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In 2 Sections — Section 2

COMMONWEALTH OF PUERTO RICO



Aerial view of the road network joining the Old City of San Juan with the Santurce Business District. Modern freeways connect the major commercial and residential sections of San Juan and provide easy access to the Island's outlying areas.

IMPRESSIVE ECONOMIC GROWTH A PRELUDE TO A GREATER TOMORROW

Economy of Puerto Rico Is Steadily Thriving

By Dr. Rafael Pico, President, Government Development Bank for Puerto Rico

Superlative gains in Puerto Rico's economic progress are seen in such figures as 11 per cent rise in net income and 14 per cent advance in manufacturing — over the previous year. Year's 21 per cent gain in exports testifies to industrial expansion. At the same time, the domestic market fared equally well. Newest flourishing industry is tourism which gains 18 per cent over the prior year's figure.

That the economy of Puerto Rico is truly flourishing was dramatically illustrated last month when the Puerto Rico Planning Board was able to make the announcement that during the past fiscal year (the year ended June 30, 1962) net income rose nearly 11% (10.8% to be precise) to reach the record high figure of \$1,650 million.



Dr. Rafael Pico

This percentage increase was the greatest in the past ten years. What lends added significance is the fact that per capita income also shows the highest annual rate of increase in the past ten years despite the fact that the rate of Puerto Rican migration to the States has sharply declined in recent years and consequently, the total population of Puerto Rico has increased.

Rapid Growth Is Real

These great gains were not any result of reactivation of an economy which had been declining. Quite the contrary! In fact, the 11% increase this past year came directly on the heels of an increase of 9% in the preceding year and again of 9% in the year before that. Actually in the past

five years, the annual rate of increase has never dropped below 7% while prices in no one of these years advanced over 2.8%.

The Puerto Rico Planning Board has prepared this interesting tabulation of net income by categories:

Among the several important factors which produced these very substantial gains this past year have been: (1) the growth in capital investments, especially new construction; (2) the expansion of manufacturing activities and (3) increased governmental activities. Other contributing factors have been a substantial increase in tourist trade and, to a lesser extent, increased agricultural income.

In recent years, Puerto Rico's entire economy has been altered from one basically agricultural to an economy where industry now surpasses agriculture as a source of income by more than 60%. This has been largely due to the number of new manufacturing plants promoted under the Commonwealth of Puerto Rico's economic development program.

Not Affected by U. S. A. Recession

It is interesting to note that the manufacturing industries in Puerto Rico, which in the second quarter of 1961 had shown signs of acceleration at a time when economic contraction in the United States had just about ended, continued to advance rapidly in the course of the fiscal year 1961-62 and, as the table

Net Income by Categories (Millions of Dollars)

Sector of the Economy—	1960-61	1961-62	% Change
Agriculture	\$198.3	\$207.6	4.7
Manufacturing	333.2	381.4	14.5
Construction by contract & mining..	92.0	105.2	14.3
Government, state & municipalities	197.9	221.4	11.9
Federal Government.....	87.0	84.5	- 2.9
All others (including rest of world)	580.3	650.0	12.0
Total	\$1,488.7	\$1,650.1	10.8

shows, concluded that year with a net income figure of more than \$381 million, a gain of more than 14% over the preceding year.

As indicated, the chief source of this gain was traceable to the manufacturing activities of plants promoted by the Economic Development Administration, the so-called "Operation Bootstrap."

Production by these plants, in terms of generated income, increased 22% which is clear evidence of the remarkable expansion which has taken place. The Planning Board reports that the net annual income of the Economic Development Administration factories now totals \$233 million and represents nearly two-thirds of the total net manufacturing income of Puerto Rico.

Here are some additional interesting figures of new records set: 169 industrial enterprises were launched compared with 118 a year earlier. A total of 139 factories actually began operations in this past fiscal year compared with 123 the year before.

At the end of the fiscal year, 657 plants and factories were in operation under the aegis of the Economic Development Administration, providing employment for 59,000 factory workers.

Exports Up 21 Percent

Naturally, this industrial expansion was reflected in exports, and the volume of foreign sales of new manufactured products rose to \$494 million. This figure was 21% greater than a year earlier. At the same time, factories concentrated on the domestic market in Puerto Rico fared equally well due, in part, to the expansion in construction and the resultant demand for construction materials and, in part, to increased home consumption.

In the public sector, income flowing from activities of the Commonwealth of Puerto Rico and its municipalities — total wages and sales — advanced to \$221 million, a payroll increase of \$23.5 million. This increase was chiefly accounted for by the expansion and improvement of the educational system of Puerto Rico, the budget for which, this past year, was some \$12 million higher than the year before. Another major item accounting for the increase was \$3 million additional in the health budget.

Agricultural Gains

Agricultural production, last year, totaled \$255 million, slightly higher than the figure for the previous year. As the Planning Board has pointed out, however, this does not present a true picture of the gains in the agricultural sector of the economy. The plain figures do not show, for example, that year by year the number of cattle keeps increasing not only to meet growing demands for milk and dairy products but also because of increased meat consumption.

Indicative of this is the fact that in the year under review the number of head of beef cattle increased by 35,000 which in dollar value signifies a gain of more than \$5 million.

A slight decline in sugar production was offset by a sharp rise in other farm and agricultural items such as coffee, livestock and fowl.

Rising Tourist Industry

One of the newer and now flourishing industries of Puerto Rico is tourism. Because of its ideal year-round climate it is a natural tourist resort area. The Government Development Bank for Puerto Rico, cooperating with the Puerto Rico Industrial Development Co. and other lenders

has been active in developing this field. Loans for various tourist projects such as large and small hotels as well as guest houses and restaurants have been granted. Recently, the Government Development Bank disbursed an interesting loan for a commercial boat yard and marina, an added facility for the growing tourist business.

Tourist trade in Puerto Rico this past year continued its forward climb. Tourist expenditures rose to \$66 million, an increase of 18% over the corresponding figure of the previous fiscal year. The number of tourists stopping at hotels and guest houses this past year was 219,000 and because of added hotel construction at the

end of the fiscal year there were 4,116 hotel and guest house rooms available, an increase of 369 over the preceding year.

The gains indicated by the figures shown above have been reflected in the entire economy of Puerto Rico—in business generally, in banking, in transportation, in public services.

This general expansion of the economy necessarily showed itself in government income. The Government's General Fund receipts totaled \$247 million which was \$29 million higher than the previous year. Significantly, personal income tax revenues gained 21% which indicated the extent to which family incomes in Puerto Rico rose during the period.

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Improving Puerto Rico's Commercial Development

By Carlos J. Lastra, Secretary of Commerce, The Department of Commerce, Commonwealth of Puerto Rico

Recently Puerto Rico embarked upon a new program to improve its commercial development which had fallen behind the island's industrial development. Mr. Lastra reviews the policy and the accomplishments of the newly instituted Department of Commerce.

Puerto Rico has become an example to many nations throughout the world because of its progress in industrial development, but for many reasons commercial development has lagged behind. To meet this need, the Department of Commerce of the Commonwealth of Puerto Rico was established by law in 1960 and started operations in August 1961.

The commercial policy consists of the following four points:

- (1) To develop an orderly and efficient distribution system to provide the maximum wellbeing to the consumer.
- (2) To develop a balanced distribution system which includes the participation of large and small firms, voluntary and corporate chains, cooperatives, and independent groups.
- (3) To develop a distribution system that will make possible the maximum participation of local businessmen.
- (4) To develop a distribution system that is integrated with cultural development.

The primary emphasis of the Commerce Department in its first year has been to give guidance to and stimulate local businessmen to improve their competitive position through management training, employee training, general orientation, technical assistance on merchandising methods and improvement of physical facilities, and organization into voluntary groups in order to make maximum use of group buying and promotional activities.

Some Highlights

A few statistical highlights on the first year of operations:

Two voluntary groups were organized; Lucky Seven, now numbering 37 grocery stores, and Golden Cross, consisting of 35 drug stores.

Technical assistance was given to 202 retailers whose establishments include food stores, drug stores, hardware stores and others. Of these, 28 stores were completely remodeled by the Department and 31 are in process of modernization.

Loans totaling \$3,938,000 to 220 businessmen were processed by the Department and granted by the Small Business Administration and the Government Development Bank.

In a joint training program with the Agricultural Extension Service and the Grand Union Company, 147 food store employees participated in 24 courses including general managers, check-out supervisors, meat cutters, cashiers, store clerks, meat wrappers and sealers, and produce supervisors.

In a joint program with the Department of Education, a training program in selling techniques was provided to about 45 em-

ployees of the Golden Cross voluntary drug store chain. A modern merchandising methods seminar, given jointly by the National Cash Register Company and the Department of Commerce, was attended by about 200 store

managers, store owners and other interested persons. Less formal orientation has been given to more than 1,000 businessmen, as well as their associations and other community groups both at the Department, and in meetings throughout the island.

New Attitude

The most important accomplishment of the Department has been to change the negative, pessimistic attitude frequently characteristic of local merchants and to give an impetus to their efforts to improve their businesses.

During the year, a public corporation, the Commercial Development Company, was created by legislation to assist the Depart-

ment through providing new warehousing facilities and develop new shopping centers throughout the island.

The work of the Advisory Committee to the Department, composed of leading businessmen, has assisted in the interchange of ideas between the business community and the government.

During the next year there will be greater emphasis in education and training to provide the necessary personnel for commercial development.

The Department has been, and will become increasingly concerned with international trade to fulfill its goal of providing the maximum income to the people of Puerto Rico.

Showcase of Democracy

SAN JUAN — Puerto Rico has been called the "showcase of democracy" because of its success in the fields of education, industrialization, health public works. About 2000 visitors each year are sent to Puerto Rico through the "Point Four" and other programs to study the Commonwealth's progress and the ways it has been accomplished. It is not unusual to see Nigerians, Israelis, Indians, Japanese, Venezuelans, Jamaicans, Libyans and people of almost all other nationalities visiting housing projects, factories, schools, art galleries, refineries, hospitals and other sites throughout the island Commonwealth.

'DOUBLED'
AND
'DOUBLED'
AND
'DOUBLED'
AGAIN

... power production in
industrialized
PUERTO RICO

Puerto Rico's Gross National Product during the past 20 years has increased by an amazing 523% ! No longer does the Commonwealth depend predominantly upon farm income—it is now a booming industrial community.

Establishment of more than 800 new industrial plants has made it necessary for electric power production to virtually double and double and double again! Here are the figures:

Fiscal Year	Power Production
1946	343,000,000 kwh
1952	685,000,000 "
1957	1,342,000,000 "
1962	2,570,000,000 "

The Puerto Rico Water Resources Authority—responsible for electrical power—is now larger than all but one of the publicly-owned integrated distributors of electric energy on the United States mainland.

Bonds of the Water Resources Authority enjoy an A rating by nationally recognized bond rating services. Maximum annual debt service requirements are covered 1.95 times. Interest derived from the bonds is exempt from both Federal and State income taxes. Your bank or investment dealer can give you full information.

PUERTO RICO WATER RESOURCES AUTHORITY

Water and Sewer Services Advancing Island's Growth

By Juan Labadie Eurite, Executive Director, Puerto Rico Aqueduct and Sewer Authority

Head of Puerto Rico's water and sewer services traces the rapid expansion, sound financing and rigid standards of the utility. Construction planned between now and June, 1966, is put at \$76 million of which one-third is expected to be financed with borrowed funds. The last issue of \$10 million was floated September, 1960, and the Authority may re-enter the market this Fall.

In keeping pace with the speeding rhythm of economic activity and the considerable improvement of living standards in Puerto Rico, the Aqueduct and Sewer Authority has shown constant growth—since its creation in 1945—in revenues, customers and utility plant.



Juan Labadie Eurite

In the fiscal year recently ended the Authority gained 23,795 water and 10,841 sewer customers. The increase in customers over last year's total was equivalent to 8.6%; that in revenues was 11.5%. This lead of revenues over customers is due to the existing correlation, within certain limits, between improved economic situation and higher water consumption, and to the fact that 92.2% of customers are metered.

The Aqueduct and Sewer Authority (not to be confused

with the Water Resources Authority, which is in charge of power and irrigation) was organized as a public corporation in 1945 to operate all public water and sanitary sewer works in the Commonwealth.

Water and Sewer Facilities

All 75 cities and towns in Puerto Rico have around-the-clock water service. Average daily water consumption is about 115 million gallons, 56% of which is used in the Metropolitan Zone formed by San Juan and 10 neighboring towns. Of the total water supplied, 89% is filtered in 37 plants; 8% is obtained from deep wells and requires only a slight chlorine application. The remaining 3% receives partial treatment, enough to insure bacteriological purity, at the plants without filters of three small towns and various independent rural water works. The filtration plants for those three towns are under construction—two of them practically finished. All the water supplied by the Authority meets the rigid standards of the U. S. Public Health Service.

Seventy towns have sanitary sewerage facilities; the remaining five are under construction. Charges for sewer services are based on one-third of the water charge. Both charges are billed together, and water may be shut off for non-payment of sewer service.

Accelerated Construction Projects

The Authority's construction program, which must continue at an accelerated tempo to keep abreast of foreseeable requirements, may be broken down into five classifications, as follows: (A) San Juan Metropolitan Sewerage Project, (B) Sewer System Expansion, Outside San Juan; (C) Major Water Works Improvement Program; (D) Rural Aqueducts; and (E) Normal Routine Extension of Facilities.

A brief discussion of each program follows:

First, as to the San Juan Metropolitan Sewerage Project the Authority is constructing a comprehensive new system for San Juan and four neighboring towns. The project will cover an area of about 30 square miles with an estimated population of 815,000 by 1975.

This project includes a modern sewage treatment plant with an initial capacity of 24 million gallons per day, which has been in operation since November 1957. The plant is designed to allow successive enlargements until it reaches its ultimate capacity of 60 mgd.

Sewage flows to the plant through a system of trunk sewers of which four with a combined length of 10.6 miles are already in use and seven, 16 miles long, are under construction. Six pumping stations, of which the largest is in operation and three more are underway, also form part of this ambitious project. For the installation of branch sewers, the area has been divided into 38 subdistricts.

The cost of the San Juan Metropolitan Sewerage Project, is estimated at \$42 million. The sections already completed cost \$12.4 million; those under construction will cost, when finished, around \$10.5 million. The trunk sewers and pumping station not yet started,



GOVERNOR LUIS MUNOZ MARIN OF PUERTO RICO

have a cost estimate of \$10.6 million; the branch sewers, sub-mains and house connections, \$8.5 million.

The financing of this project is being shared with the Authority by other governmental units, as follows: Aqueduct and Sewer Authority, \$6.3 million (mostly from a 1960 bond issue); Commonwealth government, \$19.6 million; the five municipalities benefited by the project, i.e., San Juan, Carolina, Catano, Guaynabo and Bayamon, \$12.7 million; U. S. Government (water pollution act), \$2.8 million; other, \$600,000.

As for sewage system expansion outside San Juan although only five small towns do not have sanitary sewers, the Authority has a program for sewer improvements outside of the Metropolitan Zone amounting to \$12.7 million, one-half of which is expected to be realized between now and 1966. No borrowed money will be used for this program which will be financed mostly from legislative appropriations and Federal grants-in-aid.

Relating to water works improvement, this program comprises major additions and improvements, some of them already under construction, to the water system. The four-year program, 1963-1966, will cost about \$27,000,000. Some important items in this program, which will be financed with borrowed money, are the following: (a) improvements to the Loiza River Development Project, principal water supply for Metropolitan San Juan. These improvements include expansion of the Loiza Filtration Plant from 30 to 45-million-gallon-per-day capacity; 48-inch supply main, parallel to existing one; additional raw-water pumping units; and a 54-inch transmission main; (b) enlargement of six existing filtration plants; (c) additional water supply for 10 towns, including Mayaguez, our third-largest municipality; (d) transmission mains for six towns; (e) deep wells for other six; (f) reservoirs for San Juan (6MG) and Cayey (5MG).

Rural Aqueduct Program

The Rural Aqueduct program has already carried pure water

to 54% of the Commonwealth's rural population. This program is having a great socio-economic impact in Puerto Rico's development. An abundant supply of safe water in rural areas, not only improves the health of the people and enhances their productivity, but also keeps them from swarming to the cities. The program is financed from legislative appropriations: of an estimated cost of \$43.5 million, about \$22 million have been already invested; \$13.5 million are expected to be used during 1963-66 and the remaining \$8 million during 1967-70.

To avoid the possibility that those small projects, some of which are uneconomical, may become a drain on our resources, the Government subsidizes the Authority for any rural project which does not at least break even.

Normal routine extension of the Authority's facilities in order to serve the new customers added each year, includes routine expansion of its water and sewer pipes, installation of valves, hydrants and meters. These extensions, which are paid from our own earnings, will cost about \$5 million for 1963-66.

Summary

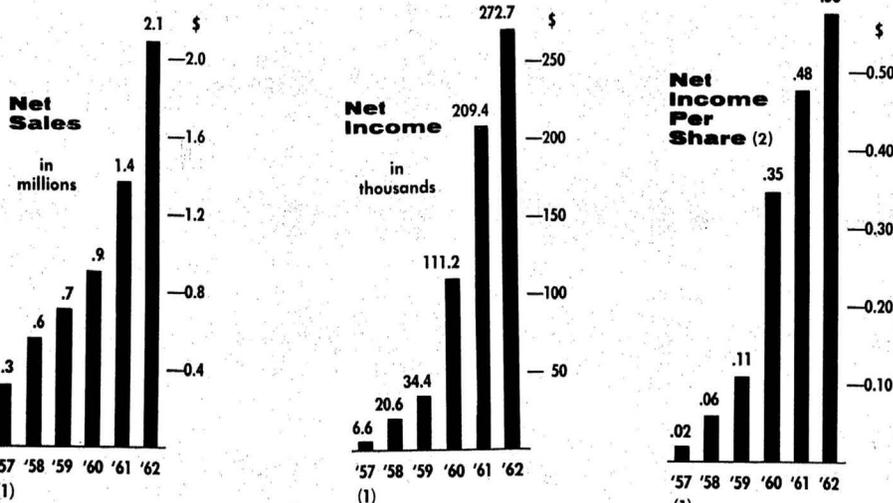
Summing up, the Authority contemplates a construction program of around \$76 million from July 1962 to June 1966 of which slightly over one-third will be financed with borrowed money.

The Authority's most recent bond issue in the amount of \$10 million was sold in September, 1960. Most probably next fall the Authority will again enter the market.

Puerto Rico's economic development during the last 20 years has steadily advanced. Per capita net income has increased from \$121 in 1940 to around \$700 in 1962 (second in Latin America only to oil-rich Venezuela). In fairness to the government and business leaders who have made this progress possible, and to investors who buy our bonds, we feel it is our primary obligation to maintain this Authority in first class operation, with financial soundness and working toward continued healthy growth.

	Water Customers	Gross Revenue	Utility Plant
June 30			
1946	77,220	\$1,792,976	\$23,433,000
1950	117,455	4,063,327	47,319,069
1954	161,529	6,181,446	69,514,030
1958	220,030	8,181,076	109,589,932
1962	300,483	11,544,461	163,870,696

GROWING WITH PUERTO RICO—



(1) For nine months ended 6/30/57. (2) Based on number of shares outstanding in each period, adjusted for 6% dividend 2/5/62.

These charts tell the story of Girard's growth since our company was founded six years ago. We invite you to write for a copy of our annual report for the year ended June 30, 1962, published this week.

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Growth of Electric Power Output in Puerto Rico

By Rafael V. Urrutia, Executive Director, Puerto Rico Water Resources Authority

Head of two-decades-old Puerto Rico Water Resources Authority re-counts electric power progress resulting in doubling output every five years since 1945. Finds this reflects Commonwealth's impressive economic growth and testifies to well planned provisions made to meet future electrical demand. Notes, also, that the Authority has floated over \$200 million tax-exempts and won unquestioned acceptance by top investment firms.

The extraordinary growth of its economy is one of the outstanding aspects of the Commonwealth of Puerto Rico. It has been asserted that no other country in the world has shown greater growth in a period of ten years than Puerto Rico. The assertion was made some seven years ago. Since then the economy of the island commonwealth has continued growing at an accelerated pace. Partial credit for this growth is claimed by the Puerto Rico Water Resources Authority, a publicly-owned electric power corporation, which is the sole supplier of electric service in the Commonwealth. Originally created by an act of the legislative assembly of Puerto Rico in 1941, to develop the hydroelectric resources of the Island, the Authority now generates nine-tenths of its power thermally, after having developed all of the principal available power sites.



Rafael V. Urrutia

The availability of electric power was one of the important incentives in the launching of the well-known Operation Bootstrap. This is the name given to the industrialization program of Governor Luis Munoz Marin which began in earnest around 1947.

Annual Increase in Generating Capacity

To have electric power available in the needed amounts, of good quality, has been the watchword of the Puerto Rico Water Resources Authority through the years. During the last ten years the Authority has been adding generating capacity to its system every year. This, not only to provide for existing demand but in anticipation of future demand as shown by continuous studies to find out the trend of growth of the economy. In 1952, for example, total installed generating capacity amounted to 175,560 KW. To this 24,000 KW was added in 1953, 8,000 KW in 1954, 34,500 KW in 1955, 60,000 KW in 1956, 44,000 KW in 1957, another 44,000 KW in 1958, still another 44,000 KW in 1959, 102,500 KW in 1960, a second 102,500 KW in 1961, and 82,500 KW early in 1962. Another 82,500 KW unit is in the process of being added at this writing to the South Coast thermo-electric plant of the Authority, which went first on the line with a 44,000 KW unit in 1956. Present installed capacity of the system totals 656,420 KW.

Since 1945 the Authority has been practically doubling its power production every five years. In 1946, total generation amounted to 343 million kilowatt-hours. In the fiscal year 1961-62 (which ended on June 30) this figure had increased to 2,570 million kilowatt-hours.

In the modern world electric power production may be considered a fairly reliable index of economic growth. One may say that it is also a good means to

judge living conditions in a specific community. Puerto Rico is no exception.

With the continued increase in power generation has gone a corresponding improvement in the standard of living of the inhabitants of the Commonwealth. Electrical household appliances are common in Puerto Rico, the same as stateside. More and more families are every day purchasing refrigerators, ranges, air conditioning units, hot water heaters, TV sets, washing machines, etc. The smaller appliances such as the electric iron, the hot plate and the table radio are very much in evidence in the remotest rural dwellings to which the Authority has provided and continues to provide electric service by a crash program of rural electrification now in its tenth year. The Rural Electrification Administra-

tion of the United States has been largely instrumental in the development of this program through the purchase of special electric revenue bond issues of the Authority.

Bonds Highly Regarded

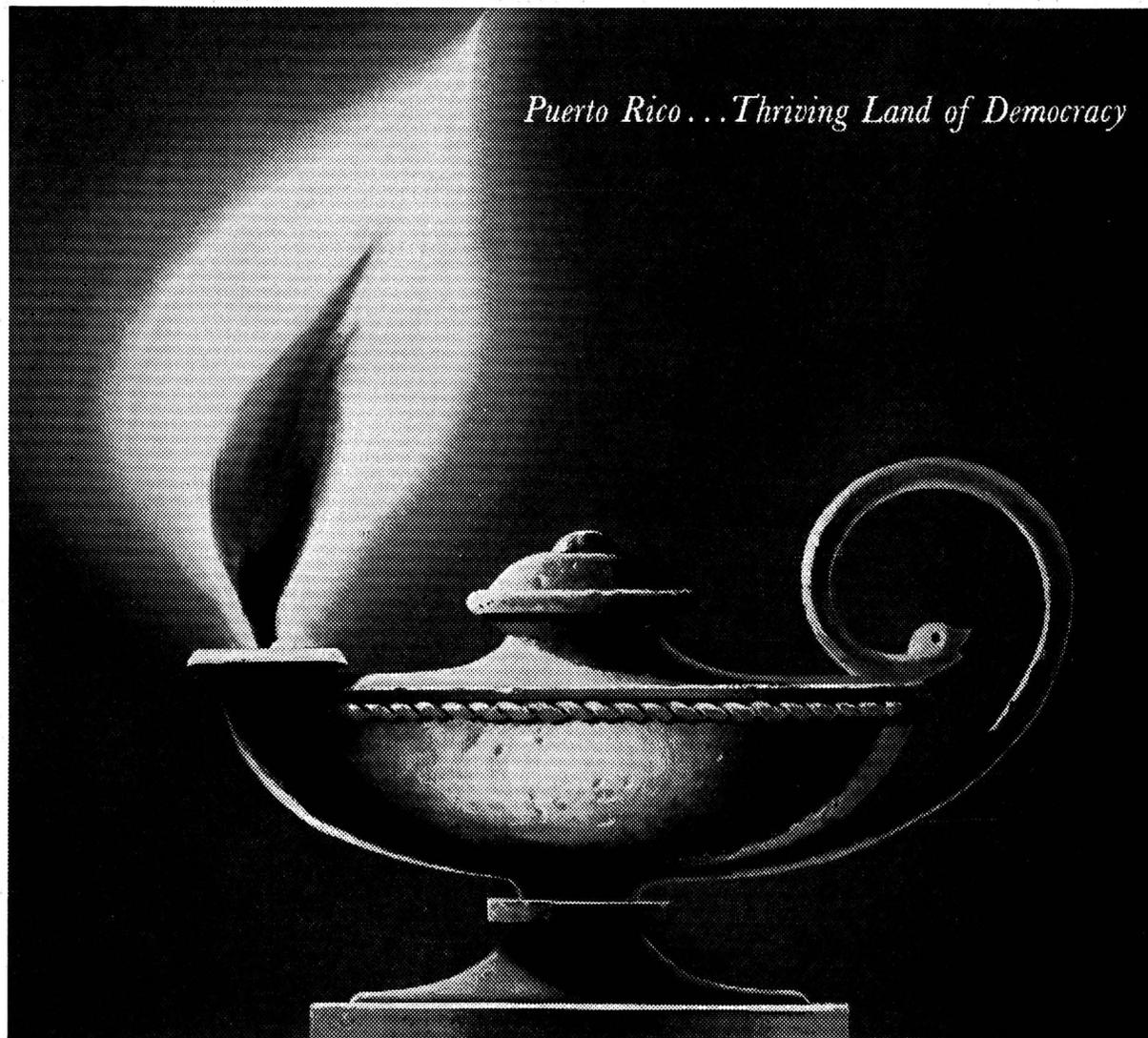
The Authority, organized more or less along the lines of the TVA, is an autonomous public corporation, which issues and sells its own electric revenue bonds in the open market. Since its inception in 1941 the Authority has floated bond issues amounting to over \$200 million. Its bonds are completely tax-exempt and some of the best known investment firms in the United States participate in their purchase and distribution.

Only 3.5 Hours From New York

Puerto Rico is 1,600 air miles (3½ hours by jet) from New York, 1,050 miles from Miami, 550 miles from Caracas, Venezuela.

The island Commonwealth has an area of 3,500 square miles, 4,500 miles of roads, and the number of vehicles has increased from 75,750 in 1952 to 234,000 today.

San Juan's International Airport, with 30,000 separate flights a year, now handles 1.4 million passengers annually, expects 4.1 million travelers by 1970.



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Puerto Rico's Success Story Is Far From Ended

By Rafael Durand, Administrator, Economic Development Administration

"Fomento" or "Operation Bootstrap" was created to produce factories in Puerto Rico and conditions could not have been more discouraging to private investors than they were when "Fomento" started in the early 1940s. Mr. Durand's summary story of free enterprise's successful accomplishments in industrialization, and in raising the standard of living does not ignore what still has to be overcome. The fact that wage rates are higher than most advanced European countries, and hope lies in the hearts of all Puerto Ricans testifies to the successful path "Fomento" is trodding.

The saga of Puerto Rico's economic progress continues to be a success story. This past year, in fact, we have written one of its brightest chapters. The latest statistics show net income at more than \$1.6 billion — an increase over fiscal year 1961 of 10.8%, the highest rate of increase since 1952.

And economic growth over the past ten years has been at consistently high rates — from 7 to nearly 11%. At the core of this rapid and steady thrust toward progress is the Economic Development Administration. In Spanish we call it simply *Fomento*—the word has a connotation of "vibrant development."

Fomento's energies are focused on the promotion of investment in manufacturing — the key to modern economic progress and a higher standard of living.

Fomento has just completed another record-breaking year.

Record Year Completed

New industrial plants signed up totaled 234 in fiscal 1962. Of these, 184 are being financed by mainland capital and the remaining 50 by local investors. Altogether, these enterprises represent new investment of \$25 million and will provide some 15,000 jobs.

Fomento was established 20 years ago and all told, it is responsible for more than 900 manufacturing concerns and some 120,000 jobs, in and out of factories. But the opening chapter of Fomento's story was a grim one.

In the early 1940's Puerto Rico was an overpopulated, agricultural land on the edge of destitution, lacking basic industrial resources such as coal, iron or oil. It was known as the "poorhouse of the Caribbean." No private investor dared risk his capital in manufacturing investment.

Per capita income at that time was little more than \$120. Life expectancy was 46 years, tropical diseases were major killers, and illiteracy was widespread.

Yet the people of Puerto Rico did not succumb to hopelessness. Instead, they resolved that a way out of this terrible situation could be found.

The major problem was how to break loose from the grip of a one-crop economy. Puerto Rico had free access to the American market and a plentiful supply of labor. But the key element, factories, was missing. And private investors dared not take the first step toward industrialization.

Fomento was created, therefore, to produce the factories. Using some of the government revenues

that came from wartime sales of rum, the agency financed and operated five factories which in a few years demonstrated clearly that industrialization was feasible.

Its Early Start

In 1950, recognizing that government revenues would never be equal to the demand for capital, Fomento sold the plants to private industry and used the proceeds of the sales to persuade private capital to build the network of factories we needed.

The success of that effort can be demonstrated in many ways, but one fact will suffice. The value of exports of manufactured products in the year which ended last June 30 was \$494 million. Net income of these Fomento-promoted factories, by the way, is rising at a rate of 22%.

Fomento's program, popularly called "Operation Bootstrap" offers a wide range of incentives to local and outside investors.

Foremost of these is full exemption from Commonwealth corporate income taxes for 10- and 13-year periods, the latter for manufacturing enterprises established in "less developed" areas of the Commonwealth. This past year the tax incentive law was further modified to provide an option of 50% of Commonwealth corporate income taxes for 20 years.

Fomento also helps investors with the selection and training of workers and supervisory personnel, and—in special cases—provides various forms of financial assistance.

Federal corporate income taxes, of course, do not apply in Puerto Rico because Commonwealth residents do not have voting representation in Congress.

Fomento has been at pains to encourage only legitimate new investment. Puerto Rico will not grant tax exemption to any investor who closes a plant on the mainland in order to locate in Puerto Rico. We do not want to progress at the expense of other areas of the U. S. We want merely a small share of the vast pool of new U. S. investment which runs to more than \$30 billion a year.

Results to Date and Future Direction

Today Puerto Rico is not only laced with a network of highly productive factories and luxurious tourist accommodations, it is also crisscrossed with new roads and highways, dotted with hundreds of new schools, tens of thousands of new homes, dozens of new hospitals and health facilities.

We still have, of course, many people who are extremely poor. Unemployment, by stateside standards, is still high. Yet even the very poor and the unemployed can see all around them tangible and visible signs that the good life is within their reach, too. There is hope in the hearts of all

Puerto Ricans and we have found this to be a powerful instrument of progress.

Although average wage rates here are lower than in the States, they are higher than in most advanced countries of Western Europe and the workers' share of our ever-increasing income is the third highest in the world. Only the workers of the United States and Great Britain are ahead of us in this respect—and by just a few percentage points. It is because Puerto Ricans have economic justice along with democratic liberties that Communist and other extremist propaganda fall on deaf ears here.

In Fomento, and in all other agencies of the Commonwealth Government, we are pressing forward measures for greater and faster progress. Puerto Rico's success story is far from ended and we are convinced that the chapters we will write in the decade ahead of us will be as dramatic and significant as any in the "Bootstrap" story.

P. R. Industrial Development Co. Has New Head

Manuel Sanchez Rivera has been appointed President of the Puerto Rico Industrial Development Company to succeed Gaspar Roca, Jr.,



Manuel S. Rivera

who recently resigned to private business, it was announced. Mr. Sanchez Rivera has been associated with the Puerto Rico Ports Authority since 1957 and has been Executive Director of that Authority since July, 1961. He was previously chief of the public corporation financing division of the Government Development Bank for Puerto Rico. He is a graduate of the University of Pennsylvania.

Reuben Sanchez has been named to succeed Mr. Sanchez Rivera as Executive Director of the Puerto Rico Ports Authority. An engineer and former member of the Puerto Rico Planning Board, he has more recently served as Vice-President in charge of Development of the Puerto Rico Industrial Development Company.

\$30 Million Bonds Being Offered By Puerto Rico

Sealed bids will be received by the Government Development Bank for Puerto Rico, fiscal agent for the Commonwealth of Puerto Rico, at its New York office, 45 Wall Street, at 11:00 a.m., on Wednesday, Sept. 26, on an issue of \$30,000,000 general purpose bonds of the Commonwealth of Puerto Rico dated July 1, 1962 and maturing July 1, 1964 through 1986.

The last previous sale of Commonwealth bonds occurred on Jan. 3, 1962, when an issue of \$25,000,000 general purpose bonds was awarded to a syndicate headed by Chase Manhattan Bank, Morgan Guaranty Trust Co., and Ira Haupt & Co., on a net interest cost basis of 3.4452%.

Expert Aid Available on Puerto Rico Plant Sites

Skilled Puerto Rican industrial representatives operating out of six branch offices as well as the main New York City office are prepared to answer U. S. manufacturers' questions in depth on operating on the Island. Description made of IR's services includes their locations. Promotion of Tourism and Rums, Puerto Rico's newest growing developments, is handled differently from that of industrial plants.

Basically, COB IR's are contact men. They handle inquiries relating to manufacturing or investment opportunities in Puerto Rico or conduct campaigns designed to follow up specific direct mail, advertising or public relations efforts, using carefully selected lists of manufacturers provided by the Promotional Services Unit in the New York Office.

COB stands for Continental Operations Branch and its main-spring are Industrial Representatives who staff strategic, industrial and commercial centers in the United States mainland.

The IR is trained and ready to give a prospective manufacturer all the basic information he needs about establishing an operation in Puerto Rico—facts on tax exemption, plant sites and rentals, transportation, labor, and the profit records of other firms from this industry group in Puerto Rico. He is also the manufacturer's liaison with the EDA legal and Economic Research offices and can, through these offices, provide legal advice and detailed studies on factors affecting various aspects of special manufacturing operations.

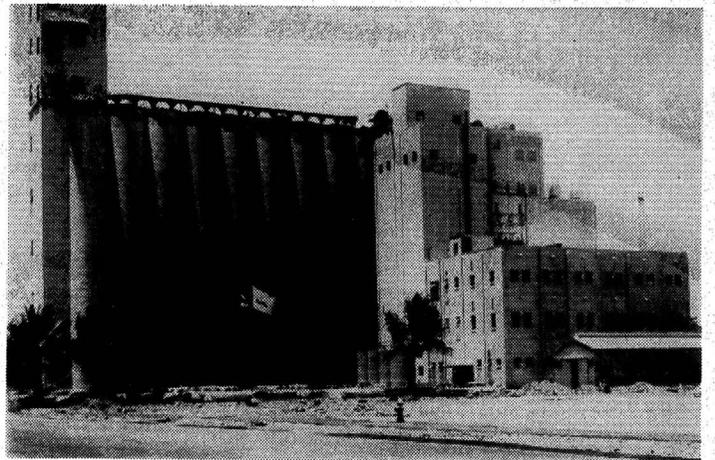
Finally, the IR can arrange for a manufacturer to go to Puerto Rico to inspect plant sites, determine the services available to him, enter into final negotiations for a factory building, and file for tax exemption.

In other words, the Industrial

Representative functions, at one and the same time, as an account executive, industrial information bureau, and salesman. From the moment a mainland manufacturer shows interest in the island as a potential site for a plant, it is up to the IR to supply him with all the information he needs to start an operation and then to follow through on the various procedural steps leading to the operation itself.

The IR's work out of six branch offices as well as out of COB headquarters in New York, thus making information readily available to manufacturers in all parts of the country. The New York operation has a staff of economists to give all EDA-COB offices expert advice and detailed analyses covering all phases of an island operation from shipping costs and schedules to production costs and even productivity rates as compared to mainland productivity for a specific industry. Thus, if an electronics manufacturer wants to know how much it would cost him to produce and ship a certain product, the IR can—through the Office of Economic Research—provide him with actual cost or with costs of a related or comparable operation. Furthermore, if a manufacturer wants to know if the Mayaguez Foreign Trade Zone would be especially profitable for his type of operation, the IR can provide him with a survey

Continued on page 10



Molinos de Puerto Rico flour and feed mill, keystone of a \$175,000,000 food processing complex.



Aerial view, South Coast Industrial Complex, near Ponce

Tourism Is Big Business In the Commonwealth

Visitors spent \$66 million in last fiscal year as against only \$7 million a decade ago. New and enlarged facilities being constructed to accommodate increasing number of tourists.

SAN JUAN, PUERTO RICO, U.S.A. —A little over a decade ago Puerto Rico had 507 hotel rooms, less than 65,000 visitors a year and an annual tourism income of \$7,000,000. During the fiscal year 1961-1962, Puerto Rico's hotel and guest house accommodations increased from 3,747 to 4,116 rooms, 444,638 tourists visited the island and spent \$66,000,000.

Puerto Rico's tourism development, an integral part of "Operation Bootstrap," started with the opening of the Caribe Hilton Hotel in December, 1949. "Bootstrap" is a plan to expand the island's economy by attracting outside capital investment in new factories and hotels. The program offers tax incentives, complete freedom to remit profits, assistance in plant site location and the recruiting and training of personnel, and loans from government or private banks for certain projects.

The Economic Development Administration of the Commonwealth financed the construction of the Caribe Hilton and contracted with U. S. hotelman Conrad Hilton to run it. The hotel was considered a tremendous gamble at the time, but in its first year the Caribe made \$1,000,000 and its operation set the pattern for Hilton's worldwide chain.

New Records in Sight

Puerto Rico's tourism is expected to set new records during the next two years. Local and outside investments, amounting to some \$60,000,000, will expand hotel accommodations by 2,500 rooms in the next two years.

Three large projects now under construction are the 24-story, 421-room Puerto Rico Sheraton in the Condado "Gold Coast" section, which will open next Spring; the 202-room Dorado Riviera, about 20 miles west of San Juan, and the 398-room Americana in the Isla Verde section, both of which will open this November.

New additions also are being made to existing hotels and facilities. The Condado Beach Hotel is expanding its facilities by 161 rooms, and the El San Juan Hotel in Isla Verde is planning a 200-room extension.

Other projects in the final planning stage include a 280-room Holiday Inn, to be built in Isla Verde; the 150-room Hilton Inn at Mayaguez, on the west coast; a 160-room Flamboyant Hotel and 288-room Ponce de Leon Hotel on the Condado "Gold Coast."

With the completion of the Flamboyant, Ponce de Leon and two small projects, there will be no further hotel construction on the Condado strip. This decision by Puerto Rico's Planning Board and the Department of Tourism will prevent the beautiful beach-front area from becoming a "Chinese Wall of hotels."

San Juan has become a popular port of call for cruise ships. This year 75,500 cruise ship passengers will visit the Commonwealth's capital, a five-fold increase over the number of passengers five years ago.

To accommodate larger luxury liners, the Puerto Rico Ports Authority is expanding pier facilities. Basic improvements include extension of one pier from 375 feet

being expanded to handle an estimated 4.1 million travelers expected by 1970.

Planned Growth

The growth of Puerto Rico's tourism facilities is being carefully supervised to maintain the open spaces and natural beauty of the island. Tourism Director Robert Bouret says: "We are interested in every opportunity to expand and improve tourist accommodations, but we are equally concerned about preserving the natural beauty of Puerto Rico while at the same time giving the tourist something new, something charming and different. That is why 52% of the 2,500 rooms to be constructed in the next two years will be built out on the island."

A. S. Beck Shoe Corporation In Puerto Rico: "Sales Substantial"

A. S. Beck Shoe Corporation has established a wholly-owned subsidiary—Puerto Rican A. S. Beck Shoe Corporation—to retail women's, men's and children's shoes in Puerto Rico.

Saul Schiff, Beck President, said sales have been substantial and that "Beck is planning to add new leased departments as the

New York Department Store expands its operations on the island." Beck presently has five leased departments in the New York Department Store's choice locations at San Juan, San Turce, Rio Piedras, Bayamon and Caguas.

Mr. Schiff also announced the appointment of Albert S. Nassr as Supervisor of the Puerto Rican operations, under the direction of Ben Shafer, General Manager of the Astra Shoe Division in New York City.

Presently, Beck operates 24 leased departments from coast to coast as well as 215 conventional stores and seven discount units. The company is also a leading manufacturer of men's shoes, women's dress shoes and handbags.

Success Begets Success in Puerto Rico

In less than twenty years Puerto Rico has evolved from a predominantly agricultural community to a bustling industrial Commonwealth. Rare is the country which can keep pace with Puerto Rico in growth of Gross National Product.

This historic transformation has been sparked largely by the Commonwealth's Industrial Development Program, widely known as "Operation Bootstrap." In all, this program has induced private business to set up more than 800 new industrial plants in Puerto Rico. One result has been the creation of 60,000 direct new jobs and annual payrolls of \$150,000,000.

The Puerto Rico Industrial Development Company, "PRIDCO", carries out a broad program of investments to further the industrialization of Puerto Rico. It has given specific assistance to nearly 900 companies—most of them representing industries newly established in Puerto Rico. Among them are subsidiaries of 20 of the 100 largest companies in the United States.

PRIDCO also stimulates the growth of the tourism industry. In 1949 PRIDCO built the Caribe Hilton Hotel and in 1958 La Concha. More recently it joined private capital in the new El San Juan Hotel, the Dorado Beach, the Ponce Intercontinental and the now rising Puerto Rico Sheraton.

Meanwhile PRIDCO itself has set an outstanding example of successful management. It was organized in 1942 with an initial capital of only \$1,500,000. Total investment has already passed the hundred million dollar mark. Cumulative earnings are now close to \$10,000,000!

PRIDCO will continue to foster a climate conducive to the success of private enterprise.

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY

Continental Operations Unit Big Factor in P. R.'s Growth

By J. Diaz-Hernandez, Executive Director, Continental Operations Branch, Economic Development Administration of Puerto Rico

The mainspring for Puerto Rico's exceptional, sustained industrial expansion and economic progress is the Continental Operations Branch of the Commonwealth's Economic Development Administration. The COB's most vital part is its Department of Industrial Promotion and the Industrial Representatives located strategically in the States. Mr. Diaz briefly describes I-R. services provided both here and on the spot in Puerto Rico, and the promotional results making the term "Operations Bootstrap" a well known symbol of progress throughout the world.

In 1950, when the Continental Operations Branch of Puerto Rico's Economic Development Administration was set up in New York City, the term "Operation Bootstrap" was all but unknown except, on the island. The number of factories, established under "Bootstrap" was less than 100 and the net income for the entire Puerto Rican economy was a mere \$614,000,000. Today, 12 years later, the number of United States and Puerto Rican plants attracted or assisted by "Bootstrap" is over 900. Net income for fiscal 1961-62 showed a rise of 10.8% over the past fiscal year, from \$1,489,000,000 to \$1,650,000,000. The term "Operation Bootstrap," moreover, has become known to the commercial and industrial world as a symbol of profits. It is known to the underdeveloped nations of the world as a symbol of progress. A model of what can be accomplished under democratic free enterprise, Puerto Rico has been cited by President Kennedy as "our showcase in Latin America" and it has been hailed by a great United States newspaper as "the best gift of the United States to the underdeveloped world."

What, it may be asked, is the role of the Continental Operations Branch in this drive toward industrial expansion and economic progress? What precisely is our function in the overall "Bootstrap" program? How do we operate?

In essence, COB does the basic promotional work that is the heart of the "Bootstrap" industrialization program. COB is also responsible for the attraction of tourists and the institutional promotion of the island's fine rums. All mainland activities in these three areas are the function of COB.

Offices Strategically Located in The States

In each of these areas we utilize such promotional tools as advertising, direct mail and public relations activities, in order to inform the mainland public about various aspects of Puerto Rico, but the heart of our operation is the Department of Industrial Promotion and the Industrial Representatives who cover strategic industrial and commercial centers throughout the states.

These Industrial Representatives are our direct liaison with industry and are specially equipped to help the mainland manufacturer on questions of tax exemptions and other aspects of our industrial incentives program. In addition, the IR provides the manufacturer with surveys relating to the firm's particular project and with studies of pertinent offshore operations.



J. Diaz-Hernandez

Working closely with the IR and the manufacturer in this last area is our Office of Economic Research. Among the services provided by this department are (1) feasibility surveys, for an entire industry or a particular firm; (2) availability of raw materials and services; (3) comparative shipping and transportation cost studies; (4) vertical industrial reports, periodically revised and readily available; and (5) marketing surveys.

We also have on our staff expert consultants to assist with the special problems of "blue chip" firms and of specific industries, such as electronics, metalworking and apparel. All our dealings with manufacturers, from the preliminary stages to final negotiations, are based on confidence and objectivity. If our surveys indicate that a particular manufacturer will not be successful in Puerto Rico, we advise him to that effect, saving all parties time, work and money. We take special precautions to screen out "runaway" firms—that is, firms whose objective is the closing of a state-side plant in order to reap a quick profit in Puerto Rico.

Once the qualified mainland firm is ready to go to Puerto Rico,

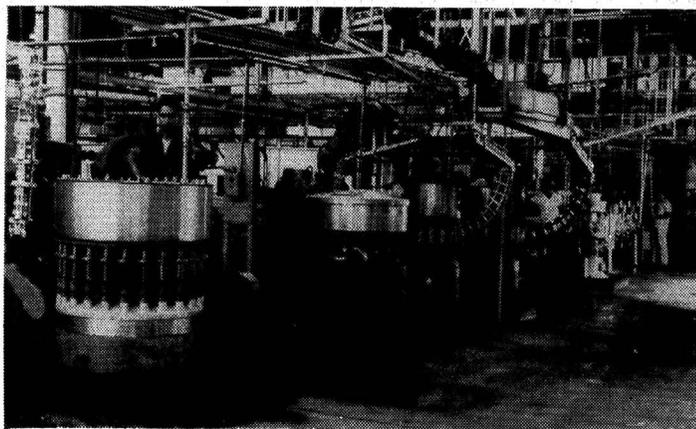
the mission of the mainland IR, and of COB, may be considered accomplished. An island IR, working out of San Juan, then takes over and helps work out the firm's individual plans and problems with the Industrial Services Division of the Economic Development Administration and with the Puerto Rico Industrial Development Co. (PRIDCO), the financial and real estate arm of the EDA.

Tourism and Rum Industry Success

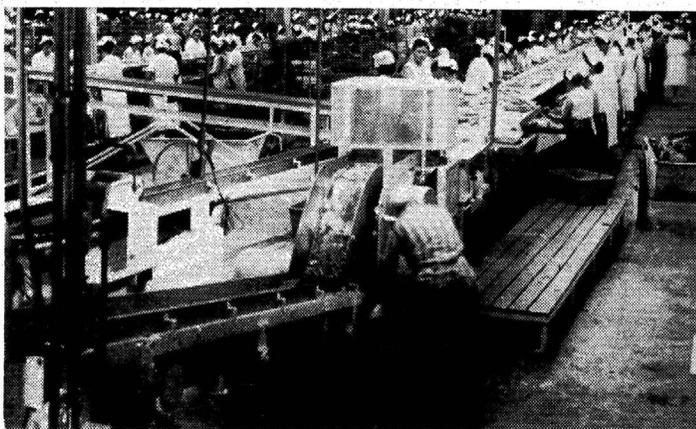
The exceptional success of COB's promotional drive is now history. Tourism and rum figures have shattered all records in each of the last six successive years. Puerto Rico's appeal to the business community has been such that we have opened six branch offices to help mainland manufacturers interested in the island as a site for branch plants. In addition to our New York headquarters at 666 Fifth Avenue, we now have offices in Boston, Philadelphia, St. Louis, Chicago, Miami and Los Angeles, plus a European promotion office in Paris.

The competition for expanding U. S. industry has doubled and redoubled in recent years, but our promotional results have risen, too. Witness our record-breaking total of 185 U. S.-affiliated plants promotion in fiscal 1961-62. Puerto Rico and its industry have continued to grow because our program has continued to grow. In the past two years, for example, we have opened a new U. S. Foreign Trade Zone, started a program to promote joint ventures utilizing mainland and local capital, and added new dimensions to the tax exemption aspects of the Industrial Incentives Act.

In both the large and small aspects of our promotional effort we have kept pace with the growth of what Puerto Rico has to offer. This we shall continue to do.



Manati pineapple plant of Stokely-Van Camp of Puerto Rico, subsidiary of Stokely-Van Camp Co.



Mayaguez plant of Star Kist Caribe, Inc., subsidiary of Star Kist Foods, Inc.

Ports Authority's Key Role In Commonwealth's Growth

SAN JUAN, PUERTO RICO, U.S.A.

—The economic development of Puerto Rico and the indications of continued growth in the years ahead are well illustrated by its transportation facilities which are under the direction of the Puerto Rico Ports Authority.

The Puerto Rico Ports Authority is a public corporation of the Commonwealth, established in 1942 as part of the Economic Development Administration. It is charged with the development and administration of air and maritime services.

One of the major properties of the Ports Authority is Puerto Rico International Airport situated only 15 minutes from the heart of the city of San Juan, capital of Puerto Rico.

As recently as 1951 the number of air passengers moving in and out of San Juan totaled 365,335. In the last calendar year, passenger traffic totaled 1,564,797.

With more than 100 flights a day to and from this airport, the tourist business to Puerto Rico has increased substantially, especially since jet planes have cut the travel time from New York to Puerto Rico to only slightly more than three hours and from Miami to less than two and a half hours. There has likewise been a steady increase in the movement of air cargo.

1970 Traffic Projection Reached In 1958

Puerto Rico International Airport was built in 1955 at a cost of \$15 million. This airport, designed to handle about 1,000,000 passengers per year by 1970, reached this traffic figure in 1958. In the last calendar year passenger traffic totaled 1,564,797 and air cargo movement totaled 57,212,748 pounds, increases of 7% and 22%, respectively, over the previous year. The exceptional and consistent economic growth of the Island has led to projections of about 5,000,000 passengers by 1970.

As a result of this great increase in air traffic a substantial improvement program is now well under way at Puerto Rico International Airport. The concrete runways has been extended from 8,100 feet to 10,000 feet to allow for international flights and full capacity of jet operation. Other improvements include the doubling of terminal space for passengers, the paving and extending of the ramp to increase the number of exits for passengers from 16 to 24, construction of a new cargo building, widening of the existing taxiway, installation of a holding pad, relocation of runway and apron lights, the expansion of hotel facilities, construction of a new fire station, the relocation of auxiliary fuel tanks, installation of a new radar system, and facilities to regulate air traffic.

The program of improvements and additions to the airport requires an investment of about \$9 million of which about \$4.5 million have already been invested. Funds for these capital improvements must be obtained from operational revenues, appropriations from the Federal and Commonwealth Governments and from bank loans.

Puerto Rico International Airport constitutes the main source of revenue of the Ports Authority, about 80%. Airport revenue for last fiscal year amounted to \$2,203,800, with expenses totaling \$1,209,600.

Other Major Airports

The Puerto Rico Ports Authority also operates the two other major airports in Puerto Rico—Ponce, adjacent to the second largest city in Puerto Rico, and Mayaguez Airport, located at the third largest city. The Authority also controls and supervises other small airports in Puerto Rico.

Maritime transportation is the backbone of Puerto Rico's commerce and trade relations with the mainland of the United States and with other countries. Reckoned from the standpoint of the number of its inhabitants, Puerto Rico is the United States' best customer, and the United States is Puerto Rico's best customer. On a per capita basis, Puerto Ricans buy more from the United States than citizens of America's biggest customer, Canada, and on an aggregate basis more than such huge countries as Brazil. Furthermore, trade with the mainland is carried exclusively by ocean-going vessels of United States registry. The principal seaports are at San Juan, Ponce, and Mayaguez.

At the Port of San Juan, the most important in Puerto Rico, the Ports Authority operates 13 of 19 piers. It also operates the facilities at the Port of Mayaguez and through a Captain of the Ports Office controls the traffic and anchoring of vessels of all Puerto Rico ports. Tonnage dues, dockage, wharfage, demurrages, and other accessorial services provide the revenue in the maritime activity. Revenue from these activities for the last fiscal year amounted to \$1,622,400, or 38.4% over the previous fiscal year's revenues.

The number of ships using the port facilities of the Puerto Rico Ports Authority in fiscal year 1961-62 totaled 2,566, a substantial increase over the figure of 1,700 in the previous fiscal year. Cargo tonnage for the same period increased to 1,778,241 short tons, compared with 1,252,000 short tons the previous year.

New Projects Underway

The Puerto Rico Ports Authority is anticipating a steadily increasing traffic through a program of expanding port facilities, including the development of a new port area at Porto Nuevo, dredging of the harbor at San Juan, and reconstruction of the facilities at the Port of Mayaguez where the Foreign Trade Zone is located.

The Puerto Nuevo Port development comprises 102 acres of land, including a central market, 13 new berths, and marketing facilities. The total cost of the first stage of this project now under construction is estimated at \$22 million of which \$19 million have already been spent. Dredging of the San Juan harbor, estimated to cost \$10 million, is about to begin. For this project the Ports Authority will provide about \$1½ million and the remainder will be provided by Federal appropriations, but the Authority will reimburse a small part of this contribution.

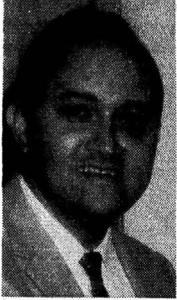
Facilities at Puerto Nuevo are expected to replace cargo facilities in the old San Juan Port area. Of the old facilities, Pier 3 is being developed for tourist ships. Other facilities, from Pier 1 to 7, will probably be demolished and the area restored for tourist purposes.

Reconstruction of the facilities at the Port of Mayaguez, already begun, will cost an estimated \$1.4 million.

Puerto Rican Past 10 Year Economic Rise Sets Record

Commonwealth achieves a 10-year growth rate record and becomes a billion dollar market. Continued growth is predicted.

Puerto Rico's economy set a ten-year record for growth in the fiscal year which ended June 30, and the outlook is for another year of rising economic activity, Planning Board Chairman Ramon Garcia Santiago, has announced.



Ramon G. Santiago

Gross product for 1961-62 soared by \$196 million, or 10.8%, to reach \$1,985,000,000. Per capita income rose by 8.9% to reach \$700 for the first time. Ten years ago gross product was \$968 million and per capita income was only \$375.

The Planning Board's annual economic survey showed that, except for a slight dip in Federal Government expenditures, all sectors of the economy contributed to the record growth with manufacturing and construction leading the way.

One of the most significant indicators of growth, however, was the rise in value of external trade. The Commonwealth became a billion-dollar market.

The value of imports was \$1,070,000,000 as against \$924,000,000 in the 1960-61 fiscal year. Purchases from the continental U. S. rose from \$754,000,000 to \$877,487,000 and imports from foreign countries rose from \$169,000,000 to \$193,271,000. Ten years ago total imports were valued at \$448,000,000 of which \$411,000,000 came from the United States.

Exports also increased, rising from \$674,000,000 to \$757,890,000. Shipments to the U. S. rose from \$661,000,000 to \$725,237,000. Ten years ago Puerto Rico's exports to the mainland amounted to only \$238,000,000.

Barring any drop in the level of U. S. economic activity, Puerto Rico's importance as a market is expected to increase. The Planning Board anticipates a growth rate in the current fiscal year of at least 8% and a rise in manufacturing output of about 12%.

The exceptional record of the past year, the Board found, came in part from an overall rise in manufacturing output of 14.5%. Net income from manufacturing rose from \$333 million to \$381 million.

Two-thirds of manufacturing net income (\$232.5 million) came from "Operation Bootstrap" factories (enterprises recruited by the Economic Development Administration), and in general their rise in output was higher than the overall manufacturing gain. The electrical machinery and metal working industries, for example, increased their output by 20%. Gains of 20% or more were registered in the apparel and textile, leather products, and scientific instruments industries.

The value of new construction rose from \$252 million to \$305 million reflecting a continuing boom in residential building and the Board predicts a further rise to \$325 million in the current year.

The tourism industry had one of its best years. Gross expenditures by visitors rose from \$55.7 million to \$65.9 million. Income

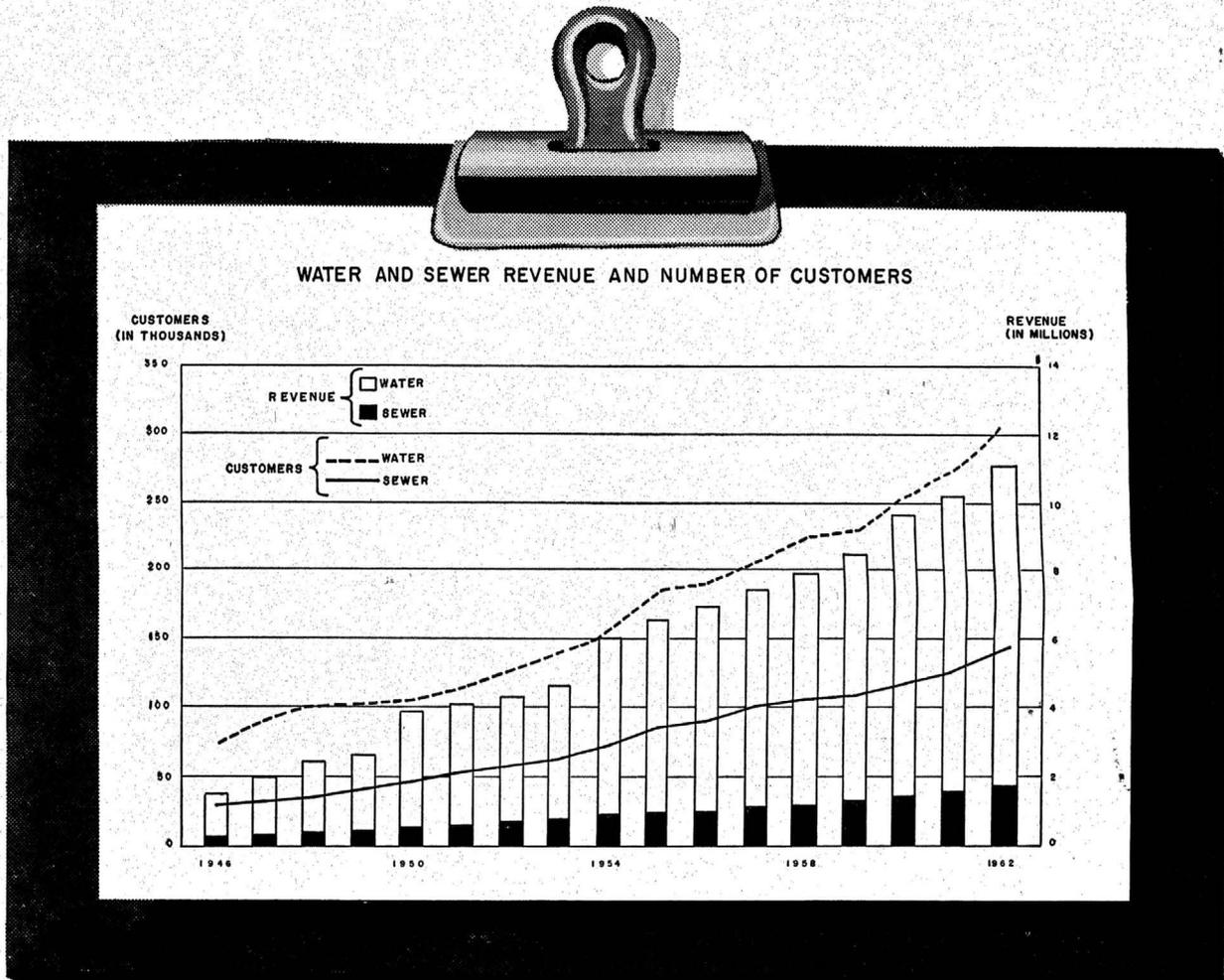
Fiscal Agent for All Public Units In Puerto Rico

As Puerto Rico's economic development gathered momentum, the need was recognized for an institution to provide technical assistance to public borrowers and to maintain order in the competition for limited funds. Accordingly, in 1945 the Bank was named fiscal agent for all public bodies in Puerto Rico, and as such it coordinates and executes the borrowing operations of the Commonwealth Government, its

municipalities, public corporations, and authorities. This is the only instance in the United States where a fiscal agent operates for the benefit of all public borrowers in an economic area, and this unique relationship has proved eminently successful.

The Bank has arranged for a total of over \$1.3 billion of financing for the various public entities, and established trust agreements in 1947 on behalf of the Water Resources Authority, in 1949 for the Aqueduct and Sewer Authority, and in 1958 for the Puerto Rico Industrial Development Company. Under the provisions of these agreements approximately

\$320 million of bonds are currently outstanding. The Bank has been instrumental in gaining for Puerto Rico bonds admission to the New York legal list for savings banks and trust funds. It has also worked with the Treasury of Puerto Rico in developing a new and realistic debt concept, relating Puerto Rico's debt incurring capacity to its tax revenue. The Bank maintains an office at 45 Wall Street in New York City, through which its officers keep in day-to-day contact with the mainland financial community. It constantly keeps investors in tax exempt bonds advised of developments in Puerto Rico.



seventeen years of continued growth

The record of the Puerto Rico Aqueduct and Sewer Authority since its creation in 1945 shows accelerating growth in every area. Both gross revenues and number of water customers have doubled again and again.

Every town and city in Puerto Rico is now supplied with a constant, abundant supply of drinking water that meets the rigid standards of the U. S. Public Health Service. Rates are low:

the average charge to residential customers for both water and sewer service, is under \$4 a month.

The bonds of the Puerto Rico Aqueduct and Sewer Authority are well secured and fully exempt from Federal and State income taxation. These sound investments, at current prices, provide an attractive return to individuals and institutions. A descriptive booklet is available upon request.

PUERTO RICO AQUEDUCT AND SEWER AUTHORITY

Rapid Growth of Banking Facilities in Puerto Rico

By Jorge Bermudez, Executive Vice-President, Puerto Rico Bankers Association

Brief summary of rapid rise and extent of commercial banking in Puerto Rico underscores contribution this service has made to the economy's real rapid development. Island's eleven banks include two U. S. and two Canadian chartered ones.

During the last ten years the quantitative progress of commercial banking in the Commonwealth of Puerto Rico, a free state associated with the U. S., has been remarkable. A great expansion in banking services, as evidenced by the increase in the number of branches and the number of additional banking functions performed, has likewise taken place. The selected figures in Table I will give a general idea as to the development of the Puerto Rican economy since 1940.

It is against this background of economic growth that banking progress should be examined. Commercial banks have participated in the rise of Puerto Rican economic prosperity, and have also contributed and done their share to make this economic progress possible. Banking policy in Puerto Rico has been one of active collaboration with both business and government. The results have been impressive. A few figures will be evidence of this fact. (Table II).

The data in Table II portray a picture of rapid growth. The loan and discount figures, for instance, constitute an eloquent index of the contribution commercial banks are making to the development of the Puerto Rican economy. This progress has been possible because of a variety of factors, not the least of which has been the good partnership and mutual cooperation that has existed between government and private enterprise in Puerto Rico.

11 Banks and 141 Banking Offices

There are eleven commercial banks in Puerto Rico with 141 banking offices. This figure includes 34 mobile banking units.

There are in the Commonwealth three large commercial banks incorporated under the Puerto Rico Banking Act, four other locally-incorporated smaller banks, two banks incorporated under U. S. laws, and two Canadian banks. These banks are the following: Banco Popular, Banco Credito y Ahorro Ponceno, Banco de Ponce, Banco de San Juan, Roig Commercial Bank, Banco de Economias y Prestamos, Banco de San German, First National City Bank, Chase Manhattan Bank, Royal Bank of Canada and Bank of Nova Scotia. The locally incorporated as well as the U. S. banking institutions are members of the Federal Deposit Insurance Corporation. All of the banks perform regular commercial banking functions in the same fashion as in the Continental United States, and all of them are members of the Puerto Rico Bankers Association.

About a year and a half ago a workmen's bank, "Banco Obrero de Puerto Rico," was established. Making personal loans exclusively at the present time, it is owned by workers and labor unions. As of June 30, 1962, it had loans outstanding in the amount of \$1,470,000, total deposits of \$5,349,000 and capital accounts totaling \$796,000. These figures are included in the June 30, 1962 figures for commercial banks which appear in the table above.

Puerto Rico has a variety of other types of financial institutions not mentioned in this brief summary. They all effectively help in making the progress and stability of the Commonwealth economy possible. Among all the banking and financial institutions, commercial banks have played an effective, decisive and highly beneficial role.

TABLE I
The Accompanying Figures Graphically Illustrate the Sharp Uptrend in Every Facet of the Commonwealth's Economy Since 1940

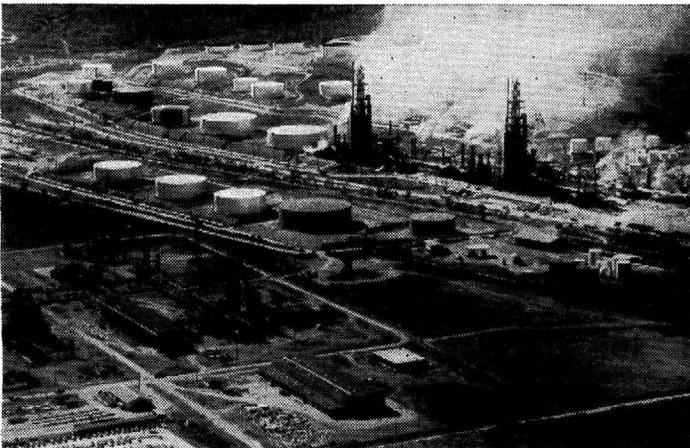
	1961	1950	1940
Gross Product (in current prices).....	\$1,789,000,000	\$755,000,000	\$287,000,000
Per Capita Gross Product (in current prices)	\$759	\$343	\$154
Net income from Agriculture.....	\$200,000,000	\$149,000,000	\$71,000,000
Net income from Manufacturing & Mining.....	\$320,000,000	\$89,000,000	\$27,000,000
Number of Motor Vehicles (June 30).....	202,803	60,727	26,847
Number of Telephones (June 30).....	89,892	32,294	16,778
Exports of Merchandise.....	\$674,000,000	\$235,000,000	\$92,000,000
Imports of Merchandise.....	\$924,000,000	\$345,000,000	\$107,000,000
Birth Rate per 1,000 Population.....	31.1	39.6	39.0
Death Rate per 1,000 Population.....	6.7	10.5	18.2

TABLE II
The Impressive Growth of the Banking Industry in the Commonwealth Since 1940 is Vividly Reflected in This Comparative Analysis

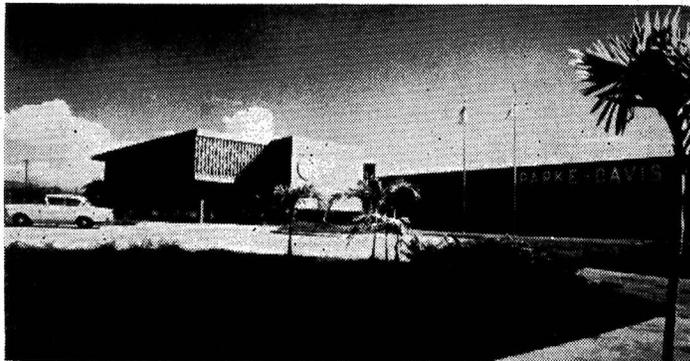
	June 30, 1962	June 30, 1955	June 30, 1950
Total Assets	\$832,700,000	\$360,400,000	\$285,300,000
Loans and Discounts.....	538,100,000	205,600,000	119,800,000
Total Deposits (including public deposits against U. S. and Puerto Rican Government collateral)	761,200,000	305,400,000	241,500,000
Capital Accounts	39,600,000	18,400,000	14,700,000



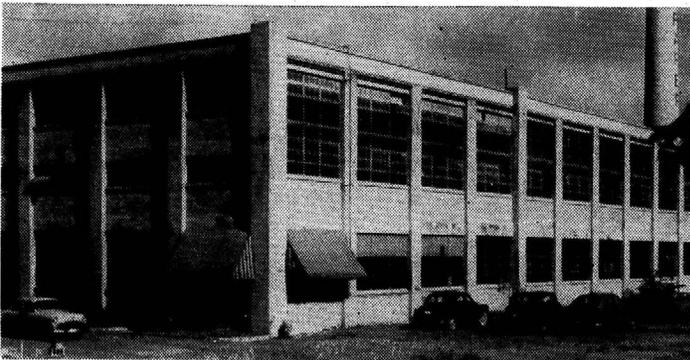
Carribean Refinery Co. plant at Catano, Puerto Rico, jointly owned by Pontiac Refining Corp., Texas; J. H. Whitney & Co., New York; and Gulf Oil Corp., Pittsburgh.



Plants of Union Carbide Caribe, Inc. (left) and Commonwealth Oil Refining Co., Inc. (right) at Penuelas, Puerto Rico



Parke-Davis' pharmaceutical plant at Carolina, Puerto Rico



Puerto Rico Pulp & Paper Co. plant. This is a subsidiary of International Paper Co.

Expert Aid on Puerto Rico Plant Sites

Continued from page 6
based on the manufacturer's specific product needs.

The IR can, in addition, call upon the Legal Office to help the manufacturer with technical problems such as tax incentives, export and import regulations, and the filing of applications for tax exemptions.

Tourism and Rums

Promotion of Tourism and Rums is, of course, quite different from promotion of industrial plants. In these areas, too, however, direct contact is made throughout the country. Tourism maintains, in addition to advertising and poster campaigns, personal contact with travel agencies, travel clubs and groups, and convention bureaus, as well as with airlines. Tourism provides also information about hotels, sports, fishing, sightseeing tours, and special and cultural events, such as Festival Casals, symphony concerts, art exhibits and other forms of entertainment and enlightenment.

Rum promotion, in addition to advertising campaigns, also involves personal contacts throughout the country—contacts with hotels and hotel associations, restaurateurs and the food and liquor industry. This department provides special promotions with the liquor industry and has introduced to conventions and receptions a variety of rum drinks.

Industrial Representatives' Branch Offices

Mr. J. Diaz-Hernandez, Executive Director, Commonwealth of Puerto Rico, Economic Development Administration, 666 Fifth Avenue, New York 19, New York (Circle 5-1200).

Mr. James Fernandez, Director of Chicago Office, Commonwealth of Puerto Rico, Economic Development Administration, 79 West Monroe Street, Chicago, Illinois (ANdover 3-4887 or 8).

Mr. Modesto Bird, Director of Los Angeles Office, Commonwealth of Puerto Rico, Economic Development Administration, 5525 Wilshire Boulevard, Los Angeles, California (WEBster 1-1225 or 6).

Mr. G. Romanat, Director of Miami Office, Commonwealth of Puerto Rico, Economic Development Administration, Dupont Plaza Center—Suite 711, Miami, Florida (FRanklin 7-2618).

Mr. Manuel Benitez, Director of Philadelphia Office, Commonwealth of Puerto Rico, Economic Development Administration, Transportation Building, 6 Penn Center, Philadelphia, Pennsylvania (LOcust 8-2665).

Mr. Ramon Acevedo, Director of Boston Office, Commonwealth of Puerto Rico, Economic Development Administration, McGraw-Hill Building, 607 Boylston Street, Boston, Massachusetts (CONgress 2-1310).

Mr. Andres Betances, Director of St. Louis Office, Commonwealth of Puerto Rico, Economic Development Administration, Merchandise Mart — Room 205 1000 Washington Avenue, St. Louis 1, Missouri (CHestnut 1-5338).

THE COMMERCIAL AND FINANCIAL CHRONICLE (Reg. U. S. Patent Office) William B. Dana Company, Publishers, 25 Park Place, New York 7, N. Y., REctor 2-9570. Claude D. Selbert, Publisher and President; William Dana Selbert, Treasurer; George J. Morrissey, Editor. Published twice a week [every Thursday (general news and advertising issue) with a statistical issue on Monday]. Other offices: 135 S. La Salle Street, Chicago 3, Illinois (Telephone STate 2-0613); Copyright 1962 by William B. Dana Company. Re-entered as second class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879. Subscription in United States, U. S. Possessions and Members of the Pan American Union, \$65.00 per year; in Dominion of Canada, \$68.00 per year. Other countries, \$72.00 per year. NOTE: On account of the fluctuations in the rate of exchange, remittance for foreign subscriptions and advertisements must be made in New York funds.

Report Documents 20 Years Of Financial Leadership

Fiscal year just concluded was most active in the history of the Government Development Bank for Puerto Rico. Recent big role was in financing condominium buildings which helped bring about FHA insurance on such properties.

SAN JUAN, PUERTO RICO, U.S.A.—Observing the start of its 20th year, the Government Development Bank for Puerto Rico in August, 1962, distributed to investment dealers, banks, insurance companies and other institutional and individual investors, a report of its accomplishments entitled "Twenty Years of Financial Leadership," including a summary of the fiscal year ended June 30, 1962.

The report pointed out that this past fiscal year was the most active in the Bank's history in respect to approval of loan applications for private enterprise. Commitments by the Bank for long-term credits reached a record level, while the number of loans also attained a historic peak.

Acting as fiscal agent for the Commonwealth of Puerto Rico, its municipalities and public Authorities, the Bank during the fiscal year just ended arranged long and short-term financing in the amount of \$169,700,000; its total assets on June 30, 1962 were \$95,441,000.

Created in 1942

The Bank, one of the first as well as leading development banks, was created in 1942 as part of the structural framework established to spur industrial growth in Puerto Rico. From the outset, the Bank's aim has been to explore new lending areas and to act as a catalyst in the development of the economy.

Its lending operations supplement other financing facilities by supplying longer term credit than is usually available from private sources. The Bank also serves as an advisor on financial matters.

The Bank was first organized as a lending agency. Later, as Puerto Rico's economic development program gathered momentum, more public financing was required and accordingly, in 1945, the Bank was named fiscal agent for all public bodies in Puerto Rico to provide technical assistance and to maintain order in the competition for limited funds.

The 20-year report notes that one of the Bank's pioneering efforts involved financing large, low-cost housing projects. It directly financed the construction and sale of several of the large private housing projects whose mortgages were federally guaranteed and these efforts opened the way for private institutions to enter the field and develop their own market for home mortgages in the United States.

Financed Condominium Buildings

The Bank also led the way in providing financial assistance for condominium buildings—that is, apartment or office buildings where individual units are separately owned, title registered in individual names, and individual units can be mortgaged like single pieces of property on a single lot. The Bank in 1955 provided funds for the first condominium residential apartments, and other residential and office buildings soon followed. Private lenders are now active in this field. This kind of ownership is destined to play an

increasing role in building expansion in San Juan and other communities.

The Bank was most active, along with commercial banks,

home builders, and national housing organizations in urging inclusion of an amendment to the U. S. Housing Act of 1961, authorizing the Federal Housing Administration to insure mortgages on condominium properties. This has greatly spurred construction of such buildings in Puerto Rico and it is also expected that they will become popular in the States. The first condominium being built under this new Act is the Torrealta, a 70-apartment structure in the Hato Rey sector of San Juan.

Accent on Education In Puerto Rico

SAN JUAN—Puerto Rico is education-conscious. A third of the Commonwealth budget, or almost \$90 million, is spent on education alone. The literacy rate is just short of 90% (the U. S. rate is 95%) and more than 84% of the school age population (ages 6-18) is enrolled in primary and secondary schools.

The capstone of the educational

system, the University of Puerto Rico, now has an enrollment of 20,000 in all its colleges—including Humanities, Social Science, Education, Law, Pharmacy, Business Administration, Medicine, Agriculture and even Nuclear Studies.

Public schools are plentiful in Puerto Rico but they're crowded on this island where the population is 690 to the square mile. There are, however, 121 accredited private schools throughout Puerto Rico, 19 of them for English-speaking children, and they range from kindergarten through high school.



"AIR THRUWAYS"

More than a million and a half passengers moved through Puerto Rico's International Airport in the year ended June 30, 1962. This is more than five times the 1950 total! Air freight also grew at an amazing rate.

The airport is ultramodern, and readily accommodates the newest jet liners, now arriving and departing at the rate of 32 per day.

Only about 3 hours from New York City, and 20 minutes from downtown San Juan, International Airport serves a dozen separate American and foreign airlines. Its bustling activity provides additional proof of the growing importance of Puerto Rico to world markets.

Bonds of the Commonwealth and its agencies such as the Puerto Rico Ports Authority are exempt from Federal and State income taxes. They are attracting more and more private and institutional investors seeking good income compatible with a high degree of security.

PUERTO RICO PORTS AUTHORITY

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Securities Now in Registration
NOTE—Because of the large number of issues awaiting processing by the SEC, it is becoming increasingly difficult to predict offering dates with a high degree of accuracy. The dates shown are approximate.

NEW ISSUE CALENDAR
November 3 (Thursday)
Georgia Power Co. . . . Bonds
November 4 (Friday)
Sgm, Inc. . . . Common

Prospective Offerings
Acme Steel Co.
Oct. 3, 1960 it was reported that the sale of \$10,000,000 of preferred stock is planned by the company for some time later in the year. Proceeds—For expansion and modernization. Office—135th St. & Perry Ave, Chicago, Ill.

PUBLIC UTILITY SECURITIES BY OWEN ELY
Arkansas Power & Light Co. . . .

The Security I Like Best . . .
A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

MUTUAL FUNDS
The State of TRADE and INDUSTRY
FROM WASHINGTON . . . Ahead of the News
BY CARLETON

SECURITY SALESMAN'S CORNER BY JOHN DUTTON
Something No Security Salesman Should Ever Forget
There are still some laws that can be regularly about every

What Lies Ahead For Interest Rates?
By Alfred J. Casazza, Executive Vice-President, Savings Bank Trust Company, New York City
New York banker expects a "further sag" in interest rate for funds next year and on the expectation of an ample institutional savings that will be seeking investment outlets. He also perceives, will similarly appear at less than this year's. All in all, Mr. Casazza concludes, this enhances the desirability of well secured mortgages, where at attractive yields, in banking's portfolios.

The Oil Industry: Its Problems and Potentials
By John E. Swearingen, President, Standard Oil Co. (Indiana)
A soul-searching inventory of the negative and positive aspects of an industry geared to produce crude oil at a rate of at least 50% in

Our Reporter on GOVERNMENTS
BY JOHN T. CHIPPENDALE, JR.

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American Stock Exchange WEEKLY AND YEARLY RECORD
furnish a complete report of the transactions of the New York Stock Exchange itself and is intended to be a guide to the investor in the selection of stock or bond in which any dealings have occurred during the week ending Oct. 28.

Corporate and Municipal Financing Ahead
By SIDNEY BROWN

Stock Record from the New York Stock Exchange
DAILY RANGE OF PRICES
YEARLY RANGE OF PRICES
OUT-OF-TOWN MARKETS (Range for Week)
Boston Stock Exchange

Bond Record from the New York Stock Exchange
FRIDAY—WEEKLY—YEARLY
The italic letters in the column headed "Interest Period" indicate in each case the month when the bonds mature. Figures after decimal point represent one or more 32nds of a point.

STATE AND CITY DEPARTMENT BOND PROPOSALS AND NEGOTIATIONS

CANADIAN MARKETS (Range for Week)
Montreal Stock Exchange
Prices Shown Are Expressed in Canadian Dollars

NATIONAL LIST OF OVER-THE-COUNTER SECURITIES
The following bid and asked quotations are obtained from the National Association of Securities Dealers, Inc. and other selected sources. They do not represent actual transactions. They are intended as a guide to the range within which these securities could have been sold (indicated by the "bid") or bought (indicated by the "ask") any quotation furnished on request which have a wide national distribution.

DIVIDENDS
Dividend announcements are grouped in two separate tables. In the first we indicate all the dividends announced during the current week. Then we follow with a second table in which we show the payments previously announced, but which have not yet reached their payment date.

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