76		P 14,326.00	
Credit—Philippine Tax, per Sec. 131, U.S. Internal Revenue Code.....	(46,180.00)		(26,230.00)		(9,480.00)	
Net U. S. Income Tax..	P 28,661.00		P 15,536.76		P 4,846.00	
Total Income Tax (U.S. and Phil.).....	P 74,841.00	P 46,180.00	P 41,766.76	P 26,230.00	P 14,326.00	P 9,480.00
Net Income (After deducting Income Tax).....	P 75,159.00	P 103,820.00	P 58,233.24	P 73,770.00	P 35,674.00	P 40,520.00
Ratio of Net Income to Invest- ment.....	15.03%	20.76%	19.41%	24.59%	35.67%	40.52%
Difference in yield on equal in- vestments between American citizens and other nationals..	5.73%		5.18%		4.85%	
	20.76%	20.76%	24.59%	24.59%	40.52%	40.52%
COMPUTATION OF IN- COME TAX:						
Taxable Income (from above)	P 150,000.00	P 150,000.00	P 100,000.00	P 100,000.00	P 50,000.00	P 50,000.00
Deduct—						
Personal exemption (mar- ried, no children) Phil- ippines.....		P 2,500.00		P 2,500.00		P 2,500.00
Personal exemption (mar- ried, no children) U. S.	P 2,000.00		P 2,000.00		P 2,000.00	
Allowance for personal in- come for his services in the business, not exceed- ing 20% of his share on the net profit of such business (Sec. 116 (a) (3) U.S.I.R.C.).....	15,000.00		11,500.00		7,000.00	
Total deductions.....	P 17,000.00	P 2,500.00	P 13,500.00	P 2,500.00	P 9,000.00	P 2,500.00
Net Taxable Income.....	P 133,000.00	P 147,500.00	P 86,500.00	P 97,500.00	P 41,000.00	P 47,500.00
Philippine Income Tax.....	P 46,180.00	P 46,180.00	P 26,230.00	P 26,230.00	P 9,480.00	P 9,480.00
U.S. Normal and surtaxes....	P 74,841.00		P 41,766.76		P 14,326.00	
U.S. Credit—Full extent of Phil. Tax (Sec. 131, U.S. I.R.C.).....	(46,180.00)		(26,230.00)		(9,480.00)	
Total Income Tax (U.S. and Phil.).....	P 74,841.00	P 46,180.00	P 41,766.76	P 26,230.00	P 14,326.00	P 9,480.00

NOTE: This computation is based on the assumption that the British do not pay income tax to their Government on income realized from sources within the Philippines.

# Income Tax Comparisons between American and Other Corporations

CORPORATIONS ORGANIZED IN THE UNITED STATES AND CORPORATIONS ORGANIZED ELSEWHERE, BUT ALL  
EXCLUSIVELY DOING BUSINESS IN THE PHILIPPINES, AND COMPARISON OF INVESTMENT RETURNS

	I.		II.		III.	
	U. S. CORPORATION	BRITISH, (1) PHILIPPINE AND OTHER CORPORATIONS	U. S. CORPORATION	BRITISH, (1) PHILIPPINE AND OTHER CORPORATIONS	U. S. CORPORATION	BRITISH, (1) PHILIPPINE AND OTHER CORPORATIONS
INVESTMENTS: Fixed, Cur- rent, and Other Assets used to produce income at book value.....	P 1,000,000.00	P 1,000,000.00	P 666,666.67	P 666,666.67	P 333,333.33	P 333,333.33
Gross Sales.....	P 800,000.00	P 800,000.00	P 400,000.00	P 400,000.00	P 150,000.00	P 150,000.00
Less—Cost of Sales.....	400,000.00	400,000.00	200,000.00	200,000.00	75,000.00	75,000.00
Gross Profit.....	P 400,000.00	P 400,000.00	P 200,000.00	P 200,000.00	P 75,000.00	P 75,000.00
Deduct—Operating Expenses (exclusive of income tax)....	250,000.00	250,000.00	100,000.00	100,000.00	25,000.00	25,000.00
Net Taxable Income.....	P 150,000.00	P 150,000.00	P 100,000.00	P 100,000.00	P 50,000.00	P 50,000.00
Ratio of Taxable Income to Investments.....	15%	15%	15%	15%	15%	15%
Deduct:						
United States Taxes (\$)						
Normal Tax.....	P 36,000.00		P 24,000.00		P 8,500.00	
Surtax.....	21,000.00		14,000.00		3,000.00	
Total.....	P 57,000.00		P 38,000.00		P 11,500.00	
Less—Philippine income tax credit, the same being less than the normal tax.....	(18,000.00)		(12,000.00)		(6,000.00)	
Net U. S. Taxes.....	P 39,000.00		P 26,000.00		P 5,500.00	
Philippine Income Tax (x).....	18,000.00	P 18,000.00	12,000.00	P 12,000.00	6,000.00	P 6,000.00
Total Taxes.....	P 57,000.00		P 38,000.00		P 11,500.00	
Net Income.....	P 93,000.00	P 132,000.00	P 62,000.00	P 88,000.00	P 38,500.00	P 44,000.00
Ratio of Net Income to In- vestment.....	9.3%	13.2%	9.3%	13.2%	11.55%	13.2%
Differences in yield on equal investments between U. S. corporations and other cor- porations.....	3.9%		3.9%		1.65%	

(5) Based on U. S. Income Tax Law after December 31, 1945.

(x) Based on Philippine Income Tax Law from and after January 1, 1946.

(1) British corporations organized in the British Empire are presumed to pay no tax in their country on income realized in the Philippines.

Computations made at the request of the American Chamber of Commerce of the Philippines by Dalupan, Sanchez & Company, Certified Public Accountants

“Our goal is vast expansion of agriculture throughout the world with freer access to raw materials and markets for all nations and wider distribution of the products of the earth’s fields and factories among all peoples . . . Our hope is to multiply the fruitfulness of the earth and to diffuse its benefits among all mankind.”

*President Truman*



# Review of the Report of the Joint Philippine-American Finance Commission

ANONYMOUS

THE Joint Philippine-American Finance Commission appointed as a result of negotiations between the two Governments to consider the financial and budgetary problems of the Philippines, to make recommendations to the Governments with reference to the tax system and administration, budget, public debt, currency and banking reform, exchange and trade problems, reconstruction and development, began its study on January 16, 1947. This study was completed June 7, 1947, when a comprehensive report was submitted to the President of the Republic of the Philippines and the President of the United States. As a matter of general interest the principal features of this report are here reviewed.

The report deals primarily with the near future. The Commission regards the next few years as a period of national emergency in the sense that emergency measures and an emergency national psychology will be required if the country is to grasp the opportunity for rapid economic development which the current relatively favorable situation presents.

The Commission proposes five major objectives and emphasizes that the recommended program has merit only if the proposals are all carried out substantially as recommended. In its opinion the report presents an integrated program to put the Government's financial house in order and to bring about rapid economic development. By this program the Government's budget would be brought into balance to establish conditions under which new investments could be made with confidence. Likewise, sufficient resources for economic development would be assured as measures could be taken to limit sharply the dissipation of foreign exchange for non-essential purposes.

While the Philippine economy at present is in an exceptionally favorable position because of its abundant foreign exchange resources, the industrial and agricultural development contemplated by the Government will require the importation of very substantial quantities of capital-equipment and supplies. In addition, during the next six years foreign obligations totalling some \$85,000,000 will mature. This sum covers debts incurred to the U. S. Reconstruction Finance Corporation and annual contributions to the sinking fund for the pre-1934 dollar bond issues.

With a high level of money income in prospect, there is the possibility that lacking proper control measures, expenditures of foreign exchange on imports of non-essentials may be sufficiently large to force a curtailment in the economic development of the country unless adequate measures to restrict such non-essentials are taken. Such control measures would shift the pattern of imports to a much greater emphasis upon capital goods, thus in the long run resulting in a higher national income which should increase the capacity of the country to absorb and pay for imported commodities. The suggestion of adopting a system of quantitative limitation of imports is raised whereby (1) quarterly import quotas would be set in advance for particular goods or classes of goods; (2) bids would be invited for licenses to import all or portions of the quotas set; and (3) licenses would be sold upon the basis of the bids received in order to yield the maximum revenue to the Government.

A taxation program must be designed to reduce the budget deficit to manageable proportions for the fiscal year 1948 and to eliminate it in the fiscal year 1949. To make this possible, it is recommended:

(a) that reorganization and strengthening of the tax bureaus be effected to develop a high level of morale and to retain qualified, efficient, and trustworthy personnel;

(b) that corporate taxes be increased from the current 12% to 18% but that for the present there be no increase in individual income taxes;

(c) that excess and percentage taxes on luxury goods be drastically increased;

(d) that donor's and donee's gift taxes, and inheritance and estate taxes all be materially increased;

(e) that real property taxation should be progressively developed to the point where it will yield at least ₱50,000,000 annually, as against the pre-war average of ₱14,500,000, and ₱10,700,000 for 1946.

A domestic borrowing program to cover the deficit in the fiscal year 1948 and to provide capital funds thereafter, is of paramount importance. A central bank could assist materially in establishing and maintaining a domestic market for both short- and long-term Government securities, thus strengthening the credit of the Government and reducing the need for foreign borrowing.

This program would require:

(a) that securities offered would be direct general obligations of the Philippine Government;

(b) that the pattern of interest rates for different securities would be set in such a way as to reflect the superiority of Government credit by being somewhat lower than private rates but at the same time high enough to create an active demand;

(c) that a sufficient diversification of maturities would be offered to meet the demand of various types of investors.

The strengthening and expanding of banking and credit facilities to assist both private and public financing is felt to be essential. The Commission suggests that the banks should actively encourage the growth of savings deposits. The present provision in the banking law affecting domestic commercial banks that unimpaired capital and surplus must be at all times equal to 10% of deposit liabilities, regardless of the liquidity or character of the assets, is regarded by the Commission as unduly restrictive. It also is pointed out that the restriction on loans—loans to any one borrower must be kept within 15% of a domestic bank's capital and surplus, works to the disadvantage of the Filipino banks vis-a-vis branches of foreign banks. It is suggested that this limitation be liberalized. The Commission pays tribute to the banking community's post-war effective contribution to the successful progressive development of the country's war-torn economy.

The Commission recommends that the Philippine Government adopt a managed monetary system in which monetary authority and responsibility would rest in a central bank. There will naturally be required, therefore, a preparatory period during which the monetary and banking problems facing the country today can be analyzed and the precise form, structure, and operation of the proposed bank, including its relationship to existing Government lending-institutions, can be determined. The introduction of such a system would entail the abandonment of the automatic 100% reserve system and permit the

central bank to regulate the money supply to meet the internal needs of the economy. Its objective would be to moderate the inflationary effects of temporary surpluses in the balance of payments by permitting reserves to rise in relation to the money supply if necessary, or to reduce the deflationary effects of a temporary deficit by allowing reserves to fall. It would mean a shift from an almost completely automatic gold-exchange standard system, one of the most conservative monetary systems in the world, to a modern managed-currency system which can to some degree insulate the domestic economy against temporary disequilibria in the balance of payments. A central bank would also provide an instrument through which comprehensive and authoritative data on inward and outward flows of funds could be compiled and capital flights controlled if the need should arise.

The primary responsibilities of the bank would be:

(a) to promote monetary, exchange, and credit conditions which will foster a growing and prosperous economy and help to keep the price and cost structure in proper adjustment with world prices and costs;

(b) to strive for a coordination of fiscal and monetary policy consistent with this objective;

(c) to seek to maintain the stability and convertibility of the peso in conformity with all international agreements to which the Philippine Government is a party; and

(d) to exercise general supervision over the banking system for the purpose of assuring its liquidity, solvency, and effective operation in the general interests.

The bank would be a banker's bank, wholly owned by the Government and established as a separate entity completely independent of existing Government banking and financial institutions. All banks in the Philippines, domestic and foreign, would be required to hold their legal reserves against deposits in the form of deposits with the central bank and be subject to its supervision.

The bank would assume the liability for all Treasury Certificates outstanding on the date of opening. The Government would deposit with it foreign exchange and other assets equivalent to the liability assumed, and the bank would become the sole issuing authority for all notes and coins in circulation. The bank's power to make direct accommodations to the Government would be strictly limited.

The bank's reserves in international money would be related to the demand for such money rather than to the volume of its note and deposit liabilities. The Commission believes that a conservative ratio would be 50%.

The bank would be given adequate powers to control

credit both quantitatively and qualitatively by providing for:

(a) discretionary rediscounting of acceptable paper at selective rates;

(b) flexible reserve requirements for the deposit liabilities of the commercial banks;

(c) power to conduct open market operations;

(d) supervision and examination of all commercial banks and of the Rehabilitation Finance Corporation.

The bank would act as fiscal agent of the Government by serving as its depository, paying agent, and financial representative abroad, and would undertake to stabilize Government credit by promoting a broad market for Government securities and preventing wide or unwarranted fluctuations in their prices through market support, if necessary. The need of the bank for capital could be satisfactorily met by a moderate amount of paid-in capital and surplus. Specifically, the Commission had in mind a capitalization of between ₱5,000,000 and ₱15,000,000.

The power to require that all transactions of banks in gold and foreign exchange be reported to the central bank currently in order to make all necessary information concerning capital movements and current foreign transactions available, would be mandatory; as would also the power to impose exchange controls should they become necessary, subject to the approval of the President of the United States as required by the Executive Agreement.

The bank should establish a strong, independent division of economic and statistical research to provide prompt, accurate, and reliable information for the public, as well as to the bank, and to make recommendations to the bank's governing board.

The governing Board should be appointed by the President from among representatives of banking, agriculture, and industry; except that the Secretary of Finance, or his designate, should be an ex-officio member.

To quote the comments of the Commission:

"By creating a central bank the Philippine Government will create an institution with power to influence profoundly the course of the country's economic development. With that power comes a tremendous responsibility both for the Government and for the bank's management. The success with which that responsibility is discharged will depend upon the men to whom it is entrusted. The essence of good central banking is good judgment."

While the report contemplates some drastic reforms, these would be the natural consequence of the change in the political status of the Philippines to an independent sovereign nation.

"By concluding a trade agreement with America, we have a practically free market for all our products in the largest and most attractive market on earth. No nation enjoys that privilege except ours. But despite this trade agreement, we are completely free to sell our products anywhere and to buy what we need from anywhere."

*President Roxas*

# The Cebu Portland Cement Company

By EDUARDO TAYLOR

General Manager, Cebu Portland Cement Company

AT the foot of a range of coral-limestone hills at Naga, Cebu, still stands the modern plant of the Cebu Portland Cement Company. The plant is in full operation and with its community of workers and their homes, school, club, hospital, and other features, makes up what may be described as a small city.

In spite of the long Japanese occupation of the country, and Japanese operation of the plant, the latter emerged undamaged except for ordinary deterioration caused by lack of proper maintenance. Considering the widespread war damage suffered throughout the province of Cebu, it seems almost a miracle that the cement plant was spared. Our only regret is the murder by the enemy of some of our most experienced technical men.

Established in 1922 with a capital investment of ₱2,750,000, the plant in Cebu started with a capacity of 1,000 barrels a day, later increased to 1,500 barrels. In 1938 a duplicate unit was installed to bring the total daily output to 3,000 barrels. The plant operates 24 hours a day throughout the year with only occasional shut-downs for repairs. Production in 1940 and in 1941 exceeded 1,000,000 barrels a year (1 barrel is the equivalent of 4 bags).

The Company is now capitalized at ₱6,000,000 held in the form of 60,000 shares of a par value of ₱100 each. Of these shares, 59,987 are owned by the National Development Company and the remaining few shares are directors' qualifying shares. The increase in capitalization was effected entirely through the declaration of stock dividends.

The members of the Board of Directors are appointed by the President of the Philippines. The present composition of the board is:

Hon. Ricardo Nepomuceno, Chairman  
Mr. Vicente Fragante, Director  
Mr. Isaias Fernando, Director  
Mr. Jose Fernandez, Director

Mr. Felipe Estella is Secretary-Treasurer, Mr. Francisco Aragon is in charge of sales, and Mr. M. de Jesus is Purchasing Agent.

Plant operations are under Felix Valencia, Assistant Superintendent, and Leandro S. Ocampo, Chief Engineer. Operations of two company-owned coal mines are under the supervision of H. C. Gapud.

The plant is now in a position to produce its pre-war output of 3,000 barrels (12,000 bags) daily, but it has not been consistently turning out this amount because local demand and consumption have not yet reached this figure. Production can not be continued at full capacity when our cement storage-tanks and our clinker storage-space offer no more room, as is now the case most of the time. Since the plant was fully rehabilitated some time ago, all orders for cement have been filled promptly, contrary to the impression held in some quarters that there is still a local shortage.

It is anticipated, however, that the cement needs of the Philippines both for public and private construction will in a short time be greater than the present capacity of the plant. For this reason, the authorities have authorized an immediate expansion at an expenditure of ₱5,400,000. This will give the plant a daily capacity of 6,000 barrels (24,000 bags) or double that of the present. Orders and contracts for the necessary machinery and equipment (all new and of the best design) have already been placed,

and construction work at the plant in Cebu is now in progress.

Arrival of the first items of machinery and equipment is expected in December of this year and other items will follow throughout 1948. Unless strikes and other tie-ups in the United States intervene, we expect to have the new units in operation before the close of 1948. Cooperating in the supply of the machinery and equipment are the Edward J. Nell Company (kilns, mills, coal-pulverizers, filters, 5000 KW turbo-generator, etc.), the Gallagher-Toftman Corporation (two 800 HP waste-heat boilers, burners, cement-pumps, etc.), the Manila Machinery and Supply Company (crushers, conveyors, etc.), the Philippine Industrial Equipment Company (compressors, electrical equipment, etc.), the Atkins-Kroll Company (dust-collectors, etc.), Koppel (Philippines) Inc. (locomotives, quarry- and coal-cars, etc.), and several other Philippine and American firms.

Of great concern to the management of the Company is the reduction of the price of cement to the lowest possible level, so as to bring down construction costs throughout the country. Every effort is being made to reduce production costs and the selling price of cement. During the last six months the price has been reduced by 70 centavos a bag, and it is hoped that further sizeable reductions can be made soon and repeatedly until pre-war prices can be approximated. "APO" Portland Cement is now being sold at ₱3.60 a bag in Manila. We frankly admit that this price is high as compared to the 1940 price of ₱1.40. But we have to contend with labor rates ranging from three to five times the pre-war rates; the same is true of material costs, as well as of freight and handling costs. Operating costs and freight and handling expenses are gradually being reduced, however, and with the approaching increase in production that will slash unit-costs, the price of cement to the consumer will certainly come down.

A problem that existed last year is no longer one this year. I refer to the supply of fuel. Local coal mines could not supply the 7,000 tons of coal which the cement plant in Cebu consumes each month. During the past eight or ten months, however, coal mining has been so intensified, especially among private mines in the province of Cebu, that there now exists an over-production of this fuel. Philippine coal mines can now produce an aggregate of about 15,000 tons a month, and unless local industry can absorb all of this, the coal mining business will suffer a set-back. A remedy would be to permit the export of coal to neighboring countries.

It is not the intention of the writer to take advantage of these pages for advertising purposes. It is believed, however, that many readers and users of "APO" Portland Cement would like to know of what quality this product is. I may state that in the manufacture of this cement a strict scientific control is maintained in all stages of its production, and that for this purpose a well-equipped and well-staffed chemical and physical laboratory is in continuous operation at the plant in Cebu. The quality of this cement is such that its chemical and physical properties not only comply with, but exceed by a comfortable margin, all standard specifications for cement, including the standard specifications of the Philippine Government, of the United States Government, and of the American Society for Testing Materials.

# The Business View

*A monthly review of facts, trends, forecasts by Manila businessmen*

## Office of the President

*From an Official Source*

**T**HE Cabinet set aside on June 6, 1947, ₱10,000,000 for repairs or reconstruction of school houses in the provinces.

Substantial progress was made in negotiations between the governments of the Philippines and Great Britain regarding a possible treaty of amity and general relations.

On June 9, President Manuel Roxas designated the National Development Company as the agency to accept bids and to enter into contracts for the collection of scrap iron, copper, brass, steel, lead, and other metal products on land and under water.

The lots and buildings at Lepanto Street formerly owned by the Japanese in the Philippines were transferred to the Philippine Government for a token payment of ₱3.

Secretary of Finance Miguel Cuaderno represented the Philippines in the ECAFE (Economic Commission for Asia and the Far East), and was able to secure passage of a measure for the United Nations to extend rehabilitation aid immediately to the Philippines and other countries of the Far East.

Republic Act No. 134 which severely punishes corporation "dummies" was approved by the President on Saturday, June 14.

A loan agreement for \$45,000,000 from the Reconstruction Finance Corporation of America and by Congressional authority was signed on June 14.

President Roxas ordered on June 27 the immediate reduction of the ceiling price of lumber, and authorized the exportation of 20 per cent of the total quantity of sawn lumber in the local market, from July 15 to October 15, 1947. This exportation would only take place if there were enough lumber for local consumption.

Twenty-five plantations in Davao with a total area of 13,000 hectares; a lot and a two-story house at 171 Gastambide (Manila); a lot and a two-story building at 852 R. Hidalgo (Manila); a lot and a two-story house at 250 Uli Uli (Manila); some other pieces of property and certain shares of stock, the whole aggregating ₱6,500,000 in value, were transferred to the Philippine Government on June 17 by the Philippine Alien Property Administration for a token payment of ₱6.

On June 16, the President issued Executive Order No. 60 designating the Philippine National Bank as fiscal agent of the Republic of the Philippines in the United States.

The transfer to the Government of 4,000 hectares of land in San Miguel, Tarlac, owned by Tabacalera, was effected on June 19. The total payment for 3,500 hectares of this property will be ₱1,500,000. The remainder of 500 hectares was a donation by the Tabacalera to the Philippine Government. The area of 3,500 hectares will be sold to the tenants at ₱400 a hectare.

By Executive Order No. 61, the President increased the membership of the Surplus Property Commission from three to five. Ex-Congressman Jose E. Romero was appointed to the Commission. The fifth member has, to this date, not been appointed.

In an interview with visiting American Government, newspaper, and business leaders, the President stated that the Philippines should be given a longer time to pay the loan of \$75,000,000.

Joaquin Pardo de Tavera was appointed on June 24 acting director of the Bureau of Investigation.

The plans for a long-range power development in the Philippines were completed with the signing on June 25 of a contract between the Philippine Government and W. E. Knox, President and General Manager of Westinghouse International Electric Company.

There are enough sera and vaccines in process of manufacture for use in the Philippines, according to Dr. Hilario H. Lara, Chief of the Institute of Hygiene.

A Philippine exposition was held by the Filipino community in Honolulu from July 4 to July 6. Philippine industry and general progress were picturesquely represented in the exposition.

The Floridablanca airbase at Floridablanca, Pangasinana, which has a procurement cost of ₱10,300,000, was turned over to the Army of the Philippines by the United States Army on July 1.

Free milk was distributed to indigent children throughout the Philippines on July 3, 1947. This milk had a procurement cost of ₱63,000.

Machine tools, machinery, industrial equipment, and integrated facilities such as caustic soda, iron and steel, were earmarked as reparations from Japan for the Philippines. A five per cent interim share to the Philippines was allowed by the United States directive issued on April 4, 1947.

Eighty-four United States Navy ships were transferred by the United States Navy to the Philippine Government on July 9.

One thousand two hundred-fifty grams of streptomycin received on June 30 were distributed among hospitals and similar institutions.

The President on July 8, issued jointly with the Chief Executive of the United States the report of the Joint Philippine-American Finance Commission. The report outlines financial and trade programs designed to facilitate the economic rehabilitation and recovery in the Philippines.\*

\*EDITOR'S NOTE: See page 105 for a review of this report.

## Banking and Finance

By C. V. GRANT

*Sub-manager, National City Bank of New York*

**T**HE outstanding event of interest to the country at large and to the banking community in particular since the publishing of the July issue of the *Journal* was the release of the report and recommendations of the Joint Philippine-American Finance Commission. This report is reviewed in another section of this issue.

At the request of the International Monetary Fund, the Secretary of Finance has asked the cooperation of all banks in discouraging gold transactions at prices above monetary parity. During recent months, it is believed, considerable gold, both in the form of bullion and coins of national issue, has been purchased in the principal financial centers for shipment mainly to countries not members of the International Monetary Fund for speculative purposes.

The Rehabilitation Finance Corporation has announced that it will offer ₱5,000,000 worth of its bonds to the public to help finance current operations. These bonds will be issued with a 10-year maturity date, in denomina-

tions of ₱100 and ₱1,000, but will be available for redemption at any time after 60 days of issue. They will be sold on a discount basis to yield 1% if held for 1 year, 2% if held for two years, and 3% if held for three years or more. This is the first time that any Philippine Government corporation has attempted this type of financing, but the R.F.C. expects to develop a wide-spread market for the bonds among both individuals and companies with long-term funds to invest.

Application has been made to the Securities and Exchange Commission by one of the foremost private companies to float a ₱6,000,000 bond issue. This will be the first large-scale bond issue to be offered by a private institution since liberation.

The note circulation as of June 30 totalled ₱716,000,000, showing a slight increase of ₱2,000,000 from the previously reported figure as of May 31. This is a result of a transfer of \$5,000,000 to the Treasury Certificate Fund received from the United States for account of War Damage payments.

Due to reasons beyond its control, the Bureau of Banking has not been able to make available during the past month their usual detailed comparative figures of assets and liabilities of banks.

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## Credit

By DUNCAN BURN

Association of Credit Men, Inc. (P.I.)

**T**HERE are numerous definitions of credit. All definitions in the last analysis boil down to the matter of faith, belief, and trust. Credit has long been an important factor in commerce. At some periods credit has played a far more important part than in others. It is generally agreed that thus far, since the war in the Philippines, credit has been used to a very limited extent. This has been due to numerous causes, most of which are readily understandable. The period since the war has been one in which consumers have eagerly sought goods. Selling has been to a large extent effortless. There has been to a large degree a substantial amount of capital and cash with restricted available quantities of merchandise. There has been little request for credit on the part of consumers, and virtually no inclination on the part of merchants and others to establish credit facilities. Admittedly bank credit and bank facilities are not included in these comments.

In recent months there has been a *markedly* noticeable increase of interest in and demand for credit. It is admitted in most circles that credit arrangements common to the normal conduct of trade will be resumed. General import firms have already made some headway in setting up credit departments and in extending credit in certain transactions. Other firms are gradually preparing to activate credit departments.

In this connection the pre-war members of the Association of Credit Men, Inc. (P.I.) have recently held voluntary meetings among themselves and decided to resume actively that association. At present a total of 43 members are active in the Association of Credit Men, Inc. (P.I.), including financial houses, importers, manufacturers, and others. The Association has recently resumed the operation of a Ledger Interchange Bureau for the benefit of the members. It is the purpose of the Association to assist members in the establishing of credit policies and to provide other help in every possible way. As the use of credit becomes more widespread it is planned to so develop the services of the Association as to make it of increasing value to the members.

There appears to be in the Philippines since the war a definite feeling of cooperativeness among persons and firms

in commerce. This is a very healthy condition. Through trust and cooperation among those engaged in commerce, the normal and valuable use of credit can play its important part.

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## Stock Market

June 16 to July 15, 1947

By A. C. HALL

A. C. Hall & Company

**T**OWARD the end of June market sentiment deteriorated somewhat following press advices that the International Monetary Fund had asked member nations not to pay a premium on gold purchases. Receipt of this news caused slightly increased pressure for a week or so, and our mining-share average registered a new low for the year on July 5. However, offerings at no time were heavy, and were easily absorbed by investment buying at some mark-down in prices. Since then the market has more than recovered earlier losses, and trading volume has picked up considerably on the advance. At the time of writing, there is a better feeling in market circles and prices, as measured by our index, may have registered their lows for the downturn which commenced on February 20.

Turning to individual listed issues, Mindanao Mother Lode has been the best performer with a net gain of ten points during the period. Atok has been under some pressure on the lower production figure for June and rumors of some disagreement on their contract with Big Wedge. We understand the latter refers to the proper accounting allocation of sums of money spent for rehabilitation of the Big Wedge mill and mine. However, we have been informed by sources we consider reliable that an amicable agreement between the two companies will be reached on this matter. Surigao was also under some pressure which can be ascribed to anticipated sales of stock ex the coming rights.

Over the month, Consolidated Mines was up two points in heavy trading. Their recent report to stockholders indicates a profitable future for the Company, and was favorably received. The other important chrome producer, Acopje Mining Company, traded at from 21 to 25 centavos with some 60,000 shares changing hands. This Company has recently negotiated a loan from the Reconstruction Finance Corporation and should be in production shortly.

In unlisted mining issues, 5,000 shares Balatoc changed hands at ₱3.65, and East Mindanao sold at 1 centavo. Itogon was traded between 6-1/2 and 7 centavos, and a fair volume of United Paracales were done from 8 to 9 centavos. Coco Grove continued to change hands at 2-1/2 centavos and Paracale Gumaos was traded at 9 centavos.

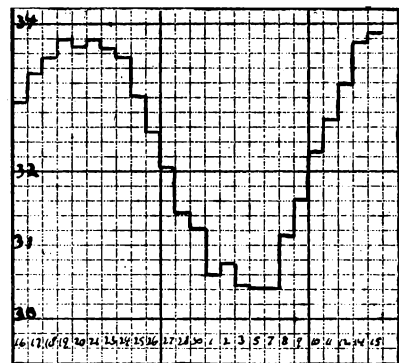
On the over-the-counter market some 20,000 shares Benguet Consolidated traded from ₱3.70 to ₱4 during the month. A small lot of Antipolo Mining Company was done at 7-1/2 centavos. Far East Oil Development Company was extremely active on favorable reports of drilling operations, and about 1,150,000 shares were done from an opening price of 49 centavos, a high for the month of 75, and closing sales at 65 centavos.

In the non-mining section of listed stocks, 100 shares Bank of the Philippine Islands were traded at ₱72. This stock closed at ₱70 bid; China Banks at ₱120 bid, no offers. There was no trading in the insurance section and bid prices remained unchanged from last month. A small lot of Philippine Education preferred was reported at ₱100, while 38,000 Philippine Racing traded from ₱1.02, with a high of ₱1.18, and closing of ₱1.14. Manila Wine Merchants opened at ₱4.50, traded at ₱5, and closed at ₱4.60 ex-dividend of 30 centavos, total sales 9,000. Small business was done in Marsman Common at 45 and 50 centavos; also

in Pampanga Bus Company at from P1.70 to P1.54. San Miguel Brewery continued to make progress, opening sales at P570 and closing at P610, with total sales of 155 shares.

Sugar shares were weaker and the following business was reported: Bais, 54 shares at P675; Pasudeco, 113 shares at P21; Carlotas, 221 shares at P90; Pilares, 30 shares at P90; Tariacs, 82 shares at P55; and Victorias, 100 shares at P115.

In miscellaneous commercial issues over the counter, Philippine American Drug Company (Botica Boie) traded at P132 and P135 on total sales of 119 shares. Manila Jockey Club changed hands at P3.



Manila Mining Share Averages for the period from June 16 to July 15

ed hazards inherent in and resulting from the ravages of a brutally destructive war."

In the United States there are many agencies of proved value available to an underwriter as aids in the evaluation of the moral probity or moral risk involved. There are old established credit bureaus whose reports are readily accessible and constantly revised; whose reports are up to date and contain information collected and evaluated by experts with conclusions competent of acceptance at full value by underwriters. While these agencies perform an invaluable service, one of even greater value is the psychology of American business which permits of a free interchange of reliable credit information to a degree unknown here.

Unfortunately, an underwriter in the Philippines has but few of these sources of information and where such sources are available the information frequently is incomplete and consequently is only of partial value. Yet it is essential for underwriters and business as a whole to have sources of credit information in order to judge intelligently the moral or credit risk involved.

The difficulties attendant upon a solution of this problem are great but nevertheless surmountable if the business community would cooperate by interchanging information as to their individual experiences freely, for confidential use by accredited inquirers. It is obvious that no executive can tolerate a psychology which permits certain classes of businessmen to maintain separate sets of books; which condones frequent changes in trade-names and styles and allows the use of aliases, and in many instances relies upon financial statements that in essence are fraudulent. These abuses can be corrected by cooperative action to the benefit of the business community as a whole.

A good index of the "many fires of questionable origin" can be found in a study of the number of fires in Manila and its immediate vicinity during the period from January 1, 1947, to June 30, 1947. These fires were those in the case of which the Manila Fire Department responded to the alarms, and do not include fires in other localities throughout the country. While the number of alarms answered is accurate, the property losses reported are only approximate. One can not help but notice that contents-loss (stocks of merchandise in bodegas and stores) during the month of January amounted to only P48,878 but that in February, March and April, such losses jumped respectively to P1,171,433, P1,918,200 and P1,228,304. While these figures are only approximate, it was immediately preceding and during these three months that prices on canned foods, textiles, and flour dropped so materially, due principally to overstocking. The majority of the contents-fire losses were on these commodities. It is no wonder a fire underwriter could not regard many of these losses as of "questionable origin".

While the following recapitulation of fires within Manila is interesting, one must add to these the other serious losses throughout the Philippines, and particularly the conflagrations in Cebu City, Tacloban, and Cabanatuan during the same period.

#### MANILA STOCK EXCHANGE LISTED MINING SHARES JUNE 16 TO JULY 15, 1947

	TOTAL SALES	HIGH	LOW	CLOSE	CHANGE
Antamok Goldfields	30,000	P 028	P .025	P 025	off .003
Atok Gold Mining Co.	338,600	1.12	.91	1.04	off .04
Baguio Gold Mining Co.	24,000	.06	.06	.06	unchanged
BatongBuhay Gold Mines	2,650,000	.008	.0066	.008	up .001
Big Wedge Mining Co.	140,300	1.20	1.00	1.16	unchanged
Consolidated Mines, Inc.	9,551,000	.013	.01	.013	up .002
I. X. L. Mining Company	10,000	.08	.07	.08	up .01
Lepanto Consolidated	273,000	.32	.27	.31	unchanged
Masbate Consolidated	233,000	.05-3.4	.05	.05	off .0075
Mindanao Mother Lode	369,400	.74	.65	.74	up .10
San Mauricio Mining Co	218,000	.26	.20	.21	up .01
Surigao Consolidated	140,000	.29	.22	.25	off .04

#### FIRE LOSSES IN THE MANILA AREA JANUARY TO JUNE, 1947

1947	Number of Fires		Losses		
	Within city limits	Outside city limits	Buildings	Contents	Total
January	60	6	P 42,700	P 48,878	P 91,578
February	71	3	114,615	1,171,433	1,286,048
March	88	11	280,874	1,918,200	2,199,074
April	73	4	497,443	1,228,304	1,725,747
May	45	4	173,402	588,060	762,062
June	63	4	67,302	579,974	647,276
	400	29	P1,176,336	P5,535,449	P6,711,785

## Insurance

By ARTHUR H. HENDERSON

Vice-President, American International Underwriters for the Philippines, Inc.

IN a previous article the writer discussed in general terms some of the problems confronting a fire-insurance underwriter in the Philippines today. In particular there was mentioned the "moral probity of the assured", the "many fire losses of questionable origin", and the "increas-

While such losses are a serious drain upon the Philippines economy, they are even more serious to the underwriter who must be prepared to pay when catastrophe strikes.

To anyone familiar with Manila, it is obvious that the physical hazard of fire is greater than pre-war as a result of the ravages of a "brutally destructive war". While admittedly conditions in Manila are not good, due to lack of water-pressure in fire-mains, complete destruction of the fire-alarm telegraph system, traffic congestion, flimsy construction, and many other conditions, the situation in most of the provincial cities is far worse. In many of the provincial cities entire districts are built of nipa or sawali or of generally flimsy material, congestion is frequently greater, and fire protection generally less.

Future articles in this column will deal with corrective measures.

ONE of the most recent instances of American capital entering the Philippines to engage in business as a Philippine corporation, is the organization of a new life insurance company, known as the United States Life Insurance Company in the Philippines. The new company was registered with the Securities and Exchange Commission on June 21, and was issued a license to transact the business of life, health, and accident insurance by the Bank and Insurance Commissioner on July 10. The new company began business on July 22.

The backers of the new company are the controlling stockholders of the United States Life Insurance Company in the City or New York, which has been operating in the Philippines since 1936.

The Board of Directors of the Philippine company is composed of Earl Carroll, Galen D. Litchfield, George M. Selsler, Charles T. Balcoff, Arthur H. Henderson, William H. Cope, and Alfonso Ponce Enrie. The officers are: Earl Carroll, President; Carl A. Leaf, Vice-President; William H. Cope, Treasurer; Tomas Contreras, Secretary. Caesar H. Grau has submitted his resignation as Assistant Treasurer of the Philippines to act in the capacity of Vice-President of the Company upon acceptance of his resignation.

The New York company expects to withdraw from the sale of new business in the Philippines at a later date, but will continue to maintain an office in Manila for receiving renewal premiums, paying claims, and otherwise serving its policy-holders.

The management of the newly organized Philippine company will be the same as the management of the New York Company in the Philippines. Both the Home Office of the Philippine company and the Branch Office of the New York company are located in the Wilson Building, Manila.

The New York interests behind the organization of the Philippine company, have organized in Hongkong another "local" company under the name of the United States Life Insurance Company in Hongkong, Ltd. The Hongkong company began operating on July 1, 1947. It is expected that other "local" companies will be organized by the same group in the near future in other places in the Far East and in Central and South America.

CHARLES T. BALCOFF  
Attorney

THE Board of Underwriters of New York is an association of marine underwriters having offices in New York and

vicinity and includes in its membership most of the companies doing a marine insurance business in the United States.

One of its important objects is to obtain prompt and accurate information regarding casualties which may affect interests, either cargo, hull, or otherwise.

Casualties must be dealt with and claims adjusted at great distance from the home offices of the member companies, under local conditions of which the companies have little information at hand. In this light, the various Correspondents of the Board of Underwriters of New York are regarded as occupying outposts upon whom the members must rely for information as to conditions within each Correspondent's respective territory.

E. E. Elser, Inc. are the Board's Correspondents for Manila and the island of Luzon and have served in that capacity for many years.

C. M. JORDAN

## Electric Power Production

(Manila Electric Company System)

By J. F. COTTON

Treasurer, Manila Electric Company

1941 Average—15,316,000 KWH

	1947	1946
	Kilowatt Hours	Kilowatt Hours
January	17,543,000	9,286,000
February	17,503,000	8,778,000
March	20,140,000	10,122,000
April	19,601,000	9,849,000
May	19,241,000	11,132,000
June	17,898,000*	11,432,000
July	22,750,000**	12,333,000
August		14,411,000
September		15,018,000
October		16,787,000
November		15,767,000
December		17,984,000

\*Revised

\*\*Partially estimated

Electric production increased sharply in July, 1947, to a record high. The July output was 10,417,000 KWH, or 84.4% greater, than in July, 1946, and 4,852,000 KWH, or 27.1% greater, than in June, 1947.

## Real Estate

By C. M. HOSKINS

C. M. Hoskins & Co., Inc., Realtors

THE real estate market continues firm. Residential properties are commanding excellent prices, especially those in the low and medium price range. There is developing considerable buyer resistance to over-inflated prices, and sellers are beginning to see the need for pricing at more attractive figures.

New residential construction of properties for rent has slowed up as a result of the President's recent executive order limiting rentals on dwellings to 12% of the assessed

### COMPARATIVE STATEMENT OF REAL ESTATE SALES IN MANILA

Note: A large percentage of 1945 sales and a diminishing percentage of 1946 sales, represent Japanese Occupation transactions not recorded until after liberation.

	1940	1941	1945	1946	1947
January	P 6,004,145	P 962,970	P 7,943,605	P 4,385,011	P 6,030,011.73
February	918,873	779,783	1,337,830	2,267,151	7,217,317.36
March	1,415,246	1,532,104	(?)	2,622,190	7,166,866.07
April	883,207	988,380	213,262	1,916,293	
May	403,866	1,129,736	962,008	3,684,937	
June	542,187	598,431	1,212,680	3,637,956	
July	1,324,861	559,742	1,123,565	4,974,862	
August	1,905,828	1,239,414	699,740	4,438,510	
September	1,141,114	815,112	1,870,670	4,698,896	
October	993,103	1,182,678	2,096,893	5,545,800	
November	938,416	898,935	2,555,472	3,340,382	
December	1,504,004	(?)	2,874,408	4,025,926	
TOTAL	P17,974,844	P10,647,285	P22,890,133	P45,537,914	P20,414,195.16

value. Even assuming assessments are based on current costs, 12% gross is unattractive, as it allows no margin for writing down the investment to the reduced replacement costs expected two or three years hence.

A number of real estate operators have been active in buying war-damaged properties, rehabilitating them, and selling them at a profit. There is still a big field for this business, which will bring handsome profits to operators who understand building costs and know the market.

Mortgage investments are now attractive to private capitalists. Domestic savings banks have in the past year gone heavily into mortgage loans and are close to their statutory limit.

## Construction

By O. A. BONI

*Vice-President and Chief Engineer, Atlantic, Gulf and Pacific Company of Manila*

**D**URING the past year, in the rehabilitation of major industries in the country, private industry has shown the way, with the oil companies leading in new construction. The various installations at Pandacan are nearly completed and will surpass the pre-war capacity. Large installations, in some cases exceeding pre-war capacity, have also been rebuilt at Cebu, Iloilo, Davao, and San Fernando, La Union.

Sugar centrals are being rehabilitated in all areas and the next two seasons should bring many centrals into production. Several large factories for the manufacture of coconut-products have been rebuilt and others will be ready to operate in the near future. Power-plants are being restored, and very pronounced improvement has been made in spite of severe handicaps.

The fact that pre-war firms are doing their utmost to rebuild their plants is the best evidence of their faith in the future of the Philippines.

The Manila Railroad Company has accomplished a tremendous amount of work under severe working conditions and with the added handicap of lack of readily available material.

The highway and bridge-reconstruction program has gotten underway, with two major highway projects nearing completion in Manila. The contract for one large highway bridge in Ilocos Sur has been let and the contractor is awaiting the arrival of steel. Plans for bridges across the Pasig river are being prepared and these projects should be ready for bids within the next two months.

The Manila Engineer District is advertising for bids for the construction of Pier Number 9 for the South Harbor.

All of these projects, plus more to come, will mean full employment of all available construction facilities, with attendant demand for all types of construction materials and construction equipment.

By H. H. KEYS

*Architect*

**T**HE Philippines is facing a serious shortage in soil and waste-pipes and fittings. These, to the uninitiated, are the cast-iron drain pipes for bathrooms and kitchens.

Much of the cast-iron pipe used so far has been purchased or acquired from old buildings. That supply is now largely depleted. The quantities brought in from the United States do not equal the demand. There seem to be considerable stocks of the pipes and fittings in the United States, but much of the supply has been set aside for Veterans' Housing. And though Veterans' Housing does not seem to be making very rapid progress, nevertheless the material is being held for the project. Pipes and fittings are under license, and unless arrangements can be

made to meet the situation, these will be almost unobtainable here in the very near future.

License is also required for toilets and bath-tubs. Here again the licensing is very limited, and stocks in Manila are about exhausted. Wash-basins and shower-appliances, etc., are not licensed.

This lack of supply will seriously affect future construction.

Wall-boards of certain types are arriving in appreciable quantities, and the supply of insulation boards is improving.

Reinforcing steel (mild) for reinforced concrete is licensed. Supply is limited. The black-market is frequently the main source of supply. The steel window-sash supply, while far from satisfactory, shows a slight improvement.

Building-hardware (locks, hinges, etc.) is licensed. The available quantities are far from enough to satisfactorily meet the demand.

Belgium glass is a little more plentiful. Imported floor- and wall-tile supplies are negligible.

Apitong lumber is down a very little.

So, unless some arrangement is made to have licenses increased, or adequate supplies of cast-iron pipe, plumbing-fixtures, reinforcing, hardware, etc. are otherwise provided, the erection of new buildings or the repair of old buildings will become increasingly difficult. Yet there seems to be an increasing desire on the part of property owners to improve their property, and many are proceeding in spite of the increasing difficulty of obtaining materials.

I repeat in effect from my article of last month, that until such time as a definite scheme of City-Planning is adopted and this becomes a law in accordance with which the City Engineer may grant or refuse building permits, property-owners will be unable to intelligently plan, in affected locations, future improvements.

Many buildings are built on land leased from the Government, or, in case of the purchase of such land, the title carries the provision that within a certain number of years the Government may repurchase the property. The terms of some of these leases or of the period of the right to repurchase, have not ten years to go. Many of the buildings on the affected properties are badly damaged or entirely destroyed. The owners, quite naturally, do not care to make large reinvestment unless they can feel sure that the leases will be extended or that the options to rebuy will not be exercised in the very near future. It is hoped that an arrangement to extend the specified times may be made now with the Government, so that expenditure for rehabilitation will be justified.

Building permits for July (to July 26) amounted to about P4,500,000 and covered about 300 permits. This shows an approximate average per permit of P15,400. Many are for small repairs and additions. Some three-story concrete buildings are noted.

The fact that over 300 permits have been issued is a good indication that owners are trying to improve their property, be it large or small, in spite of shortages of essential materials and high prices.

## Machinery

By GEO. H. EVANS

*The following interesting article on the "elevator situation" in Manila, is published in the "Machinery" column for this month.*

### Elevators

H. E. HERTZ

*Manager, Philippines, Otis Elevator Company*

**O**NE of the big problems in the rehabilitation of the Philippines is, naturally, the reconstruction of war-damaged buildings. This involves the repair or replacement of elevators which were damaged. It seems that the



Japanese made a deliberate practice of placing mines in the elevator-shafts of the buildings. The shafts, acting as flues or chimneys, also spread fire throughout the buildings.

An elevator must be so arranged that the travel is in a vertical or plumb line. With the terrific havoc rendered by the mining of the various buildings and the earthquake-reaction of the explosions, many buildings are out of plumb, and the installation of new elevators in such buildings is a problem in engineering. Some buildings are as much as 7 inches or even more out of plumb, which necessitates special arrangement of the steel guide-rails between which the elevator ascends or descends in the shaftway.

Building-owners in Manila are naturally anxious to provide, as soon as possible, vertical means of transportation for their tenants, but the world-wide demand for machinery of all kinds makes it difficult to obtain elevator-machinery also. However, anticipating that there would be a great need for elevators in the Far East, some companies set up and allocated certain parts of their basic material, such as copper, bronze, etc. in advance, so that when the need came, these materials could be fabricated in accordance with the requirements. Elevators are always custom-built, that is, they are built to meet the requirements of particular buildings. Coupled with the problem of obtaining copper, brass, and steel, is the problem of providing adequate power to run the machinery.

The Manila Electric Company suffered terrific losses but, fortunately, has been able to provide a limited amount of power; the hope is that in the not too distant future, additional power-plants will be constructed. Because of the damage caused by mines and fire, few elevators functioned in Manila immediately after the war, with the result that people have become what we may call "elevator-conscious". Due to the fact that in any large city elevators carry more people in one day than any other means of transportation, people for many years have simply taken them for granted, but since the war they have shown keen interest in the matter.

There are many new elevators being installed in Manila, and in proportion to the number of buildings, we can say that the city will have the most up-to-date elevators known in the elevator industry. Many of the existing office buildings which are now being rehabilitated will have elevators of the type which is used in modern skyscrapers. Some of the buildings in which new elevators are being or will be installed are the following:

Ayala Building	Hongkong-Shanghai Bank Building
Heacock Building	Philippine National Bank Building
Filipinas Building	Wilson Building
Regina Building	Yutivo Sons Hardware Building
Wise Building	Elena Apartments Building
Great Eastern Hotel Building	Angela Apartments Building

For many years, the elevator-car slid up and down the shaftway on greased guide-shoes which fit onto T-shaped rails. In accordance with modern practice, many of the new elevator installations in Manila will have what are known as "roller guides". These guides consist of rollers fitted to the framework supporting the elevator-car, and they run on the sides and face of the T-shaped rails. The rollers are provided with small rubber tires. No grease is used; the rollers operate on dry rails and the objectionable noise which sometimes develop from the solid cast-iron guide-shoes is eliminated. With the new type of roller-guides, the car seems to float up and down the shaft with the slight horizontal movements quickly taken up by the rollers. Friction is decreased and the efficiency of the elevator is increased; there is less danger of fire in the shaftway, as there is no grease or lint which the grease picks up; and there is a complete absence of knocks and sways. This is typical of one of the many improvements in the manufacture of new elevators.

Because of the war, many new developments were brought about in the elevator industry as in other machinery lines. The need for compactness, lightness, and strength

caused many changes in the fabrication of new parts. The large aircraft-carriers required elevators not only for the crews but for moving the airplanes from the lower decks to the flight-decks and back again. These had to be constructed at the minimum weight, and so as to require the minimum attention in maintenance and repair. In many cases now, welded joints are not used.

It is to be hoped that improvement in the electrical-power situation will be realized at an early date, so that people in Manila will not from time to time have to climb long flights of stairs to reach their offices even in buildings where there are elevators. But there are difficulties in installing new elevators in old buildings, as compared to installing them in new buildings. Before installing new equipment in a building where the former equipment was damaged, complete removal of the existing material is often called for. The original strength of the metal may have been altered by the heat, and the condition of supporting beams, concrete walls, etc., must also be taken into consideration. In many cases where fire has touched the concrete, this has been so weakened that the ordinary steel brackets which support beams, guide-rails, etc., can no longer be used, but special channels and beams have to be installed to support the brackets.

There is another factor which has come up since the war, and that is that the Manila Electric Company has a program under way to change the power-supply in many sections of the city from 2-phase to 3-phase. This necessitates considerable alteration even in those elevators which were but slightly damaged and can still be used. It is the plan of the Manila Electric Company to eventually have all the sections of the city supplied with 3-phase power. There were approximately ten elevators functioning immediately after the war, and all of these were built to operate on 2-phase power; they will eventually be changed to operate on 3-phase power.

## Port of Manila

By H. W. Tirus

Luzon Stevedoring Company, Inc.

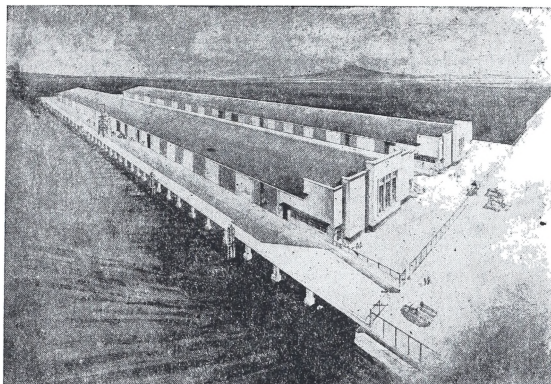
**T**HE biggest news in the Port of Manila this month and for some time to come perhaps, is the report of the District Engineer, Manila Engineering District, to the Chief of Engineers, War Department, Washington, D. C., entitled prosaically "Revised Sub-project FY 1947", but the sub-title is the punch-line "Reconstruction and Improvement of Port Facilities, Philippines". That foreign trade is the life-blood of the Philippines is a trite statement. The project represents a concrete step toward making that blood flow more freely and in richer quality through not only the reconstruction of pre-war port facilities, but improvement over such as were available before the war to assist Manila to take an even greater part in the post-war trade of the Far East.

The work to be accomplished in the project is authorized in Title III of the Philippine Rehabilitation Act of 1946 of the United States Congress (Public Law 370, 79th Congress, Chapter 342, 2nd Session) which reads in part:

"... the Corps of Engineers is authorized... to carry out a program for the rehabilitation, improvement, and construction of Port and harbor facilities in the Philippines... in accordance with established procedures applicable to river and harbor projects".

The principal items contemplated include the following:

1. Reconstruction of Pier 9, in the South Harbor, Manila, which provides for construction of a new reinforced concrete Pier, 339 feet wide by 985 feet long, over the existing Pier, with four cargo-sheds (see accompanying illustration). Bids have already been advertised, and the estimated date of commencement of the work is January 1, 1948, with a target date of completion on or about December 31, 1949.



Reproduction of the Architect's Drawing of the new Pier 9, 339 feet wide and 984 feet long

2. Construction of concrete paving for San Francisco, Boston, 13th, 16th, 20th and 25th Streets in the South Harbor of Manila, for which bids have been received and contract is shortly to be let, has been estimated to start on August 1, 1947, and to be completed about February 1, 1948.

3. Repair of the damaged North Harbor breakwater, completion of its unfinished portion and its extension by about 2500 feet, has already been contracted for and work is expected to be completed about August 31, 1948.

4. Construction of asphalt streets in the area of North Harbor, Manila, including Marginal, Azcarraga, and Moriones Streets, and the necessary drainage facilities, will be started shortly; it is expected that work will be completed by approximately January 15, 1948.

The razing of damaged structures and the restoration of existing Pier 13, have been deferred until the new Pier 9 has been completed and the extent of the necessary restoration of outlying national ports has been determined. The balance of funds then available will be applied to a partial restoration of Pier 13. One of the reasons for this is the need which was felt of keeping this pier open until work on Pier 9 would be completed. The work on Pier 9 will at any rate cancel out berths for vessels at that pier, and very likely the South berth of Pier 7 and the North berth at Pier 11. Viewed in this context, the four berths available at Pier 13 become doubly necessary during the period of construction of Pier 9. Also, though inadequate, the present covered space on Pier 13, it was felt, should be retained until Pier 9 is finished. Finally, it was concluded that within the budget of money allocated to the Manila Harbor, it would be more advantageous to construct a modern, financially profitable Pier, and provide in transit covered-storage space on it, rather than to expend the whole or an even greater amount of money for a partial restoration of Pier 9 and Pier 13. While previous plans had called for a construction of Pier 9 in three phases, utilizing where possible the pedestals and other concrete portions of the existing structure, the revised project contemplates the construction of a completely new Pier, 339 feet wide and 985 feet long, complete with cargo-sheds, over the existing old Pier, as a single-phase operation to provide a modern, efficient facility.

It is of interest to note in summary form, the additional projects to be undertaken at a later date, which are contemplated under the program.

1. Restoration of the wharf and breakwater at the ports of Tabaco and Legaspi, Albay.

2. Restoration of the damaged portion of the Guimaras marginal wharf and the cargo-shed at Iloilo.

3. Construction of a new concrete-and-steel marginal wharf, approximately 40 feet by 500 feet, at Cagayan Port, Mindanao.

4. Repairs to the marginal wharf and Piers 1, 2, and 3, Cebu, Cebu. Repair of the cargo-shed on Piers 1 and 2, and construction of a new cargo-shed on Pier 3.

5. Construction of a new reinforced concrete marginal wharf at Sasa, Port of Davao, Mindanao, 80 feet wide by 450 feet long, including an access road.

6. Restoration of the marginal wharf at Jose Panganiban, Camarines Norte.

7. Restoration of the wharf approaches at Zamboanga, Zamboanga, Mindanao.

8. Restoration of the wharf and the repair of the steel-sheet piling bulkhead in the Causeway, Jolo, Jolo.

9. Restoration of the Pier and repairs to the cargo-shed at Pulu-pandan, Negros Occidental.

10. Repairs to damaged piles on two piers at Iligan, Lanao, Mindanao.

11. Acquisition of the dredges *Barth* and *Sacramento* and accessories.

The whole of the foregoing, including the work to be done at once under funds appropriated for Sub-project FY 1947, is estimated to cost ₱36,000,000, of which ₱18,000,000 of the United States funds has so far been provided; the remainder is expected under authority of the Philippine Rehabilitation Act.

All this provides the basis for a belief in the greater development of foreign and inter-island shipping not only for the Port of Manila, but for the whole Philippines. Now and for many years to come, water transportation is and will continue to be the principal means for import into and export from the Philippines and between the ports within the archipelago.

## Ocean Shipping

By F. M. GISPERT

Secretary, Associated Steamship Lines

THE month of June showed a decline in the total exports from the Philippines as compared with the month of May, i.e., 95,993 tons for June as against 108,697 tons for May, the chief reason being the sharp decline in copra and hemp shipments.

The main exports for June as compared with May shipments are as follows:

		May	June
Desiccated Coconut	Tons	3,437	4,331
Coconut Oil	"	717	1,358
Copra	"	66,820	29,000
Copra Cake	"	3,267	1,900
Rattan Furniture	"	847	537
Gums	"	118	28
Hemp	Bales	100,852	69,022
Ores, Chrome	Tons	13,700	20,000
Rope	"	109	1,212
Tobacco	"	223	172

**CARGO EXPORTED FROM THE PHILIPPINES TO ALL DESTINATIONS BY NATIONALITIES**

1947	American	British	Chinese	Danish	Dutch	Filipino	French	Norwegian	Swedish	Panamaian	Honduras	Total
<b>JANUARY</b>												
Number of Sailings	22	8	2	4	1	6	—	6	3	—	—	52
Tons	52,964	8,888	100	12,126	50	10,307	—	13,503	4,886	—	—	102,824
Per cent	51.51	8.64	.10	11.79	.05	10.03	—	13.13	4.75	—	—	100
<b>FEBRUARY</b>												
Number of Sailings	31	7	1	3	1	2	—	6	6	—	1	58
Tons	71,811	7,454	5	4,515	3,181	634	—	11,692	18,025	—	28	117,345
Per cent	61.19	6.35	.004	3.85	2.71	.56	—	9.96	15.36	—	.02	100
<b>MARCH</b>												
Number of Sailings	36	5	—	3	3	3	—	13	3	2	1	70
Tons	58,863	3,615	—	6,976	4,274	367	—	42,924	51.60	7,000	116	135,395
Per cent	43.48	2.67	—	5.15	3.16	.28	—	31.70	3.81	5.17	.08	100
<b>APRIL</b>												
Number of Sailings	35	10	—	5	2	7	1	5	4	1	1	71
Tons	68,830	24,319	—	11,874	242	3,524	4,550	17,195	4,082	2,000	4,950	142,566
Per cent	48.98	17.06	—	8.33	.17	2.47	3.19	12.06	2.87	1.40	3.47	100
<b>MAY</b>							Canadian					
Number of Sailings	27	11	1	6	7	6	1	4	7	—	1	71
Tons	48,983	7,803	20	13,403	3,227	13,083	3,000	6,676	11,242	—	1,260	108,697
Per cent	45.07	7.18	.02	12.33	2.97	12.04	2.76	6.14	10.34	—	1.15	100
<b>JUNE</b>												
Number of Sailings	26	8	2	3	6	4	—	10	4	—	—	63
Tons	51,598	5,400	9	5,288	1,272	6,740	—	16,105	9,581	—	—	95,993
Per cent	53.77	5.63	.01	5.51	1.31	7.02	—	16.77	9.98	—	—	100

Exports were boosted by an unusual shipment of 25,844 tons of flour purchased locally by the U.S. Army for shipment to Japan.

Exports by countries showed as follows:

United States	44,540 tons
Canada	3,286 "
China	1,827 "
Japan	25,844 "
Netherlands East Indies	880 "
Straits, Saigon, and India	783 "
Europe	16,168 "
Australia	120 "
Africa	1,840 "
South America	705 "

Number of sailings dropped off somewhat owing to the decline in offerings as is reflected in the accompanying table:

## Inter-Island Shipping

By EDWARD DANKS

*Vice-President and Treasurer, Everett Steamship Corporation*

IN last month's article we dealt with the early phases of inter-island shipping when first started by the U. S. Maritime Commission with 30 small freight vessels (FS) and 8 big vessels (C1-MAV-1 and N3) operated by the Everett Steamship Corporation and the American President Lines. These ships, in addition to those acquired by other shipping companies, were not sufficient at that time to take care of the big demand for space to take consumer goods to the provinces which for some time seemed insatiable.

There has, however, since been a big decrease in outward cargo carried, this being brought about as a result of merchants holding stocks which are far more than their volume of sales. Also, with conditions gradually coming back to normal, free-lance merchants are disappearing,

and this has reduced passenger travel. All this has resulted in competition coming into the picture.

All sorts of measures are therefore being taken to gain the patronage of shippers and travelers, and present shippers will note that ships now observe fixed days of departure and have definite ports of call; cargo is being handled with more care and there are fewer cases of loss and pilferage; black-market rates are disappearing. Passengers will note that better accommodations are being given them, good food is being served, and courtesy is being shown. Competition is also making it so that shipping companies have to assign vessels to ports of minor importance. All these developments are bringing about a betterment of conditions in general, though at the expense and, in some cases, at the sacrifice of the shipping companies.

Maintaining schedules is being hampered by poor facilities at the outports as well as by the increasing congestion caused by the ever increasing calls by offshore vessels. In this connection, there are rumors that inter-island operators will make representation with the proper authorities so that inter-island vessels be given priority in docking.

In the inter-island service there are some new additions: the S.S. *Charles McDonnell*, an N3-type vessel which is soon to be placed by the Everett Steamship Corporation in the Aparri and Currimao run in place on the *Northern Hawker*, same type of ship, which will be placed in the Legaspi-Tabaco-Tandoc run; the M.S. *Anakan*, operated by Madrigal Company and assigned in the Aparri run, and the lumber schooner *Consuelo A* owned by Gregorio Araneta, Inc., which does not have regular ports of call.

While competition brings about a betterment of conditions to the public in general, care should be exercised in not overdoing certain practices such as price-cutting, which will in the long run be prejudicial to all shipping companies because prevailing authorized rates in many instances are already non-compensatory.

## Air Transportation

By V. A. BRUSSOLO  
Vice-President, Philippine Air Lines

WITH the purchase of FEATI by the Philippine Air Lines, Inc. recently, civilian aviation took a definite step forward in the more extensive development of routes and increased service to the people of the Philippines and the Far East.

While FEATI and Philippine Air Lines existed as the two major airlines in the Philippines, it was inevitable that profitable routes should be duplicated, to the detriment of non-paying and losing routes which consequently suffered curtailment.

Doubling its previous fleet of inter-island and overseas aircraft, Philippine Air Lines has extended its routes considerably while at the same time offering passenger fares which in most cases are 25% below the pre-war rates.

With approximately 50 aircraft for domestic use, Philippine Air Lines is dispatching only one-half of its fleet on scheduled domestic flights, thus ensuring adequate maintenance of aircraft and conservation of aircraft utility. Its fleet of Douglas DC-4's, popularly known as "Sky-masters", will be shortly augmented by Douglas DC-6's, the latest word in means of air-travel. These giant ships are to be used exclusively in overseas service between Manila and San Francisco (Oakland), via Guam and Honolulu, and between Manila and Hongkong and Shanghai.

Meanwhile, the Commercial Air Lines, Inc., which had heretofore operated locally on a non-schedule basis, has been granted a limited schedule-permit to operate on any domestic route two times a week. In addition, CALI makes regular flights to a number of Far Eastern points.

It is believed that uniformity of shipping and passenger rates will work out locally, as it has with the different international airlines in overseas service. Today, Philippine Air Lines, Pan American Airways, and North West Airlines are successfully applying uniform rates to the United States and to Hongkong and Shanghai.

Latest civilian aeronautics statistics in the Philippines reveal that for every one passenger before the war, there are now a hundred passengers flying; and for every 100 pounds of air-freight in 1941 there are 3000 pounds today.

Accountable for this phenomenal increase in the airline business are the vital factors of lower-than-prewar rates, speed in handling, and increased safety in the Philippine airways.

The past month marked the inauguration of the North West Airlines service connecting the Philippines with China, Japan, and the United States over what is known as the Aleutian route. Pan-American Airways now maintains a five-day a-week service with the United States via the Central Pacific, one of these weekly trips connecting with the round-the-world service via Bangkok and Calcutta.

## Land Transportation (Bus Lines)

By L. D. LOCKWOOD

THIS is the rainy season, always the slack season for the transportation business. People naturally do not travel so much when it is raining. There are more interruptions of service due to floods than in pre-war years because of the destruction of so many bridges. Roads which have been only provisionally repaired since the war are getting rapidly worse because of the rains. This means more broken springs and additional maintenance costs.

Since our last report the Pampanga Bus Company has received a very satisfactory settlement of its claim

against the United States Army. This will make it possible for "Pambusco" to speed up its rehabilitation.

The business of one of the largest post-war operators in Northern Luzon is being offered for sale.

The first application for a permanent post-war Certificate of Public Convenience came up for hearing in the Public Service Commission a few days ago. The Commission stated that it was not prepared to act on the case now and put it over until September. The applicant seeks to invade the territory of a large pre-war operator and the application will be vigorously contested. The case will be watched with interest by all operators.

## Gold-Copper

By CHAS. A. MITKE  
Consulting Mining Engineer

THE International Monetary Fund management recently went on record as against transactions in gold above \$35 an ounce. Naturally, banks in member countries are expected to cooperate with the Fund management in this respect, but it is believed that only direct legislation can prevent dealings in the metal at higher prices.

On the other hand, there are many opposing views. For instance, there is a rumor to the effect that the British Government has refused to ship gold to make dollar exchange at \$35.

The McIntyre-Porcupine, one of the largest Canadian gold producers, has declined to sell its gold to the Canadian Government at \$35. President Neilly told shareholders, at a recent annual meeting of the McIntyre-Porcupine Mines, Ltd., in Toronto, Canada, that "the open market for gold is substantially above \$35 an ounce, and (our) directors believe the open market price indicates a trend that cannot long be ignored. . . . If international exchange is to approach near-equilibrium, the value must be based on something more dependable and more practical than the majority opinion of a debating society." Chairman Bicknell of the same company, disclosed that the company has replaced its short term low yield bonds by gold in storage, to the extent of \$5,887,000.

An announcement over the local Manila radio, on the night of July 17, stated that a Chinese firm, operating in Manila, had made a trial purchase of P39,820 worth of gold (said to have been produced by Big Wedge), at \$45.50 an ounce. Surigao Consolidated is reported to have received an offer of \$40 an ounce for newly mined gold at Surigao.

A very significant announcement was made by Secretary of the Treasury, John W. Snyder, in Washington, D.C. on June 11 which indicated that the Government is unconcerned over an offer of the American Smelting & Refining Company to buy and sell gold internationally, above the United States price of \$35 an ounce, and "will not try to prevent it". The American mining firm said it would buy raw gold from Canadian producers above the \$35 figure, refine it in the United States, and then re-export it for sale elsewhere at a higher price.

It is also said that President Truman and the Hon. MacKenzie King of Canada discussed the gold situation at a recent meeting.

J. K. Baillie, financial editor of the *Evening Herald and Express*, Los Angeles, California, is quoted as having said recently:

"A wild gold boom is on in South Africa. Cables to brokerage houses here and in New York report that trading in gold shares is volcanic, swamping the facilities of financial houses and forcing the exchanges to close down until they can catch up with orders. "Two of the largest gold leases in the history of the territory were completed last week. These leases have ample area and the ore runs in value equal to the Rand. Over 10,000 men will be employed.

"Most of the miners throughout the entire South African area are sold on the idea that the price of gold will soon advance from \$35 to \$40 an ounce. With reasonable gold content, miners there can profitably operate on \$35, and if it goes to \$40, many low-grade border-line deposits will be put in production.

"British financial papers arising here disclose that a boost in the gold price is expected there also."

Chas. F. Willis, special contributor to the *Mining World*, San Francisco, says:

"Day by day the whispers concerning an imminent boost in the price of gold are growing louder and more frequent. Some people, supposedly well informed, predict that such an upward revision will come within a matter of weeks. These expressions are not coming from the type of folk who ordinarily stick their necks out very far. The suggestion has been put forward that the advance, if, as, and when made by the U.S. Government, will bring the fixed price up to \$52.50, an increase of 50 per cent."

There are those who insist that a rise in the price of gold is absolutely necessary to take care of the disparity between the value of the dollar and foreign currencies in the matter of international trade.

P. M. Anderson, managing director of Union Corporation, Johannesburg, South Africa, in addressing the 75th Anniversary Jubilee of the A.I.M.E. on "The Future of Gold in the World Economy", stated that he saw no basis for fear over gold's future status. He viewed gold as having a function in monetary systems similar to that of standing capacity in a power plant, and predicted that democratic nations will return to gold as rapidly as they can solve the emergency problems which have grown out of the war. Presuming that the Far East will improve its economic status, he saw it as a market for nearly half the gold production of the future. He predicted that the financially stronger democratic countries would soon make gold available to citizens, and that the financially weaker ones would find gold a necessary medium of exchange because of lack of confidence in their paper.

"The prime necessity [he said] will be for reserve stocks of international legal tender. In many countries these gold stocks may be held separately, as were the exchange equalization stocks in Britain in the 1930's, and their fluctuations may not be readily disclosed. They may not even form part of the backing of the reserve bank money, nor be encumbered with any limit expressed as a percentage of the gold issues.

"The second necessity is that gold may be acquired by the public or held in sufficient quantities by the monetary authorities for sale to the public, if the latter should desire it. Gold will once more be available to the public, without obligation on the monetary authorities to sell at the present prices in all circumstances. However, those countries which may be described as the front-line, or devastated areas of Europe, will be very slow in giving their people access to gold.

"The extraordinary movements of gold, which resulted in the United States now having two-thirds of all the monetary gold in the world, will not be repeated. These movements were due to non-economic capital movements, which, in future, will be better controlled in most countries.

"At the present price of the metal, gold will be produced in quantities sufficient for a steady expansion, but not in any great abundance. Gold will presumably be added to the world's stock at a rate closer to 2% than to 3% per annum.

"The outlook for gold does not depend on particular forms of monetary policy, for instance on a return to a gold standard. It depends, however, on recognition of the economic freedom and independence of the individual. Orators have sometimes spoken of 'nailing nations to a golden cross'. But in fact, the integration of gold into monetary systems makes the individual less dependent on the vagaries of his government, and nations less dependent on those of foreign governments and institutions. I am confident of the future of gold in world economy, because I am hopeful that a large measure of economic freedom will be restored throughout the western world in due course."

The *Engineering & Mining Journal*, New York, in a recent issue, stated:

"It is interesting to note that the faith of gold producers in continued prestige for gold is being sustained by events in the news of the day. The Economists National Committee on Monetary Policy has recently come out for a return to a modified gold standard. Because this committee is not identified with any producer interest, in our opinion its action is an early manifestation of a situation we have long anticipated."

It is reported that the American Treasury is still buying gold from Russia. Secretary of the Treasury, John W. Snyder, in response to an inquiry, stated:

"It is the policy of the Treasury Department to buy gold offered to it by governments and central banks of countries with which we maintain financial and commercial relations. . . . The Treasury believes that the purchase of gold in accordance with the established policy is necessary to the continued use and free acceptance of gold as an international medium of exchange."

PRIOR to the war, the Philippines was looked upon primarily as a gold-producing country. True, it had extensive iron deposits, but these ores were only marketable in Japan. Lepanto was its one and only steady copper producer, while chrome and manganese were produced intermittently, mostly from Zambales and Busuanga.

Intensive prospecting in the past eighteen months, however, indicates that the future of the mining industry in the Philippines may be bound up largely with the production of copper, and that on a comparatively large scale.

In 1941 copper was known to exist at many places, but the deposits were believed to be small, and many of them did not warrant the large expenditures involved in the development, production, and treatment of the various forms of ore in which copper occurs. Recent information, however, indicates that, in the future, sizable deposits may be opened up, some of which have earmarks of ranking favorably with the larger deposits in the United States.

At the present time, there is a world shortage of copper, and the metal is selling in New York for 23 cents, or 46 centavos, a pound. As an incentive to the finding of new ore-bodies, the State of Michigan is offering inducements in the form of tax relief. A bill has recently been introduced in the State Legislature, providing a ten-year tax exemption for newly discovered ore, or ore proved in the ground that is not part of the property of an operating mine.

Here, in the Philippines, all our former treatment plants are gone. In 1941, there were two copper smelters, one, smelting copper ores exclusively, at Lepanto, and the other, a gold-silver-copper-lead smelter, in Paracale. Now, there is none.

Japan has an excess copper-smelting and refining capacity, and, undoubtedly, some of this will be declared surplus.

The raw materials are here; first of all, copper concentrates from Lepanto; second, concentrates from nearly all gold-mining companies, all of which contain a certain amount of copper; and, third, new deposits, containing from 5% to 36% copper, scattered over the Islands, some of which also contain a high percentage of sulphur. The necessary fluxes are also available.

The copper smelter, if obtained from Japan, should be accompanied by a 600 H.P. thermal-electric unit and machine-tools for a machine shop. Also a sulphuric-acid plant.

The smelter and thermal power plant should be located at some convenient point, near deep water, and an accompanying sulphuric-acid plant installed to utilize the waste surplus gases from the smelter and convert them into acid. Since the Philippines will have access to the phosphate rock deposits in Angaur and other islands, east and southeast of Mindanao, these could be shipped to the smelter to be processed into fertilizer.

The combination of sulphuric-acid and phosphate rock makes a *super-phosphate fertilizer* which has been found to double and treble the rice crops in Japan.

Authors' Note: Since writing the foregoing, U. S. Treasury officials have come to a decision to prevent export of gold at any premium price, and are requesting countries which are members of the International Monetary Fund Committee to do likewise.

The copper smelter would fill a great need:

(1) As an aid to gold mining, by treating gold-copper concentrates;

(2) Copper ores would be mined and shipped from many places all over the Philippines, and thereby increase development of present latent copper deposits;

(3) Sulphur would be furnished for the making of sulphuric acid, and subsequent treatment of phosphate rock for the manufacture of super-phosphate fertilizer;

(4) There being a shortage of copper at present, it brings the very high price of 46 centavos a pound. It would become a valuable export commodity.

## Lumber

By E. C. VON KAUFFMANN

President, Philippine Lumber Producers' Association

THE general impression is that the cost of lumber is excessive, though the Government is doing everything in its power to bring the prices of lumber down to a level which would be within the reach of those who wish to build or rebuild their homes, and has recently established a scale of ceiling prices.

Many people think that lumber is the chief item in the cost of constructing a house, but this is not so. To illustrate the point, a study was made showing the proportionate costs of the lumber, other materials, and labor which go into such construction.

Taking as an example a house with three bedrooms which today will cost around ₱18,000 to build, and basing the cost of the lumber used at the present retail ceiling-price of tanguile at ₱290 for finished lumber, utilizing 10,000 board feet, the cost would be ₱2,900, or only 16% of the total cost of the house.

A comparative statement of the costs follows:

		%
Cost of lumber, 10,000 bd. ft. ....	₱2,900.00	16.0
Concrete and masonry .....	2,185.44	12.0
Hardware, roofing, nails, other materials, and electric installations .....	6,053.64	33.5
Painting .....	1,200.00	6.6
Labor and supervision .....	5,743.37	31.9
	<u>₱ 18,092.45</u>	<u>100%</u>

This is actual cost of construction without any profit for the contractor.

The foregoing figures were taken from a house actually built this year at lumber prices slightly higher than present ceiling prices.

An increase of ₱50 per thousand board feet on the lumber would only add ₱500 to the cost, which is not much in the case of a house worth ₱18,000, yet ₱50 per thousand board feet more for the producer might mean that he could produce lumber at a reasonable profit instead of losing money, as at present.

Construction materials and labor costs average over 400% higher than pre-war, as against the price of lumber which is only about 150% higher.

The ceiling of prices now in force is, in fact, affecting many producers who will be compelled to shut down. Some small producers can afford to shut down and wait for better times, but not so the producers who have invested, most of their resources in sawmills and logging machinery and who each have several hundred laborers employed in their operations. What profit they have been able to make in the past has been reinvested in additional machinery and equipment to increase their production, and they now find themselves barely getting their cost for lumber sold.

The Government will shortly erect a large sawmill of its own. Producers may welcome this venture, for after a period of operation, the Government will be better able to understand the problems which confront our lumber producers today. But it will take time for the Government to determine the actual cost of its lumber operations, and by then it may be too late for this to help private producers.

## Copra and Coconut Oil

By MANUEL IGUAL

General Manager, El Dorado Trading Company, Inc.

AND KENNETH B. DAY

President, Philippine Refining Company

THE period under review covers that from June 1 to July 15.

The copra market opened firm in June with European buyers bidding up to \$180 f.o.b. per long ton, with sellers generally asking \$185. A sizable sale was recorded to Japan at the beginning of the month at \$185 f.o.b. and this price makes the high point for the period. The American market opened with buyers at \$175 c.i.f. and the market continued rather quiet during the first week or so. Toward the end of the first week, European buyers realized that the American market did not offer much encouragement and succeeded in buying at \$175 f.o.b., and as American crushers did not find any support in the oil market they also reduced their ideas of price with the result that the market sold off rather sharply, and by the 18th of the month sales to Europe were recorded at as low as \$140 f.o.b. with hardly any buying interest on the part of American crushers at \$145 c.i.f. Sellers were again afforded an opportunity to sell to Japan over 10,000 tons, which went on bids 5,100 on the 18th, sold at \$142.75 f.o.b. for nearby positions, while on the 19th 5,000 tons additional were sold for a later delivery at the average price of \$138.20 f.o.b. These sales had no effect at all on the market as the market kept on declining, and by the 21st a sale was recorded at as low as \$135 c.i.f., Pacific coast, which also marks the low for this period.

The sharp decline brought about by the apparent lack of buying interest, caused the Philippine Coconut Producers Association towards the middle of June to again request the Philippine Government for complete decontrol of copra. American crushers under the threat of another shipping strike, did not change their views nor could they afford to be optimistic, not knowing for how long they would be deprived of copra. Fortunately, the shipping strike was a more or less nominal affair as work was renewed a few days after the strike was announced.

In spite of this, the copra market continued rather sluggish under heavy selling pressure with an occasional small sale to Europe at \$140 f.o.b. Late in the month, upon reports of the possibility of abolishing the International Emergency Food Council on June 30, with the consequent freeing of controls, sellers became more optimistic and while foreign markets remained weak with highest quotations from Europe at \$135 f.o.b. and \$140 c.i.f. Pacific coast, sellers modified their ideas and ceased offering for a few days with the result that at the end of the month nothing was available at less than \$145 c.i.f. At this stage, the large oil buyers in America indicated willingness to buy in volume and during the first few days of July sales were reported to the Pacific coast at \$145 c.i.f. This, in turn, compelled European buyers to adjust their prices which were soon advanced to \$144. On the 4th of July, reports from Washington to the effect that the IEF had allocated the equivalent of 80,000 tons of oil, approximately

equivalent to 125,000 tons of copra, caused some buyers to further modify their views and, for fear that as a result of the new allocations buyers might exert more pressure, the market improved and limited sales were recorded at \$150 and \$155 f.o.b. This resulted in developing here strong selling resistance as sellers generally advanced their ideas to the minimum of \$160, so that hardly any trading resulted. Conditions remained more or less unchanged up to the 10th of July when heavy offering to Europe caused buyers to withdraw after declining offers at \$150 f.o.b. Immediately after, sellers here realized that without support from Europe the American market would again sell off, there having been hardly any improvement in oils and fats, and started offering very heavily. On the 15th of July, the best bids in the market were \$140 f.o.b. and \$142.50 c.i.f.

The coconut-oil market opened in the United States at the beginning of June at the nominal price of 13-13½¢ but without much interest on the part of either buyers or sellers. Buyers felt that the quoted price was rather high with relation to other fats and oils, and on the other hand, American crushers were not particularly keen in offering in the face of the copra strength prevailing during the first few days of June. By the 11th, once a decline in copra prices had been initiated here, sellers started to offer at 13 cents to find that there was no substantial buying interest at over 12 cents. While a few days afterwards moderate oil offerings were made at 12¢, this met with no success, but a break in the tallow and grease markets resulted in heavy selling pressure eventually forcing sellers to review their ideas of price. On the 19th, scattering sales were reported at 11¢ and while buyers thereafter expressed ideas at 10¢, additional sales at 11¢ were recorded. This established the market momentarily and while sellers continued offering at 11¢ no business resulted until late the third week of June when sales were recorded at 10½¢.

July began with relatively strong buying interest and several thousand tons of oil were sold at 11¢, which price more or less continued up to the 15th of July, although occasional small sales were made during the interim at 11¼¢ and 11½¢.

Preliminary export figures for June were extremely disappointing. Total copra exports were given as 29,000 tons, which is the lowest figure by far recorded in the year.

During the period under review, Manila markets reflected within narrower limits the over-all picture as modified by local conditions, falling from ₱35 per 100 kilos early in June to ₱24 by the 20th, recovering to ₱28 by July 10, only to sag again to a nominal ₱25 before the middle of the month. The market as a whole was lethargic and without sustained volume interest, which, combined with light production, increased consumption for desiccated manufacture, and export interest from adjacent outports, made for a comparatively featureless market. Locally produced oil fluctuated from 80 to 60 centavos per kilo, with fair demand.

Very little copra cake was sold but prices ranged within a few dollars of \$70 per ton f.o.b. for expeller cake.

By mid-July, the heavy copra season was in sight, but production was considerably short of what was expected. Intelligent opinion was divided as to future prospects. With the American market lagging behind European buyers, however, and with these buyers operating on restricted IEFC quotas, it seemed reasonable to suppose that the market will continue to fluctuate, but within ever diminishing limits, and with a generally downward trend. Clearly, European buying is based on quotas and availability of dollar balances; American buying on the statistical position of coconut oil as contrasted with other fats, is comparatively weak, but unlikely to deteriorate as rapidly from now on as it recently has.

## Desiccated Coconut

By HOWARD R. HICK  
President and General Manager  
Peter Paul Philippine Corporation

THE desiccated coconut industry has been slow in coming back due to the fact that most factories were destroyed during the war. And, although building materials were available at a price, it was almost impossible to get the special machinery necessary for the processing of desiccated coconut products.

Before the war, there were nine manufacturers of this product and, with the exception of two factories which were slightly damaged, all were destroyed. These mills produced 92,089,278 lbs. of desiccated coconut in 1940; and, during the first ten months of 1941, when the industry was accelerated due to stocking tendencies because of war scares, these factories produced 106,666,692 lbs.

The Canlubang Sugar Estate, with their small coconut factory, was the first pre-war factory to get started, early in February, 1946. They sold their product locally and it was exported by the Franklin Baker Company, who were the first to revive the industry. The Sun Ripe Coconut Products Company started later, in February of 1946, and were the second to export desiccated coconut. Both of these factories were only slightly damaged; and, in several months when repairs were completed, they were up to pre-war production.

A newcomer, the Peter Paul Philippines Corporation, was the first to erect a factory and began operating in October of 1946, closely followed by the Blue Bar Coconut Company and the Philippine Desiccated Coconut Company, operating their factory at Lusacan, Quezon Province, two old pre-war companies which have done an excellent job of rehabilitating their destroyed property and getting into production. The next to start production was a newcomer in the industry but an old established Philippine interest, the Marsman Company, which broke all precedent and opened operations north of Manila. This factory began production in May, 1947.

Red V Coconut Products, Ltd., as a Smith Bell interest, and Cooperative Coconut Products, two old pre-war companies, began operations early in July, 1947, followed by the Franklin Baker Company several weeks later.

SHIPPING STATISTICS OF MANUFACTURERS OF  
DESICCATED COCONUT

	Status Pre-war	Status Post-war	1947 Production Jan.-June
Canlubang Sugar Estate	operating	operating	*
Blue Bar Coconut Products	"	"	6,224,340 lbs.
Red V Coconut Products	"	"	None
Philippine Desiccated Co.	"	"	**
Sun Ripe Coconut Products Co.	"	"	4,100,500
Furukawa Coconut Products	"	not operating	None
Cooperative Coconut Products, Inc.	"	operating	None
Consolidated Trading Corp.	"	not operating	None
Franklin Baker Co.	"	operating	2,846,900
Peter Paul Philippine Corp.	not operating	"	7,721,400
Marsman and Company, Inc.	"	"	314,600
United Coconut Products, Inc.	"	"	***
Total			21,207,740 lbs.

\* Packing for Franklin Baker Co.

\*\* Operating with Blue Bar Coconut Products

\*\*\* Operating with Cooperative Coconut Products. No shipments

The Franklin Baker Company have almost completed their factory buildings and within sixty days will probably have all machinery installed so that they will be very close to their pre-war factory production. It is interesting to note that the Franklin Baker Company has erected all-steel factory buildings which bid fair to make it one of the finest factory installations in the Far East.

On July 31, 1947, the desiccated coconut industry could be considered 54% revived on the basis of a comparison with 1941 production figures and, by the end of 1947, this will have increased to about 91% of the 1941 figures. This revival is remarkable in that most of it was accomplished in 1947, as most companies went through a cooling off period after the cessation of hostilities during which Philippine independence and general business conditions were studied before large policy decisions were made. When the "go signal" was given, the industry accelerated very fast and almost all pre-war manufacturers started exporting.

To date, only two pre-war companies have failed to come back into the business, one of these, a former Japanese company, is being liquidated as enemy property and is not likely to be allowed to resume operations in this country. Three new companies have entered the field and they will more than take the place of the missing two.

For a list of pre-war and post-war desiccated coconut companies showing their status and shipping statistics for the first half of 1947, see page 119.

## Manila Hemp

By MURRAY COOK

*International Harvester Company of the Philippines*

**I**N June, the Davao market started on a very steady note. It is now apparent that during May Chinese dealers had liquidated their entire holdings of loose

hemp, and were in a favorable position to restock and hold for an advance. Production was also slightly lower. A few sales were made on the basis of DA 'J1 at P31 to P33 per picul for loose hemp during the first week of the month. These prices brought out very little hemp, and exporters who were getting low on loose hemp, to maintain their pressing establishments, were compelled to raise prices still further. The result was a rapidly rising market, although world demand was at a minimum, due to heavy buying during May. In our last report, we indicated a closing price of DA 'J1 of P30, which advanced steadily and closed at P42 on June 30.

The strength in Davao gradually reflected in prices of non-Davao grades which began to show signs of strength about the middle of the month. The close at the end of May of P32 for J1 proved to be the low for June. The advance proved less spectacular than Davao grades, however, and ended up the month with a firm note at P34 to P35 per picul for loose hemp.

During June, production continued heavy and established a post-war record, 74,677 bales being inspected, approved, and certified by the Fiber Inspection Service. Davao led by Provinces with a total of 34,376 bales, while Albay came next with 11,896 bales. This brings the total for the first half of 1947 to 381,584 bales of 126.5 kilos net.

## Sugar

By G. G. GORDON

*Secretary-Treasurer, Philippine Sugar Association*

**O**F importance to the sugar industry is the news that the Philippines has been allocated 38,000 tons of fertilizer, the importation and distribution of which will be handled by the Philippine Government. This will undoubtedly greatly assist the large expansion of cane production planned for the 1948-49 crop.

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Despite many difficulties of procurement of the necessary machinery and supplies, reconstruction is proceeding satisfactorily at a number of centrals which suffered considerable war damage.

In addition to this reconstruction work on centrals, a great deal requires to be done to cover the losses suffered by planters in the destruction of buildings, agricultural machinery, and work animals. It is anticipated that the Government will facilitate finances necessary to enable the planters to return to full production.

Dr. Antonio A. Lizares and Mr. Juan Cojuangco have been elected members of the Executive Committee of the Philippine Sugar Association.

It is reported that Mr. Geo. H. Fairchild, formerly President of the Association, who is at present in New York, may return to the Philippines about the end of this year.

## Food Products

By C. G. HERDMAN

Marsman Trading Corporation

**T**HERE is very little comment that can be made on food products and the local market at this time. Conditions are essentially the same as those ruling a month ago and reported in the last issue of the *Journal* except that conditions, if anything, are slightly worse than at that time.

The situation with regard to canned milk is slightly better. Prices have firmed up P1.00 or so per case, but the market is still heavily overloaded and all brands are being sold at prices well below either actual landed costs or replacement costs.

Flour stocks are still very greatly in excess of consumption and prices in general are even lower than a month ago. It had been hoped that arrangement would



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be made for export of approximately 7,500 tons of this excess flour to Japan for relief purposes. Negotiations to effect this still continue and it is possible that they will shortly be successful. If that comes to pass, then the position here will be considerably changed, and importers will again find it possible to place orders for new stock with the possibility of being able to move it upon arrival at a profit.

The market on canned fish is rapidly clearing up with the advent of the typhoon season and the corresponding decrease in supplies of local fish. Movement from local stocks has been excellent for the last three weeks or more. Prices have firmed to a point where a reasonable profit is now possible on sales, and there is every reason to believe present stocks will have entered into consumption by the time new pack fish from California can arrive. This will probably be during the second half of September.

The situation as regards canned fruit and canned vegetables remains unchanged. Some few varieties are practically unobtainable, but the varieties which can be obtained still continue in stock in quantities far in excess of actual requirements and are moving to consumers in nearly all instances at prices well below costs.

This is also true of canned coffee, stocks of which remain quite heavy and all brands have been selling freely considerably below the imported cost.

It is the general belief that no real improvement in imported food-lines in the Philippines can be expected before September or October.

## Textiles

By JAMES TRAYNOR

**T**HE local textile market during the month of June showed definite improvement over the depressed condition ruling during the month of May. The

off-take continued to be large and caused shortages in some lines. Pending orders with American mills were about cleaned up and importers placed their first orders for several months. New ordering was on a highly selective basis and continued through July.

Arrivals from the United States during June were estimated to be less than one-fourth of the average for the first five months.

Rumors prevalent here to the effect that the New York textile market was expected to show a decided weakness with lowered prices, have proved to be incorrect. New York prices improved and most mills have completely sold their entire production for the next four to six months.

The combination of local sales in large quantities, small arrivals, and a firm New York market caused local prices to somewhat draw into line with replacement costs and in some cases local prices went above replacement. A further strengthening influence on the local market is the comparatively small quantities American mills offer for nearby shipment.

## Legislation and Court Decisions

By EWALD E. SELPH

Ross, Selph, Carrascosa & Janda

**A**T the time of the last issue of the *Journal* some of the bills passed by the Congress of the Philippines had not yet been acted upon by the President. Among those we did not comment on were the following:

Republic Act No. 100 authorizes certain additional officials, including public school officials, to administer oaths on war-damage claims and provides that no docu-

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mentary stamp shall be required on any claim papers, affidavits, or other documents to be submitted to the Philippine War Damage Commission.

Republic Act No. 133 authorizes the mortgage of private real property for a period not exceeding five years, renewable for another five, in favor of any individual, corporation, or association, but if the mortgagee is disqualified to acquire or hold lands of the public domain, such person or entity cannot bid or take part in any sale of such property.

Republic Act No. 142 amends the section of the Tariff Act relating to consular invoices and provides that consular officers having knowledge of any case or any practice which may defraud the revenue of the Philippines shall report the facts to the Insular Collector of Customs through the Secretary of Foreign Affairs.

Republic Act No. 172 increases the penalties for using the trade-name, trade-mark, or service-mark of another or a colorable imitation thereof. A service-mark is defined to include slogans and distinctive features of radio or other advertising of services.

Republic Act No. 184 regulates the practice of electrical engineering and requires certificates of registration. It specifies qualifications for the different branches of electrical work, including master electricians, and also includes those who take charge of the sale, distribution, installation, and operation and maintenance of electric equipment requiring engineering calculations or application of engineering principles and data. It provides for exemption from examination of those having certain experience and who were registered under Act No. 2985 of the Philippine Legislature. It applies to certain X-Ray and electronic equipment. It also provides that no foreigner shall be entitled to registration unless the country of which he is a citizen

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specifically permits Filipino engineers to practice within its territorial limits on the same basis as citizens of such country.

Among recent Executive Orders of the President which may be of interest to business men is Executive Order No. 54 which transfers the powers and duties of the Treasurer of the Philippines pertaining to insurance, mutual benefit, relief and benevolent societies and associations, and trusts for charitable uses, to the Bank Commissioner.

The complete rules and regulations of the U. S. Philippine Alien Property Administration were published on page 1397 in the April *Official Gazette*.

Most of the Supreme Court and Appellate Court decisions which have been published deal with either criminal cases or disputes between landlords and tenants.

## Philippine Government Corporations

*From an Official Source*

**R**EALIZING the immediate necessity of rehabilitating the war-torn economy of the country, the Republic has engaged the services of a group of American engineers headed by Henry E. Beyster to act as advisers and consultants. In an effort to promote reconstruction and stimulate production from raw materials available, this technical staff has drafted a short-range industrial expansion and rehabilitation program, involving an estimated total expenditure of P40,980,000, embracing 29 dif-

ferent types of industries, 12 of which have already been approved by the President, namely: livestock, and rice and corn projects, Insular Sugar Refining Corporation, (rehabilitation), nail plant, sawmill, paper plant, finishing-mill, sash-and-door plant, fishing boats (building), textile-mill (expansion), and plywood plant.

As an initial step in the establishment of the plant for the manufacture of nails and bolts, all available scrap iron in the Philippines is now being collected and dumped inside the Pureza Compound. The total cost of construction of the proposed plant, designed for a capacity of 5,000 tons of nails per year, is P711,136, including the cost of the building and the equipment.

President Roxas has authorized the acquisition of a sawmill and finishing mill located at Jackson, Mississippi. The cost of the machinery, equipment, supplies and services is estimated at a total of P1,243,460. The capacity of this sawmill is 100,000 board-feet a day operating 10 hours. According to present plans, the sawmill is to be erected in Agusan. The other mill sites being considered are in Palawan, Surigao, Mindoro, Polillo, southwest Negros, and Davao. The finishing-mill will be put up either at the NDC compound (Manila), in Bataan, or in Batangas.

The technical staff is also preparing a long-range program for the utilization of the machinery and equipment which may be obtained as reparations from Japan. Some of the projects envisioned by the program concern alcohol distillation, shipyards, soap manufacturing, automobile assembly, plastics manufacture, and other light industries. It is hoped that with adequate financing, the proposed industries and plants may be established within a period

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of 10 years in accordance with the short and long range programs now under study. It is estimated that a short-range program of five years would require a capital investment of P400,000,000 which would involve the erection of Japanese reparations equipment and the purchase of additional new equipment for basic industries.

Upon invitation of the Philippine Government, Robert E. Bingman, President of Bingman & Associates of Detroit, Michigan, arrived in Manila last May to make a survey of the Philippine cottage-industry program that would be directed to making available to Philippine nationals approximately 25 classes of products possible to manufacture in whole or in part in home and community workshops. The program is designed to enable Filipino businessmen to employ this form of labor in the production of exportable items using a maximum of Philippine labor, skill, and material.

The Rice and Corn Production Administration was organized in the early part of 1947 as a unit of the National Development Company. This step was in line with the government program of increasing the production of rice, corn, and other agricultural crops in the country through the use of the farm-machinery and equipment available. The Rice and Corn Production Administration has both a short-range and a long-range plan. The short-range plan is for immediate execution, and calls for the opening and cultivation with mechanized farming of 10,000 hectares of land in the following regions, each project to begin one after another within a period of six years: Cotabato, Negros Occidental, Mindoro, Pangasinan, Nueva Ecija, and the Malig plain in the Cagayan Valley. Initial operations were started last March on a 2,000-hectare experimental

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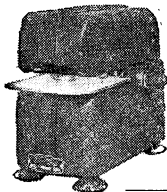
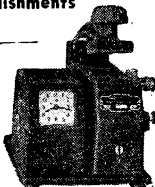
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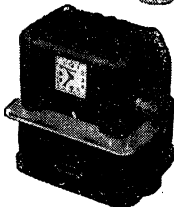
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farm in the NDC-owned Sabani Estate in Laur, Nueva Ecija. This is to be the forerunner of the several 10,000-hectare units to be scattered all over the Philippines.

Upon recommendation of the Beyster technical staff, the NDC board of directors has authorized a total appropriation of ₱12,900 to complete work on the cataloguing, cleaning, salvaging, and storing of the pulp and paper plant left by the retreating Japanese on the premises of the Insular Sugar Refining Company in Mandaluyong, Rizal. The salvaging and cataloguing have already been completed, and the missing parts identified. The salvaged machinery is estimated to be worth ₱500,000. In order to complete the installation of this pulp and paper mill, the board of directors has approved an appropriation of ₱1,250,000 for the purchase of the missing parts and the needed accessories. This project will be able to operate within six months after the arrival of the parts and accessories ordered from the United States. The mill, when finally erected, will have a capacity of 25 tons a day, and will be able to produce manila paper which can be converted into paper bags for cement, envelopes, wrapping-paper, newsprint, and cardboard. All this will mean the utilization of raw materials—such as low-grade abaca, cotton-waste and waste paper, palusapis, lawan and almon (2nd and 3rd group lumber varieties), bamboo and bohos (a special variety of bamboo), cogon and talahib (two grasses), and rice-straw—which greatly abound in the Philippines.

## United States Government Agencies in the Philippines

From an Official Source

UNITED STATES  
PUBLIC ROADS ADMINISTRATION  
PHILIPPINE DIVISION  
Post Office Building, Manila

DIVISION ENGINEER.....	Francis C. Turner
STAFF OFFICER IN CHARGE OF	
Programming and Planning.....	A. C. Taylor
Highway Construction and	
Maintenance.....	E. D. Johnson
Bridge Construction and	
Maintenance (Acting).....	C. C. Sadler
Administrative Management.....	R. E. Hultman
Materials.....	W. L. Eager

### Creation and Authority

The Congress of the United States of America enacted Public Law 370 (79th Congress) April 30, 1946, providing, among other things, that its Public Roads Administration is authorized to plan, design, restore, and build in accordance with its usual contract procedures, in cooperation with the Philippine Government, certain roads, streets, and bridges as may be determined necessary from the standpoint of the national defense and economic rehabilitation of the Republic of the Philippines and to the extent that the President of the United States approves the findings in a report on Philippine Highway Requirements as prepared by the Public Roads Administration. The Act further provides training, in accordance with such regulations as may be adopted by the Commissioner of the Public Roads Administration, for not to exceed ten Filipino engineers from the regularly employed staff of the Philippine Bureau of Public Works, to be designated by the President of the Philippines.

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The Philippine Department of Public Works and Communications, through the Bureau of Public Works, chooses projects for immediate construction from among those most urgently needed and submits a program of proposed work to the U. S. Public Roads Administration. These individual projects are inspected for need, adequacy of design, and suitability to an over-all development of the road system. If found satisfactory the program is approved by the Public Roads Administration, and the Bureau of Public Works is advised to proceed with the detailed design of the selected projects.

After the complete detailed plans, specifications, and estimates have been prepared, they are submitted to the Public Roads Administration where they are reviewed for completeness and adequacy. Particular attention is paid to provisions regarding construction methods and materials to see that efficient methods have been specified and local materials are used as advantageously as possible.

When the plans, specifications, and estimate have been found satisfactory the Bureau of Public Works is authorized to advertise for the receipt of bids. Sealed bids are received, publicly opened, and read. Award of contract is made to the lowest responsible bidder by the Bureau of Public Works with the concurrence of the Public Roads Administration.

The contract for construction of a project is between the Contractor and the Department of Public Works and Communications. A separate covenant between the Bureau of Public Works and the U. S. Public Roads Administration covers the financing of the work from the Philippine Rehabilitation Funds provided by Public Law 370 of the U. S. Congress.

Engineering supervision and inspection of the work in progress is performed by engineers of the Bureau of Public Works and of the Public Roads Administration. As work progresses the Contractor is paid periodically by the Bureau of Public Works, which organization is reimbursed by the Public Roads Administration for work found to have been satisfactorily completed.

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## Labor

*From an Official Source*

THE petition signed by some 400 workers of the Metropolitan Water District for an increase of 50 per cent in their pay was disapproved by the President on June 20. The construction of a rest house, the assignment of a jeep for emergency cases, and various hospitalization privileges were granted the laborers. There was no strike.

President Roxas in a conference with CLO leaders, said that the labor problem today in the Philippines consists not only of the dissatisfaction of some laborers with

### COST OF LIVING INDEX OF A WAGE EARNER'S FAMILY IN MANILA BY MONTH 1945 TO MAY, 1947

*Prepared by the Bureau of the Census and Statistics  
1941=100*

	All Items	Food (59.15) <sup>1</sup>	House Rent (8.43) <sup>1</sup>	Clothing (0.62) <sup>1</sup>	Fuel, Light and Water (13.94) <sup>1</sup>	Miscel- laneous (17.86) <sup>1</sup>
<b>1945</b>						
March.....	559.8	635.5	236.4	1695.2	237.1	674.4
April.....	598.8	702.1	236.4	1611.9	254.3	661.4
May.....	689.7	799.4	236.4	2041.5	380.7	734.8
June.....	745.8	872.7	236.4	1860.8	410.8	788.7
July.....	751.5	886.9	236.4	1604.2	393.4	794.1
August.....	724.7	848.5	236.4	1484.5	397.6	774.3
September.....	708.4	852.4	236.4	1034.0	367.7	709.1
October.....	735.3	837.8	236.4	1045.1	466.1	499.5
November.....	747.8	955.8	236.4	1017.0	480.2	499.9
December.....	669.4	852.7	236.4	1030.3	401.9	463.0
<b>1946</b>						
January.....	603.4	759.2	236.4	984.0	363.8	434.8
February.....	547.2	656.3	236.4	940.3	369.5	460.7
March.....	525.9	631.0	236.4	940.1	340.4	445.2
April.....	556.2	684.1	236.4	910.3	345.5	435.9
May.....	545.1	675.6	236.4	762.5	342.3	409.6
June.....	538.7	666.4	236.4	737.9	343.3	404.2
July.....	552.7	704.3	236.4	598.9	341.3	364.6
August.....	477.9	590.0	236.4	384.7	320.9	346.3
September.....	477.9	591.3	236.4	378.7	314.5	347.2
October.....	487.4	587.2	236.4	382.7	405.8	342.7
November.....	484.8	607.8	236.4	406.4	346.5	305.2
December.....	461.9	570.8	236.4	371.9	344.7	302.1
<b>1947</b>						
January.....	394.1	468.2	236.4	381.9	326.2	282.5
February.....	389.5	454.9	236.4	356.3	344.8	281.4
March.....	378.6	440.1	236.4	295.2	334.7	279.4
April.....	360.3	413.3	236.4	269.2	328.3	271.6
May.....	354.2	404.4	236.4	250.9	325.4	269.4
June.....	358.6	414.4	236.4	236.8	316.6	268.6
July.....	364.1	426.8	236.4	217.7	309.3	269.9

<sup>1</sup> Weekly average only

<sup>2</sup> Weights

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TREND OF REAL WAGES OF LABORERS IN INDUSTRIAL AND COMMERCIAL ESTABLISHMENTS IN MANILA, BY OCCUPATIONS:  
1941-1945-1946-1947<sup>1</sup>

Prepared by the Bureau of the Census and Statistics

Occupation	Average Daily Wages (Pesos)				Index (1941=100)			Daily Real Wages <sup>2</sup> (Pesos)		
	1941	1945	1946	1947	1945	1946	1947	1945	1946	1947
Blacksmiths	2.55	4.25	5.57	6.58	166.6	218.4	258.0	0.62	1.07	1.77
Boilermen	2.82	6.40	5.20	7.50	226.9	184.3	265.6	0.94	1.00	2.01
Carpenters	2.75	6.02	6.66	7.51	218.9	242.1	273.1	0.97	1.28	2.02
Chauffeurs	1.64	4.05	5.78	6.50	264.9	352.4	396.3	0.59	1.11	1.74
Cigar-makers	0.96	2.83	4.87	5.12	294.7	507.2	533.3	0.41	0.93	1.37
Compositors	1.84	6.14	7.29	7.92	333.6	396.1	430.4	0.90	1.40	2.13
Draftsmen	3.28	7.54	7.48	8.31	232.9	228.0	253.4	1.10	1.44	2.25
Electricians	2.67	5.20	7.82	8.07	194.7	292.8	302.2	0.76	1.50	2.17
Foremen	3.35	7.38	7.95	8.58	220.2	237.6	256.1	1.08	1.53	2.30
Lathemen	2.60	4.88	7.31	6.80	187.7	281.1	261.5	0.71	1.40	1.83
Linotypists	2.64	10.22	10.17	9.75	387.1	385.2	369.3	1.50	1.95	2.62
Machinists	2.23	5.75	6.48	8.59	257.8	290.5	385.2	0.84	1.24	2.31
Masons	1.94	5.90	6.58	6.95	304.1	339.1	358.2	0.86	1.26	1.87
Mechanics (auto)	3.00	7.46	6.90	9.27	248.6	230.0	309.0	1.08	1.32	2.49
Painters	1.83	7.77	6.28	7.73	424.5	343.1	422.4	1.14	1.21	2.07
Plumbers	2.00	4.80	7.67	7.77	240.0	383.5	388.5	0.70	1.47	2.09
Tinsmiths	1.72	4.23	5.04	8.01	245.9	293.0	465.7	0.62	0.97	2.15
AVERAGE—										
Skilled laborers	2.34	5.93	6.76	7.66	261.7	306.1	387.4	0.87	1.30	2.06
Common laborers	1.24	3.27	4.53	4.67	263.7	365.3	376.6	0.66	0.87	1.25

<sup>1</sup> Preliminary, subject to change as more data become available.

<sup>2</sup> Wage in terms of goods and services it can buy. This is obtained by dividing the 1945, 1946, and 1947 wages by the cost of living index for the year 1945 (683.3), 1946 (520.9), and 1947 (372.6), respectively. Commonwealth Act No. 444 limits regular working hours to eight a day.

The index used for 1947 was the average for January to June, 1947.

their wages but also of widespread unemployment. The President stated that strikes are creating a bad impression for the country abroad.

The National Labor Union on June 26 assured the President through its counsel that it does not believe in strikes against the government.

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*Minister-Counselor and Charge d'Affaires ad interim*

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*Envoy Extraordinary and Minister Plenipotentiary  
of the Republic of China*  
3rd of October 1946

**HIS EXCELLENCY LINTON HARRY FOULDS, C.B.E.**  
*His Britannic Majesty's Envoy Extraordinary and  
Minister Plenipotentiary*  
30th of October 1946

**HIS EXCELLENCY TEODOMIRO AGUILAR Y SALAS**  
*Envoy Extraordinary and Minister Plenipotentiary  
of Spain*  
30th of January 1947

**HIS EXCELLENCY GASTON WILLOQUET**  
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7th of February 1947

**THE HONORABLE VITTORIO STRIGARI**  
*Charge d'Affaires of the Italian Republic*  
5th of November 1946

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20th of May 1947

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Exequatur dated the 7th of January 1947

**R. GUILLAUME**  
*His Majesty's Consul-General for Belgium  
(with residence in Hongkong)*  
Exequatur dated the 14th of April 1947

**ERNEST E. EVANS**  
*Consul of the United States of America*  
Exequatur dated the 7th of June 1947

**TSU TSENG T. SHEN**  
*Consul-General of the Republic of China*  
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*Consul of Norway*

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*Acting Vice-Consul of the French Republic*  
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JOSE GARCIA ALONSO  
*Consul of Guatemala, a.h.*

Exequatur dated the 19th of December 1946

SAID TAKIEDDINE  
*Consul of the Lebanese Republic, a.h.*  
 Exequatur dated the 18th of February 1947

RAFAEL PEREZ ROSALES  
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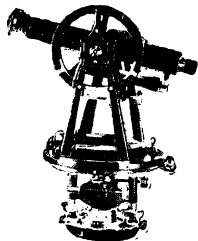
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## The "LET YOUR HAIR DOWN" Column

**T**HE July issue of the *Journal*, the first to mark a general change in policy, contents, and format, was very well received, as we had believed it would be. With the cooperation we were able to enlist, we thought that it would indeed be practically impossible to make it any better as to basic plan, although, of course, it may be improved in execution and detail, and we are determined to do all we can in that respect. Members of the Chamber and readers of the *Journal* were generous in their expressions of appreciation of the cooperative effort we are putting forth, and a few of them took the trouble to send in letters about this. One from Mr. E. A. Perkins read in part:

"I have just been reading your July, 1947, issue and, before laying it aside for future reference, I wish to express my congratulations to the editorial staff and management on the great improvement observed in it. The 'shot-in-the-arm', or whatever it may have been, was well worth while. The articles are informative and timely. The editorials are excellent and leave nothing to be desired. If I were to criticize at all, it would be the rather poor graphs appearing on pages 66, 67, and 71. They are hard to read. But, all in all, you have earned the gratitude and deserve the good wishes of all members of the Chamber and readers of the *Journal*..."

Another letter from Mr. H. J. Belden, of the Atlantic, Gulf, and Pacific Company of Manila, addressed to the editor, read in part:

"I take the liberty of saying to you, as I did to Mr. Stevens, that the July issue of the *Journal* impressed me very much. I like particularly the arrangement which seems to be well set up to follow the trend and progress of the important fields of business here for the information and benefit of business men in general,—which is an important service of the Chamber. I wish your administration of the *Journal* success."

We are sorry about the graphs, but by the time we knew that they had not been re-drawn, as they should have been, it was too late to do the work over. The graph in this issue is still not what it should be, and we shall do our best to improve the graphs in future issues.

Since so many people are called upon to cooperate in getting together the contents of the *Journal* each month, there was still some delay in the receipt of copy from some of them, although the greater part of the material came in promptly. While we have been able to add a number of additional columns to

"The Business View" pages, which constitute the heart of the *Journal*, there still are a number of columns which we should have and have not been able to get as yet. We have added the columns on the Office of the President, on Credit, and on Air Transportation, but projected columns on Automotives and on Tobacco are still missing. We hope to have them in the next issue. Some of the new column editors had insufficient time to prepare material as comprehensive as they wanted it, but promise more complete coverage in future issues. We trust that *Journal* readers will realize that it takes time to organize such an editorial enterprise as this and to get it to running smoothly. The editor himself is very well satisfied with what has so far been done and is very grateful to the men who are helping to make the present *Journal* possible.

Only a few readers took advantage of our invitation to "let their hair down" in this column. One of them

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addressed the editor as follows on the matter of insurance claims:

"We desire to call your attention to the deplorable conditions now existing in the City of Manila in reference to insurance claims on goods lost on board steamers or at the piers. We could readily understand the difficulties of getting the information and running down the necessary data a year or a year-and-a-half ago, but we have claims still pending that are over a year old. We can't trace any particular spot that constitutes a bottleneck, for the steamship, the Manila Terminal, and the insurance companies all seem to be very reluctant to complete our claims.

"First we have to demand settlement from the steamship company; then we have to take the matter up with the Manila Terminal Company; and possibly we have to get a marine survey of the goods. In connection with all of these demands, it takes months to get the proper papers together, and then the insurance companies take their own good time in paying.

"We believe that it would be of vital interest to the merchants of the Philippines to know just why there is so much delay and what plans the insurance companies, the Manila Terminal, and the steamship companies are considering so that these delays will become a thing of the past."

We turned the original of this letter over to Mr. Henderson, who edits the Insurance column of the *Journal*, but we have not as yet had a reply from him. Perhaps he is saving his answer for the September issue.

Mr. Henderson is thus the first to have drawn fire, although Mr. Eduardo Taylor, general manager of the Cebu Portland Cement Company, was the more ready to accept an invitation to write his article for this issue of the *Journal* because Mr. Keys, in his contribution to last month's Construction column, had perhaps inadvertently included cement as among a number of building materials which he said were still hard to get. Mr. Taylor was on the point of writing a letter about this when the editor called on him to ask for the article. Mr. Taylor was among the many men who have told us that they took the *July Journal* home with them to read at their leisure.

There was another letter, addressed to the editor himself, which read as follows:

"Sir: I note that Mr. Von Kauffmann in his 'Lumber' column in your wonderful initial [July] issue expressed the wish for 'more reasonable' freight-rates, while Mr. Danks, in his 'Inter-Island Shipping' column, stated that 'non-compensatory' rates at the out-ports should be 'increased'.

"Of course, that's the sort of stuff a reader gets when an editor not only permits but invites all sorts of interested parties to edit his paper for him.

"Now if I were writing a column, I would demand lower freight-rates and lower lumber prices, but I wasn't asked!

"How's that for 'letting my hair down', you bald-headed so-and-so?"

"Very truly yours,

(Sgd) "An Admirer"

The thought had crossed the editor's mind that somebody might write him a letter like that, but he didn't think that we had a reader sufficiently unintelligent. As a matter of fact, it looks like a little leg-pulling.

Of course, the writers of the various columns of "The Business View" are all "interested parties". That is why they were invited to write them. And if it weren't for that kind of men and such "interest", there probably wouldn't be any ships or any lumber. In this still so imperfectly organized world, there has to be something for the entrepreneur,—in other words, profit. The world is not ready to do away with that kind of interest.

And any intelligent reader will see that the various business interests represented in the *Journal* columns tend to balance each other in his mind, just as these interests are balanced in the real world. Is an editor to judge between them? In these writings in the *Journal*, the reader will see very clearly a reflection of the operation of the economic laws which underlie all business activity, and he will also be impressed with the futility of trying to render them inoperative. "Interests" are forever clashing, adjusting, and clashing again; any equilibrium momentarily reached is never stable, especially in a dynamic and progressive society. Nothing can be kept up or kept down or stays put for very long. Such is life, thank God!

And shall we ask who "Admirer" is and what his interests are? Can he or anyone claim complete disinterest? He must engage in some form of activity by which he lives. Then he has interests, just like the lumber man and the ship-owner. No doubt he would like to get more for his goods or services, whatever they may be, and pay less for the goods and services he needs. And wouldn't we all!

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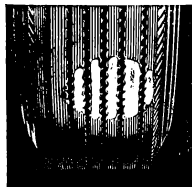
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## Taxability of Sales of Articles to Foreign Consuls and to the United States Army and Navy

**T**HE Bureau of Internal Revenue, under date of June 24, advised a member of the American Chamber of Commerce of the Philippines as follows with reference to the taxability of sales of articles to foreign consuls and to the United States Army and Navy:

"This is to acknowledge receipt of your letter dated June 20, 1947, and to inform you that the question relative to the taxability of sales of articles to foreign consuls is still under advisement. As soon as the case is finally decided, you will be advised of the decision.

"With respect to your sales of articles to the United States Army and Navy, please be advised that under the terms of the Bases Agreement concluded between the United States Government and the Republic of the Philippines, no internal revenue tax shall be collected on material, equipment, supplies or goods, including food stores and clothing, for exclusive use in the construction, maintenance, operation or defense of the bases consigned to or destined for the United States Army or Navy and certified by the authorities thereof to be for such purposes.

"However, in order that tax exemption may be granted by this Office, a certificate signed by a responsible official of the United States Army or Navy should be submitted to this Office for verification. Such certificate must specify the number, kind, and description of the articles to be purchased and certifying that the same will be used exclusively in connection with the authorized activities of the United States Army or Navy. Only after such verification may this Office authorize the vendor to deliver the articles listed therein to the United States Army or Navy without adding to the cost thereof the tax ordinarily imposed on said articles.

"However, in isolated cases of emergency where it is deemed necessary to secure certain materials immediately needed by the United States Army or Navy or any agency exempt from tax, such materials may be purchased without securing a certificate of tax exemption. In such cases, the invoice to be issued by the vendor should show the number, kind, and description of the articles to be purchased. In these instances, corresponding claims for refund of internal revenue taxes paid may be filed with the Bureau of Internal Revenue within two (2) years from the date of payment.

"Very respectfully,

"BIBIANO L. MEER  
Collector of Internal Revenue

"By: (Sgd.) ALFREDO V. JACINTO  
"Deputy Collector of Internal Revenue"

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