

'Supermarket' trade houses to open soon

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

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

Under the trade ministry's expanded trade program, management of a group of 13 store franchise holders who will set up shops in the trade house. The trade ministry implements the program of establishing the trade houses abroad to display and sell local products. Its supermarket or "expanded trade house" concept envisions at least \$12 million in annual earnings — from a minimum quota of \$2 million a year per trade house for 21 trade houses planned up to 1981.

CONTRACTS. According to Norberto A. Romualdez III, officer-in-charge of the Bureau of Export Promotion, contracts will be signed shortly for two other trade houses to be set up

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

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

Negotiations are under way for the opening of two more to be established in Honolulu and Dallas, Texas. The one at Dallas will possibly be owned and operated by Ayala Corporation, a source said. Ayala is one of the local companies which has set up overseas trading offices (OTOs).

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Capital gains tax break: when to implement

JOSE P. OMPOC, Jr.
Reporter

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

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

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

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

Both bills have passed first reading at the Batasan.

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

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

Much as the members of the committee tried to

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

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

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

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

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

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

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

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

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

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

Tanduy aims for share in US market

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

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

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

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

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

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

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

Delta Mini-Cruiser, Tamaraw to be assembled in Egypt

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

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

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

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

The initial minimum order of 3,000 units has an estimated value of

\$15 million based on unit prices of \$5,000 per Delta Mini-Cruiser and \$4,000 per Tamaraw.

PROJECTIONS. Based on its projections, DMC expects to export 1,536 Delta Mini-Cruisers and Tamaraws worth \$9 million this year, 8,250 units worth \$26.2 million in 1981, 8,250 units worth \$36.5 million in 1982, 10,300 units worth \$45.2 million in 1983 and 11,000 units worth \$38 million in 1984.

The distributorship agreement with AAV is the second major contract signed by DMC with a foreign automotive company for Mini-Cruisers and Tamaraws. Early this year it started shipping part of a 1,000-unit export commitment to Plan Motor Italia, S.P.A., a Turin-based firm which will distribute Mini-Cruisers in the European Economic Community.

ANNOUNCEMENT

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

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

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

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