COMMONWEALTH OF PUERTO RICO

Recent panoramic view of San Juan shows the breadth of new building construction program now in progress. Another specific indication of the growth trend that characterizes the Commonwealth's entire economy.

CONFIDENCE OF BUSINESSMEN AND INVESTORS PRIMARY GROWTH FACTOR
Record Investments Herald New Industrial Phase

By Rafael Durand, Administrator, Economic Development Administration

No longer do firms ask themselves whether they should expand in Puerto Rico but, instead, they now ask “where?” The island’s economic chief is rightfully enthusiastic about last year’s record rise in direct investments and plant expansion which includes a large number of blue-chip companies. He describes the many types of industrial activities, the impressive rise in exports — particularly to the mainland, and the tax, financing and other assistance providing a favorable industrial climate which will be supplemented by the creation of a Foreign Credit Insurance to boost exports and a science center to support highly technical industries.

For “Operation Bootstrap,” fiscal 1963 marked an important turning point. Up to now, despite the success of our industrial incentives program, most manufacturers have had to be persuaded as to the merits and advantages of locating a plant in Puerto Rico. But last year’s record plant promotions — nearly $60 million (not including land and buildings) as compared with $21 million in fiscal ’62 — indicate that the main question today for many manufacturers is no longer “Shall we expand to Puerto Rico?” but “Where?”

This new attitude is underscored by the number of U.S. firms that have opened a plant on the island and then return to start a second and third and even more plants. Of the approximately 50 mainland companies with manufacturing operations in Puerto Rico, nearly one in four operates two or more plants. Two companies operate 8 plants each and one recently started its eleventh. Significantly, the two firms with 8 plants each are “blue chips” and it is perhaps even more significant that of the 50 “blue chips” new manufacturing on the island 19, or 38%, have followed their original expansion with additional operations.

The company that expands again and again in Puerto Rico is the best evidence of the Commonwealth’s stability and growth, and of the success of the “Bootstrap” incentives program.

Record Rise In Investments

Under this program the fiscal year that ended June 30 saw many of the brightest names in mainland industry locating on the island. “Bootstrap” last year signed up a record 202 projects of which 154, representing investments of $35.5 million, were U.S. owned projects. Twenty-three of these 154 were from “blue chip” firms such as American Can, Burlington Industries, California Packing, Colgate-Palmolive, Ford Motor, General Electric, Gillette, International Paper, International Telephone & Telegraph, Kayser-Roth, Phelps-Dodge, Union Carbide, and Warner Lambert. The new factories promoted in this 12-month period brought the total “Bootstrap”- generated manufacturing enterprises to over 1,000 and the total investment value of “Bootstrap” plants to more than $700,000,000. The number of direct jobs created totaled over 60,000 with an equal number created indirectly.

The island’s economic growth, averaging for 10 successive years one of the highest in the world, was enabled by the thrust of this Industrialization drive to maintain its almost unparalleled pace. The growth rate last year was again above 10%. Net income increased 10.6% to $1.8 billion and net manufacturing income climbed by $432 million. Exports of products from new industries rose 5% over last year to $518.2 million.

Concurrently, per capita income continued its upward swing, rising from $695 to $740, and, with the highest over-all distribution of income in Latin America, the island’s purchasing power again rose, consolidating its position as the fifth largest market in the world for U.S. goods. In 1963 the island first became a billion-dollar market and in fiscal 1963 its imports continued to rise. Thus, Puerto Rico’s two and a half million people bought more from the U.S. last year than the entire continent of Africa and more than the 100,000,000 inhabitants of Brazil, Argentina, Uruguay and Paraguay combined.

Growth Led by Industrialization

This remarkable economic growth, spearheaded by our Industrialization program, has in turn acted as a spur to the program itself. There are now well over 2,000 industrial plants on the island manufacturing a wide variety of products and some sectors that barely existed a decade ago have become substantial complexes. Foremost among these sectors are the apparel and allied industries, the electronics and electrical products industry, metal working, chemicals and petrochemicals, and, late-comers but growing rapidly, tuna packing and the leather products industry, including leather shoes.

Jump in Exports to U.S.

The vitality of these burgeoning complexes is reflected by the increase in shipments to the U.S. In the apparel industry, grown in little more than a decade from some half dozen plants to over 275 plants, shipments to the U.S. increased from $89,000,000 in 1953 to $183,000,000 in 1963.

In electrical and electronic products, shipments to the U.S. rose almost six-fold from $13,000,000 in 1955 to over $65,000,000 in 1963.

Shipment figures, however, provide only a partial picture of our manufacturing production since much of the production is consumed in the local market. But they underscore the steady broadening base in depth expansion of our industrial community. From the viewpoint of the manufacturer, this in-depth expansion means additional savings through lower production costs and improved efficiency.

The leather shoe industry is a case in point of how the manufacturer benefits from in-depth growth. Up to last May, shoe advertisers had to be shipped from the mainland but now they are available through Cambridge Chemical, which recently opened a shoe adhesive plant. Faster servicing of machinery can now be obtained with the opening of a service office this summer by International Shoe Machinery Corp.

Our investments in Puerto Rico are in the following companies:

- ABC Printing & Paper Corp. (Banking and financial printing)
- Agricultural Chemicals, Inc. (Tankage for livestock feeds)
- Arcadia Corp. (Manufacturer of undergarments)
- Commonwealth Furniture Co. (Producer of bedroom furniture)
- Commonwealth Soap Co., Inc. (Cake and flake soaps)
- Maripel Pharmaceutical Corp. (Drug, novelty distributor)
- Osvaldo Pares Inc. (Vending machines & music boxes)
- Prime Meat Distributors, Inc. (Quality meat wholesaler)
- Pronto Operating Corp. of Puerto Rico (Vending machine owner)
- Royal Crown Bottling Co. of Puerto Rico (Soft drink bottler)
- Puerto Rico Organics, Inc. (Chemical processor)
- The Family Store of Puerto Rico (Western Auto Supply distributors)
- Torpelo, Inc. (Office equipment supplier)

FIRST FEDERAL SAVINGS BUILDING, SANTURCE, SAN JUAN, PUERTO RICO
And shoe leathers will also be available locally through Ponce Tanning Corp., which will manufacture leathers from cattle hides and goatskins. In addition, ornaments and things like nets, cycles and sundries can be obtained on the island.

This pattern has been repeated in various industries, and profit ratios, which in relation to invested capital are now more than triple the mainland average, are expected as a result to be even more favorable to industry. It is anticipated of these high profits, of course, that has attracted more than half the new plants in U. S.-owned plants to Puerto Rico. Contributing to these profits are the labor pool and labor productivity and the industrial incentives offered by the Economic Development Administration.

Labor, Taxes and Financing Incentives

Puerto Rico's labor force is on its way to becoming as legendary as our self-help industrialization program. The skill of the famed Puerto Rican needleworkers of 20 and 30 years ago has been transmitted undiminished to the requirements of modern machine and production. In some island plants productivity by both men and women workers exceeds that of their stateside counterparts by as much as 20%. Furthermore, job-hopping, the bane of many mainland manufacturers, is rare. The island factory worker has proved intensely loyal and his job is highly prized by him. Assistance in the screening and training of workers, which is one of the incentives offered by "Bootstrap," has proved invaluable to many U. S. firms. In addition to the labor skill and labor availability, there is of course a favorable wage differential in Puerto Rico.

Other incentives include assistance in plant and plant site location, with rentals as low as 50 cents per square foot per year; grants for the transportation of machinery; freedom from property and municipal taxes for the period of tax exemption; flexible depreciation; assistance in obtaining financing; and exemption from Commonwealth taxes for a minimum of 10 years and, depending on the location, up to 17 years (Puerto Rico has no voting representation in Congress and hence is not subject to Federal taxes). These incentives are of course available only to qualified firms. "Runaway" firms—that is, firms that would shut down shop on the mainland in order to reap a quick profit in Puerto Rico—are not eligible for incentives.

Two New Developments

The favorable industrial climate is, moreover, expected to become even more favorable in view of two new developments. First is the field office recently set up in Puerto Rico by the Foreign Credit Insurance Association to help boost foreign trade by offering 100% insurance against credit risks. Second, the Department of Commerce program divides risks evenly with the Export-Import Bank and is now open to island manufacturers, situated most favorably for the penetration of Caribbean and Latin American markets. Exports to Europe are expected to increase also through TCA airlines.

A second development, at present still on the drawing boards but expected to give impetus to island industry, is a science center where basic and applied research under the direction of renowned scientists would help solve production problems of the island's highly technical industries. Such a center would not only assist industry now located on the island but would serve to attract technical industries not now in Puerto Rico.

Other developments will be created to help industry and to help Puerto Rico, because the two grow hand in hand and it is the nature of "Operation Bootstrap," to press steadily forward. In less than 20 years this program has transformed an impoverished island with a sluggish, agrarian economy into a land studded with industry and bustling with activity and in which hundreds of new schools and tens of thousands of new homes give proof of what a democratic free-enterprise community can achieve with the requisite state aid and the proper tools.

But though we have advanced far, we still have far to go. Unemployment—about 12% of the labor force—is a major problem. New industry will help in this direction. And though this past year proved that to much of mainland industry Puerto Rico now is "pre-sold" for plant sites, we do not intend to rest on our record. "Operation Bootstrap," true to its nature, will continue to drive forward with new developments and new vigor to make Puerto Rico first in expansions as it is now first in profits.

Industry Has Huge Stake in Commonwealth

"In recent years, capital-intensive heavier industries have begun to move in. Among these are plants supplying other industries (such as die-casting or electroplating), oil refineries and plants making synthetic, plastics and other semi-manufactures for further processing, and, finally, highly specialized industries making electronic equipment, electric measuring devices and other similar products, now the fastest-growing group of industries on the island. Many of these plants represent a large capital investment; for this reason, they are unlikely to move out when their tax exemption period expires. The full impact of this tendency toward industrial integration, or its effect on certain traditional industries geared to local consumption, has yet to be felt. During the past few years, reflecting the growth of Puerto Rico's own private capital and managerial potential, there has been a trend toward joint participation in industrial ventures." —First National City Bank of New York.

Toward a More Abundant Life

The average family in Puerto Rico now has more than five times as much income as in 1940—the year marked the beginning of the island's industrialization—private savings and time accounts are up eleven times...years of life expectancy are up 54%...public school enrollment has doubled...State university enrollment has quadrupled.

All these factors have contributed to the rapid rise of the island's hard core middle-income group. And the pace of advance is quickening—bringing a more abundant life to more and more of the people.

Bonds of the Commonwealth of Puerto Rico are exempt from both U.S. Federal and State income taxes. They merit consideration for their sound security and liberal yields. Your own bank or investment dealer can give you full information.

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

Fiscal Agent for the Commonwealth of Puerto Rico

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Puerto Rico's Catalyst—
The Development Bank

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

Review of the two decade-old developmental financing agency's pivotal stimulation of the Commonwealth's over-all remarkable growth notes record highs achieved by the Bank in net income, in total assets, and in total loans to diversified private borrowers. Dr. Pico discusses special tax and loan incentive program now being launched to spread economic expansion throughout the Island and points out services provided by the Bank and its successful efforts to broaden the market for the Island's municipalities to obtain higher ratings for its bonds.

The metropolitan area remains eligible for the 10 year period of tax exemption.

Fiscal Agency Activities Highly Successful

Through its fiscal agency function the Development Bank channelled $135 million in 1963 in谑ommitment to development projects required to support the Island's economic program. With the incentive programs, the financial needs of Puerto Rico's municipalities and public corporations have been met in an orderly and efficient manner. During the past year the Bank has arranged for the Commonwealth of Puerto Rico, its municipalities and public corporations to raise a total of $511.0 million, of which approximately $135.0 million was in long-term debt issues.

An outstanding recent achievement was the increase by Moody's Investor Service in the rating of Puerto Rico Aqueduct and Sewer Authority revenue bonds from Baa to Aa. Other Puerto Rican issues rated Aa by Moody's are the Puerto Rico Water Resources Authority, Commonwealth of Puerto Rico, and the municipalities of San Juan, Ponce, Mayaguez, and other municipalities.

In 1963 the Bank has also helped Puerto Rico to diversify its economic structure by extending a large measure of assistance to its tourist and fishing industries. In the former line the Bank and its affiliates made extensive new investments in hotel and other tourist facilities, financing the restoration of historical buildings in Old San Juan, construction of plants to process agricultural products, and even a plan to utilize the Inner Harbor as a fish market. The Bank's basic policy objective is to stimulate overall economic development.

During the latest fiscal year ending June 30, 1963, loans approved to private enterprise totalled $135 million, the highest amount for any year in the Bank's history. Loans disbursements of $102 million registered a 15% increase over the previous year. The Bank's private loan portfolio of $34.8 million signified another high mark.

At present the Bank is launching a new special incentive program for manufacturing enterprises, export industries and tourist facilities outside the San Juan metropolitan area. In line with the Commonwealth Government's objective to spread the benefits of economic expansion more evenly throughout the Island, the Bank's new incentive program will apply lower interest rates, longer terms and other special policies on loans to certain areas of the Island. The areas of the Island to be given special loan privileges are designated according to a classification established by the Puerto Rico Planning Board. According to this classification, areas outside of the metropolitan area are also eligible for additional periods of tax exemption, some for 12-year periods and others for 17 year periods.

Other Financial Services

Another recent development was the transfer to the Bank on July 1, 1963 of the current account of the Secretary of the Treasury. This account, which has averaged $175 million since July 1962, is now held and serviced by a national bank operating in the Island. The Puerto Rico Bankers Association had requested that these funds be dis-
U.S. "Blue Chip" Companies With Manufacturing Plants in Puerto Rico
(Number of Plants in Parenthesis)

American Can Co. (2)
American Hardware (1)
American Motors (1)
Beautique Mills, Inc. (1)
Beeftrice Foods (1)
The Borden Co. (8)
Brunswick Corp. (3)
Burlington Industries (1)
California Pacific (1)
Carborundum (1)
Central Soya, Inc. (1)*
Colgate-Palmolive (1)
Commonwealth Oil Refining (1)
Consolidated Cigar (4)
Continental (1)
Continental Corp. (8)
Diamond Match Co. (1)
Domino S. U. (1)
Eastman Kodak (2)
Eatontown, N. J. (3)
E. I. du Pont (1)
Edison Electric (1)
Edward F. Goodwin & Son (1)
Elgin (1)
Englewood, N. J. (1)
Esso (1)
Fairchild Camera & Instrument (1)
Federal Reserve Bank of St. Louis (1)
Federal Reserve Bank of New York (1)
Ferris State (1)
Fisher (1)
Fisher Scientific (1)
Ford Motor Co. (1)
Ford Motor Company (1)
General Electric Co. (4)
Gillette (2)
Goodrich (B. F.) (2)
Grace (B. Goodrich) (2)
General Electric (1)
General Foods (5)
General Foods Corp. (5)
Geo. M. Goodwin & Sons (1)
Gulf Oil (1)
H. J. Heinz (1)
International Paper (3)
International Shoe (5)
International Tel. & Tel. (1)
Johnson & Johnson (1)
Kayser-Roth (8)
Kimberly-Clark (1)
Libby, McNeil & Libby (1)
Midland-Valles, Inc. (1)
Mohasco Industries (1)
National Biscuit (1)
Parke-Davis (3)
Phelps Dodge (2)
Philadelphia & Reading (1)
Ralphon & Hunter (1)
Reichheld Chemicals (1)
Shell Oil (3)
Sherwin-Williams (1)*
Simms (1)
Sperry Rand (2)
Sprague Electric (2)
Stanley Warner (3)
Sterling Drug (1)
Stokely-Craig (1)
Sunbeam (3)
Union Carbide (2)
U. S. Rubber (1)
Warner-Lambert Pharmac. (2)
Wilson & Company (1)

Source: Fortune Directory of the 500 Largest Industrial Corporations; EDA Records.

*In process of establishment.

Ford Motor Co. to Build New Plant In Puerto Rico

Ford Motor Company, Sept. 9, announced that construction of a ball bearing plant by its Puerto Rican subsidiary will be started within a few days by a Commonwealth-backed construction firm. The subsidiary, Ford Precision Products, Inc., has awarded a contract to the Blythe Company of Puerto Rico, San Juan, covering site preparation and substructure work for the plant.

Award of the contract was announced by Marvin L. Katke, Chairman of the Board of Ford Precision. Mr. Katke also is Ford Vice-President in charge of the Engine, Transmission and Glass Group.

Mr. Katke said the Puerto Rican construction company first would begin work on the 70-acre plant site about 15 miles east of San Juan (at the northeast intersection of Highways 3 and 185, two miles east of Loiza).

Ford Precision's investment is expected to total between $12-$15 million. The plant will be the first manufacturing operation to be located in Puerto Rico by a U. S. automobile company or its subsidiary.

"Even though the new plant will not be in operation for about a year," Mr. Katke said, "Puerto Rico rightfully now can be added to the list of locations of Ford's world-wide installations."

He pointed out that Ford and its Philco Corporation subsidiary, operate 98 plants and parts depots in 26 states. Office buildings, sales offices, and vast research and engineering facilities are not included in the totals. There also are six Ford manufacturing companies and 24 sales and assembly companies located in countries outside the United States.

The Puerto Rican plant will cover about 130,000 square feet of floor space including production, office and employee service areas. The plant will employ about 300 people, nearly all to be locally hired. An intensive training program to prepare prospective employees for their jobs will be started this fall.

Mr. Katke said that a contract for more than 800 tons of structural steel already has been awarded to the Unit Steel Corp., Dearborn, Mich., for delivery to the site to start in September. A contract for above-ground construction work is yet to be awarded.

The first production work at the Puerto Rican plant is scheduled for late next summer in time for Ford's 1965 model year. Full production will be attained a year later when the plant is expected to be making about 12 million ball bearings a year, most of which will be used in transmission, steering gear, rear axle and other assemblies for U. S. -assembled Falcon, Fairlane, Ford, Comet and Mercury passenger cars and Ford trucks.

A portion of the plant's production also will be available for sale to Universal American Corporation's Norma-Hoffman Division, an established U. S. bearing manufacturer. The Norma-Hoffman Division is providing technical assistance relating to plant design and production during the initial years of operations.

Mr. Katke said the Ford Precision operation will be one of Puerto Rico's most highly automated machining plants.

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PUERTO RICO NOW HAS
25 TIMES AS MUCH ELECTRIC POWER
AS IN 1941!

And the pace quickens!

Power generating capacity in Puerto Rico has multiplied 25 times over since creation of the Puerto Rico Water Resources Authority in 1941. And projects now under construction will add 50% to today's capacity. All this has, of course, contributed to the island's continuing industrial boom and the rising standard of living.

Bonds of the Commonwealth of Puerto Rico and its various agencies, such as The Puerto Rico Water Resources Authority, are exempt from State income taxes as well as United States Federal income taxes. They are attracting more and more private and institutional investors seeking good income compatible with a high degree of security.

THE PUERTO RICO WATER RESOURCES AUTHORITY
Sea and Air Gateways Give Measure of Island’s Growth

By Ruben Sanchez Echevarria, Executive Director, Puerto Rico Ports Authority

Gains in last fiscal year of 10% in air passenger traffic, 27% in air cargo, and 22.2% in ship cargo tonnage attest to remarkable strides in air and maritime facilities and services under Puerto Rico Ports Authority tutelage. Mr. Sanchez describes how centralized harbor and air developments and notes that the Authority’s revenues increased 28.5%, and net income 39%, indicative of the Authority’s growing activity.

The movement of passengers and cargo through Puerto Rico’s International Airport at Isla Verde, near San Juan, gives a good measure of the tremendous new growth and development in an island historically dependent upon maritime shipping.

There is, of course, a vast difference between jet planes landing and taking off every few minutes at an airport which are some 30 days in transit and requiring hours to dock, even though the bulk of Puerto Rico’s incoming and outgoing cargoes is moved by sea. Actually maritime activity is showing substantial expansion as well as air traffic.

During the fiscal year ended June 30, 1963, passenger traffic through the International Airport totaled 2,020,289, compared with 1,756,015 the preceding fiscal year, a gain of 16%. This represents a considerable difference from the 365,335 passengers during the 1951 fiscal year at the predecessor airport, Isla Grande.

When Puerto Rico International Airport was built in 1955 it was designed for the handling of 1,000,000 passengers a year and it was estimated that this volume could be reached by 1970. This estimate was exceeded by 1958 and, in the current fiscal year, doubled. The movement of cargo through Puerto Rico International Airport has been just as extraordinary, totaling 79,074,683 pounds in the 1962-63 fiscal year, against 62,276,419 the preceding fiscal year, a gain of 16,707,664 pounds or 27%.

As for maritime services, the number of ships using the port facilities in the 1962-63 fiscal year increased to 2,817, compared with 2,568 in the preceding year and the ship tonnage increased to 2,172,548 tons compared with 1,778,341 tons the preceding fiscal year.

The Puerto Rico Ports Authority is a public corporation of the Commonwealth, created in 1942 and charged with the development and administration of the island’s air and maritime facilities and services. Through sizable capital investment, and the ploughing back of revenues from operations, the Ports Authority has moved vigorously forward with a program of expansion to meet the steadily increasing transportation requirements.

In 1960 a major program of additions and improvements to Puerto Rico International Airport, requiring an investment of $97,273,433 over a period of three years, was begun. The capital development program, also included plans for improvements to off-island airports to cost another $2,500,000.

The International Airport developments included extension of the runway from 7,000 feet to 10,000 feet, construction of new terminal buildings, new cargo and fire station structures, lighting and safety installations, and the improvement on the island and the development of new ones. Most of this work has been completed.

New Harbor Development

Expansion and modernization of port facilities requiring an investment of more than $16 million was also initiated at the same time. The bulk of this development was begun in the Puerto Nuevo Harbor, comprising 100 acres directly across San Juan Bay from the historic dock sections of old San Juan.

The plans for the Puerto Nuevo area include the modernization of all facilities, based on Puerto Rico’s dynamic growth. With increasing numbers employed at higher wage rates, the demand for new and wider selection of foods requires new methods of supply, handling and distribution to meet expanding needs. The new port and Central Market facilities will permit centralization, free access to traffic, modern loading and unloading facilities, and handling and handling equipment, and means of distributing perishable produce as well as dry groceries. Construction in this area was begun in the second quarter of 1962.

The dredging of San Juan Bay, to cost about $10 million, will increase the harbor’s capacity from the 6.5 million tons for the Ports Authority, the balance to be paid for by the Federal Government. Dredging in other parts of the island are also being extensively improved.

The fiscal year was marked by gains in all phases of Puerto Rico Ports Authority’s operations. Revenues increased 13.9% over the previous fiscal year were $35.5 million, compared with $42.2 million in the previous fiscal year, an increase of 16.5%. Net income for the year was $1.2 million, compared with $882,000 the year before. Thus is indicated the growing activity of the Puerto Rico Ports Authority.

“Bootstrap’s” Financial Arm Accelerates Industrialization

By Manuel Sanchez Riveria, President, Puerto Rico Industrial Development Company, San Juan, Puerto Rico

Puerto Rico Development Co. has been instrumental in facilitating, when necessary, retail and touristic assistance to a host of private enterprises which in large measure accounts for the Island’s rapid transformation from an underdeveloped to an industrialized economy. Brief description of extent of services provided and progress made concludes with the prediction that manufacturing and construction will advance at least by 10% in fiscal 1964 and that the rate of growth in the 1960’s will exceed the 9%, achieved in the 1950’s.

Part of the success of Puerto Rico’s “Operation Bootstrap” during the past 20 years can be attributed to The Puerto Rico Industrial Development Co., an organization commonly called PRIDCO.

PRIDCO is the financial and real estate “right hand” of the Commonwealth’s “Bootstrap” agency, The Economic Development Administration.

PRIDCO has played a key role in Puerto Rico’s mammoth transformation that has seen the Island change from an underdeveloped Spanish society into one of the world’s fastest growing industrial economies. Its mission has been one of supporting the economic development industrial promotion effort through the provision of loan facilities to industrial concerns and buildings and the granting of financial assistance, in the form of loans or minority stock purchases, for qualified manufacturers or special project investors.

With “Bootstrap” entering its third decade, PRIDCO, organized and operated as a public corporation—now expects to play a greater role than ever.

For example, in 1953, PRIDCO’s net income was $885,000 on an operating income of $5,800,000. Ten years later, net income nearly quadrupled to $3,249,000 on an operating income which increased nearly fourfold to $19,249,000.

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source, despite the fact that capital financing is readily available in Puerto Rico through such private institutions as commercial banks, factoring and investment companies and such public sources as the Puerto Rico Economic Development Bank, the U. S. Small Business Administration and the Puerto Rico Industrial Development Administration. In fiscal 1963, PRIDCO loans amounting to $1,688,000 were granted to 27 companies and minority equity capital investments totaling $370,000 were made in five industrial operations. These figures do not include the more than $2,350,000 in dollar credits granted to manufacturers as part of the industrial incentives offered under "Boot strap."

Puerto Rico's growing community of locally owned manufacturing enterprises are also served by PRIDCO. In 1963, financing, properties and grants totaling $4,650,000 for new and expanding operations were made to locally owned firms.

The $22 million expansion investment announced by Union Carbide Caribe, Inc. was the most significant development of fiscal 1963 in PRIDCO's wholly-owned subsidiary, Foreign Trade Zone of Puerto Rico, Inc. The new investment is for the construction of an additional plant in Subzone No. 7-A, in Ponce, for producing petrochemical products related to the plastics and synthetic rubber industries. This expansion is significant not only because it will create 120 new jobs but because it demonstrates the soundness of the Zone's duty advantages and will probably attract related industries to Puerto Rico. The new plant will complement Union Carbide Caribe's existing $58 million petrochemical operations. The Zone is expected to play an increasingly important part in the future expansion of Puerto Rico's industrial base despite the Commonwealth's role as a transportation and manufacturing link between North and South America.

Sale and Leasing of Facilities
Since an average of three facilities a week move to Puerto Rico, PRIDCO must maintain an active inventory of plant sites and factory buildings which can be occupied immediately. Construction as a rule falls into three categories: standard buildings ready for lease or sale; buildings designed for the specific needs of specialized industries; and plant expansions. A total of 31 factory buildings were completed and 17 others expanded in 1963 at a cost of $4,271,000.

Outstanding construction projects completed by PRIDCO this year included new or expanded plant facilities for local subsidiaries of Kayser-Roth, Wilson Shoe, International Shoe, and Burlington Industries. A $400,000 cement plant project completed in fiscal 1963 was a $600,000 PRIDCO plant for B. V. D. Privately Financed ventures, completed and put in operation during the fiscal year, included a $3,700,000 tuna cannery for California Packaging Corp., IBEC's $1,700,000 tuna cannery, and a $1,000,000 tomato processing plant for Libby, McNell & Libby.

Development of industrial subdivisions has, in the past several years, become an important part of PRIDCO's mission. Seven such subdivisions were completed in fiscal '63 bringing the number completed by PRIDCO to 50. These represent a cost of $19,300,000, cover 1,548 acres and include 159 factory sites. In the past two decades, PRIDCO has supplied industry with 469 buildings at a cost of more than $77,000,000.

Mecca for Tourists
Puerto Rico, with its balmy trade winds and year around New England spring-summer climate has fast become one of the most popular vacation areas in the Americas. The island played host to 465,287 visitors in fiscal 1963 as compared with 389,071 in 1962. And the figures are still climbing. Recent studies indicate that by 1970, the Commonwealth expects 872,000 regular visitors. It has been estimated that between 10,000 and 11,000 hotel and guest rooms will be required to meet the ever-growing demand at this vacation paradise. As a result, hotel construction has boomed ever since the opening of the Caribe Hilton Hotel early in the 1950s.

PRIDCO has helped meet this demand by assisting in the development of Puerto Rico's tourist facilities, mainly through minority capital investments and financing. While private investors have taken the lead with the growth of tourism, as evidenced by such recent projects as the new El Convento, Americano, Condado Lagoon, El Conquistador and Dorado Hilton hotels and the major expansions of the Caribe Hilton, the Condado Beach and the Dorado Beach hotels, PRIDCO still functions in this important aspect of the economy. In fiscal '63, PRIDCO approved investments of $223,000 in loans to four tourist projects. This included a $500,000 participation in the financing of the new $4,200,000 Holiday Inn and a $650,000 loan in the Pierre Hotel, both in San Juan. PRIDCO is currently constructing, at a cost of $2,700,000, a 150-room hotel in Mayaguez, on the western coast of Puerto Rico. When finished, this hotel will be operated by Hilton Hotels International, under a 20-year lease.

What of the future? The Planning Board expects that in fiscal 1964 net income, manufacturing income and construction will each, again, rise by more than 10% and the outlook for the decade of the 1960s is that the island will substantially surpass the better than 8% average annual growth attained during the 1950s. PRIDCO, we believe, will play an ever expanding role in the conversion of these projections into reality.

---

**Last year 2,000,000 passengers used Puerto Rico's International Airport**

- This is 13 times the 1950 figure and almost equal to the entire population of the Puerto Rican Commonwealth! The newest jets arrive and depart at the rate of 32 per day! The airport is used by twelve separate airlines, American and foreign. Truly this is one of the world's great "Air Thruways!"
- Only about 3 hours from New York City, and 20 minutes from downtown San Juan, International Airport provides additional proof of the growing importance of Puerto Rico to world markets.
- Bonds of the Commonwealth of Puerto Rico 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.

**THE PUERTO RICO PORTS AUTHORITY**
Small Business Firms Are Important in the Economy

By Quing N. Wong, President, Puerto Rico Capital Corp., San Juan, Puerto Rico

Puerto Rico is now beginning to spawn a sizable number of small and moderate businesses it needs to serve the economy's requirements—both for the small business equity capital spurs investment opportunities which Mr. Wong, head of the Island's only active, publicly-held SBIC, discusses in general. He also specifies the type of investment his firm has made to illustrate prospects for investment growth.

Flamboyant is the name for the unofficial flower of the Commonwealth of Puerto Rico. It's a scarlet and crimson tree with bright red blooms. Flamboyant is also the word to describe the Puerto Rican economy in the Webster sense of being "flamboyant or brilliant."

The Island's economy has been burning bright for the past 10 years and the flames should go even higher during the next 10. Last year's per capita income increase of 10.4% is only one indication. Look at the GNP record: it passed the $2 billion mark last year.

There are many reasons behind the startling rise in the economy of Puerto Rico. The fact that 50 out of the 100 leading U.S. blue-chip industrial corporations have installations there is one. Twenty-three of the 184 U.S. owned projects were initiated last year. The great job that Fomento has done, known as "Operation Bootstrap," is another. The tax incentive act has brought many companies to blossom. And there are a dozen more reasons.

Even though all segments of the economy have shared in this growth, one group has not been publicly cited, that is small business. The small firms, particularly those that service the bluechip companies and the local public, have grown remarkably fast.

It is in this area that we feel Puerto Rico's greatest growth potential lies. Why? For one reason, personal income levels of the Island have reached the point where the American "necessities of life" are no longer considered luxuries. Likewise, internal market has been generated to match or complement the outside-funded capital.

However, the main growth is due to Puerto Rico's greatest natural resource: its people. Talent flows from the Island's five fine universities and colleges, which graduate almost 4,000 a year. It is these young men and women who now fill the ranks of small business with the managerial skills that have been badly needed in years past. Simultaneous with the economic growth is a marked increase in capable people who have higher skills and command better wages. The infusion of this group into the general population has caused a readily noticeable public taste for better things. Hence, we believe that the businesses that fill these better living demands will grow at a greater rate than the rest of the economy. These service firms should grow much faster than the well-established, manufacturing types. In turn, these demands have generated a great need by local businesses for more equity capital. The result is that the "necessities of life" are now on the verge of blossoming into a middle class economy.

Equity Needs

This equity need by small and moderate-sized businesses, indigenous to Puerto Rico, presents a favorable investment opportunity. In the past, the main source of capital has been the savings of families and friends.

Today, the U.S. Federal SBA program has been a major force in meeting some of this demand. The local SBA office, undoubtedly the most active in the entire network, last year handled 403 loans totalling $8,705,849—a 50% increase over the previous year. Fomento has performed a valuable service in making funds available to small business. Negotiations for the establishment of 325 plants, with an initial investment of $3.5 billion were concluded by the Economic Development Administration during the past 12 months. The establishment of that new factory jobs created by these negotiations will be located outside the Puerto Rico municipal area, thus giving better geographical balance to the Island's industry.

The Small Business Investment Companies Act is another source, one continuing public and private investment channels, available to those growing firms that need dollars unavailable to the high normal commercial channels.

However, even though the need and the investment potential is great, the problems relating to this type of investment are many. No banks or S&Ls with experience are unique to Puerto Rico.

For example, business planning and business system controls are not necessary in the Puerto Rican economy. Another problem facing us is the timing of the cycle. This problem is not created by the scarcity of middle management talent. A small business can be started fairly as good as its management.

In our investment of over $2 million in 13 Puerto Rican companies, we have found the normal growth problems of a rapidly expanding economy. To solve these, the staff of Puerto Rican Capital Corporation, the only Figure-87.

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tions like Merrill, Lynch, Pierce, Fenner & Smith and the unexpectedly strong acceptance by the island's investor public back in the middle 1950s of a pioneering securities offering by the Puerto Rico Telephone Co.

But probably as important as anything else is this comment by one of San Juan's leading brokers: "Puerto Rican companies have at long last learned that stock issue work is not only good for the company but good for the economy."

II

The Joint Venture Trend

Not only is local Puerto Rican industry beginning to feed its oats, but the Government's Economic Development Administration, Operation Bootstrap's sponsor, has also moved into the picture by "marriage brokering" between incoming U.S. producers and suitable island partners. As EDA's Executive Director in the U.S., J. Diaz-Hernandez put it recently: "Today a U.S. company which does not wish to underwrite a plant or other investment entirely on its own can find Puerto Rican capital ready to share in the financing... as well as a growing pool of engineering, administrative and managerial talent, thereby availing itself of all phases of island know-how."

Theory has paid off in practice. During the past year close to 30 joint ventures of one variety or another have taken place between island and stateide interests. A typical such medley: Sherwin-Williams Co., the Cleveland paint producer, joined forces with Suces de A. Mayol and Co. in a 23,000 square foot facility in Bayamán, a fast growing suburb of San Juan. Sherwin-Williams provides 75% of the capitalization, Mayol the other quarter. In similar alliances Reichold Chemical and Morton Salt have also found island counterparts, while an even more ambitious three way deal is the newly signed agreement to produce fiberglass wallboard entered into by Commonwealth Oil, C. Breuer and National Bagasse of Vacherie, La.

Bootstrap observers feel that this kind of go-it-together arrangement will be found in an increasing proportion of the thousands of new incentive backed ventures that are programmed for the decades immediately ahead.

III

The Investment Companies Trend

This is probably the least known and newest chapter in the "other bootstrap" story: an attempt not only to have local industrialists do-thous-likewise, but to induce Puerto Rican's increasingly moneyed middle class to participate personally in modern development.

The notion was embodied nine years ago in the Investment Companies Act of 1944 which, without going into too much detail, had as its prime objective "to enable Puerto Ricans to share directly in ownership benefits of an expanding industrial economy." To make the cake as sweet as possible a series of solid incentives, principally in the area of taxes, was put forward. Like many apparently good ideas, this one didn't work out.

Nonetheless, in just the past couple of years the investment company idea, like the go public notion, has begun to catch fire. Our own organization, for example, has managed to bring together well over 100 local people most of them new to equity investing. Our stockholder list in fact, closely resembles the kind of roster of positions and professions that can be found not just in Puerto Rico, but in nearly every so-called "underdeveloped country" in the world: for example, physician, druggist, attorney, university professor, engineer, insurance agent, auto-mobile dealer, dairy manager and property appraiser, to name just a few.

Most of these people's investment experience was limited to real estate: today it also includes manufacturing, insurance, hotel development and other phases of an increasingly modern and effective economy.

It is a good deal too early to describe this "other bootstrap" at any kind of roaring success. But two things can be said already. First, Puerto Rico has begun to spawn its own brand of entrepreneur, described this way recently by a top Puerto Rican business journalist: "A new class of modern, efficient businessmen is developing in Puerto Rico... he is not only energetic and creative but also highly responsive to community social problems."

And second, while the Puerto Rican middle class backed the concept of dynamic economic development right from the beginning, they are beginning to pay cash, not just lip service, to be part of it.

Many of us feel that it is this kind of do-it-yourself, local effort, this "other bootstrap," that will in the long run tell the ultimate story, not just in Puerto Rico, but in many, many other places as well.

Puerto Rico Aqueduct and Sewer Authority

And the pace quickens —

The Puerto Rico Aqueduct and Sewer Authority performs two major services for the people of Puerto Rico—the distribution of pure water and the maintenance of modern, efficient sewer service. Year after year since its inception in 1945 the Authority has shown rapid growth in both of these areas. Customers and revenues have increased more than five times over. • And water everywhere in Puerto Rico sets an example for purity. The drinking water that is piped into even the smallest hamlet meets the rigid standards of the U.S. Public Health Service. The supply is constant and abundant. The rates are low. 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. The Authority's latest annual report is available on request.
Commonwealth Banks and The Puerto Rican Economy

By W. E. Pullen, Vice-President, First National City Bank, Puerto Rico, and President, Puerto Rico Bankers Association

Compact review of Puerto Rico's exceptional growth pinpointing developments sector by sector including banking services.

The progress of business in Puerto Rico during the last decade has been exceptional. Hotels, apartment houses, and office buildings have sprung up and are being built at a very rapid pace. The G.N.P. has been rising at the rate of 9% a year and it is estimated that it will be 10.4% for the next fiscal year. The market here is now over $1 billion and is estimated to be $1,000,000,000 for 1964.

Bank deposits today stand at $944,002,525 compared to $606,133,854. The local charitable banks, branches of banks chartered in New York, and two Canadian banks have branches serving all of the main communities. The smaller communities have bus bank service about two or three days a week.

The power and water requirements have been largely financed by authorities whose bonds have been purchased on a revenue basis and command increasing consideration in the municipality bond market. FHA loans of all types, including condominiums, are being processed at an ever increasing rate.

Tourism is now at $66 million a year, which has grown from $30 million five years ago. Manufacturing under the incentive and tax-exempt program continues to grow, providing new jobs, new income and a source of pride in the product manufactured. Industry has now passed agriculture and the gap will be lengthened every year.

The Hawaiian methods of sugar production are being tried out by a large Hawaiian organization that has purchased some mills in Puerto Rico. Their experiments are being watched with a great deal of interest.

General confidence in business is very high and there is an increasing amount of interest in the possibilities of manufacture and service industries in Puerto Rico from expanding corporate entities from the United States.

Changing Tastes: A Boom To Puerto Rico Rum Industry

By Donald J. Trotter, Research Analyst, Jessup & Lomont New York City

Tourism and changing taste to lighter alcoholic beverages undeniably is responsible for the increased rate of increase of Puerto Rico rum exports. Mr. Trotter expects rum in general, and Puerto Rico rum, in particular, to continue to expand as a result of the growth of "lighter" spirits in general and to hold its own as the fastest growing liquor in the U.S.A. which even today represents only about 2.1% of the total distilled spirits consumed here.

All federal taxes on Puerto Rico rum run to the Commonwealth, strict control is maintained over standards, and in general, the industry's name is protected from the importation of the spirits of lesser quality. Distilleries, their output and the reasons for their optimism, and how this redounds to the island's economic benefit.

Spurred on by rapidly rising consumption on the mainland, Federal taxes on Puerto Rican rum exports climbed almost 25% during fiscal 1962-63 to $34 million. This total not only represents the third highest dollar amount collected in Commonwealth export but also highlights the dynamic progress of the island's burgeoning rum industry the past five years and its emergence as an important segment of the Puerto Rican economy.

Reflecting a combination of greater exposure to rum through a 12-fold expansion of Caribbean tourism during the past decade and a half, and an underlying shift within the U.S. towards harder spirits which are light in body and not strong in taste, rum has led all other major distilled spirits products in rate of sales gain during the past two years. While all rum producing areas have felt the impact of this trend, it is Puerto Rican (which currently accounts for 80% of all Puerto Rican rum) sales of rum entered into U.S. trade channels) that has benefited the most.

Will Keep Its Lead

Actually, though most pronounced during the past two years, the shift in American tastes away from bonded, blended and straight whiskies, and over to smoother and lighter drinks has been underway for some time. As indicated by the fact that between 1949 and 1962 the combined penetration of Scotch, Canadian, gin, vodka, brandy, cordials and rum has gradually increased from 16.4% of the total U.S. market to 41.5%. Moreover, this trend is continuing, and by 1965 most industry observers look for their market in America to advance to approximately 46% of an enlarged base. Rum is general, and Puerto Rican rum in particular, is expected to continue to outpace the projected growth of “lighter” spirits and maintain its position as the fastest growing liquor in the U.S. That outlook for the Puerto Rican rum industry remains one of continued growth and prosperity.

Rum has been popular within New England for two centuries (and consumption on a per capita basis within the six New England States still is high) in recent years it has gained increased favor throughout the entire nation, particularly in the style-setting states, New York and California.

21% of U.S. Liquor Market

While rum’s share of the U.S. distilled spirits market is still small with 2.1% of the total during 1962, it has increased rapidly from only 1.3% in 1949 and 1.6% as recently as 1959. Although these figures reveal the steady upward trend which has occurred, to some extent they mask the vigorous trade by rum in recent years. From 1953 through 1964, U.S. consumption of rum remained virtually constant at 1.1 million cases per annum, and it was not until 1957 that sales really commenced their brisk upward movement. During 1962 Ameril of Puerto Rican rum shipments to the U.S. has been even more explosive.

During the past two years alone shipment of Puerto Rican rum to the United States have increased 38%, and since 1957, 91% or at a 15% annual rate. This trend is continuing to accelerate with shipments during the 12 months ended June 30, 1964 up 23.2% over the prior similar period.

Shipments from non-Puerto Rican sources have advanced only 25% (2.6% per annum) during the past five years, and a modest 5% since 1956. As further indicated by our tabulation the net gain in non-Commonwealth imports of rum into the United States since 1950 has been limited to only 138,000 cases. As a result, Puerto Rican's perches of the total has risen from 60.7% in 1950 to 68.3% in 1960 and 76.7% in 1962.

Government's Role

The Puerto Rican Government has played an important role in generating increased consumer awareness of, and demand for, rum for Puerto Rico and deserves a large part of the credit for the industry's recent growth. All Federal taxes on Puerto Rican rums accrue to the Commonwealth, five years, the shift in American tastes away from bonded, blended and straight whiskies, and over to smoother and lighter drinks has been underway for some time. As indicated by the fact that between 1949 and 1962 the combined penetration of Scotch, Canadian, gin, vodka, brandy, cordials and rum has gradually increased from 16.4% of the total U.S. market and being placed on rum's new image as being both a good mixer.

Increased, and more imaginative advertising by distributors of particular brands of Puerto Rican rums, notably Bacardí and Ronco, has also aided in establishing this image and in increasing the popularity of Puerto Rican spirits within the United States.

In 1961, when a new, high quality frozen Daquiri cocktail mix was brought to market, Rums of Puerto Rico was quick to take advantage of its favorable consumer acceptance, and placed strong emphasis on the use of Puerto Rican rum in using this mix. This promotion is believed to have provided the strongest stimulus to Puerto Rican rums dynamic growth of the past two years. During 1960 rum-based Daquiris accounted for an estimated 3.0% of all cocktails consumed within the United States. The following year its share almost doubled to 5.7%, and during 1961, according to such an extent that Daquiris now trail only the well entrenched Martini and Manhattan as America's favorite cocktail. The Daquiri's popularity is continuing to expand, and numerous additional mixed drinks have been placed in distribution.

In business

in Puerto Rico?

At Banco Popular our business is helping you to build for the future, and helping to build the future of our community through thoughtful, farsighted and dependable service.

...Yes, you can depend on the bank that knows Puerto Rico best

Banco Popular de Puerto Rico

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Banco Popular

of Puerto Rico
The government's role in aiding the growth of consumption of Commonwealth rum does not end with its highly successful promotional campaign, however. The quality of Puerto Rican rum is also controlled by a law that permits only rums which are aged in oak (resulting in extra dryness) for a specified period of time to be sold.

Other Factors

As substantial as the Government's contribution is to increased U.S. awareness of Puerto Rican rum has been, it is by no means the only factor which has permitted Puerto Rico to increase its share of this growing market. As mentioned above, tourism has also been important. Rum is a beverage that nine out of ten visitors to the Caribbean sample while there, and a sizable number of them return home with a bottle of rum, as well. Thus, the island's natural tourist industry is one that has been expanded in the service of increasing rum sales.

Bacardi Corporation, which accounts for an estimated 60% of all Puerto Rican exports of rum to the United States, has been working toward further widening the scope of rum usage within the United States, which if successful, could further accelerate the Puerto Rican rum industry's growth beyond already impressive projected future levels. Late in 1962 Bacardi reintroduced within the U.S. market a dark rum known as "Anjeho." While rum has built a strong and long following as an ingredient for cocktails and eggnog in the United States, Latin Americans tend to prefer it "straight," or "on-the-rocks." With over-all acceptance of rum on the rise, Bacardi is hoping that Anjeho will lead the way in expanding American consumption as an undiluted beverage.

Last year Bacardi ranked 23rd among all brands of spirits sold within the U.S. with volume estimated at 850,000 cases. Recent trends indicate that during 1963 it will become the first brand of rum to sell more than a million cases in the U.S. during a single year. While Bacardi's leadership on the mainland does not appear vulnerable, other Puerto Rican distillers have also benefited from the rum's enlarged market, not the least of which has been Destileria Serralles, whose flagship brand "Don Q" leads in popularity within Puerto Rico.

Situated in Mercedita, a suburb of Ponce, Puerto Rico's second largest city, increased consumption of Don Q has propelled sales upward an estimated 25% annually in recent years, comparable with a 17% average rate of gain for Bacardi over the same period. With Serralles rum revenues projected at about $23 million this year, Bacardi with 1962 estimated sales of $30 million is expected to retain its position as Puerto Rico's leading producer of rum.

Other important brands include Ronin's (with its Arecibo distillery which shipped about 275,000 cases to the U.S. last year), Superior which operates out of Mayaguez bottles and distributes rum purchased from Serralles and Caribco, a division of Schenley.

All are expected to continue to expand along with the industry in general, and are looking to the future with optimism. Simply on the basis of the past statistical record, rum consumption within the United States is charted at 2.9 million cases in 1965, or almost 45% more than 1962's volume. Many liquor experts, however, believe that even this figure may prove conservative, and all agree that if rum can escape its image as a seasonal summer and holiday product, it can double its share of the U.S. market by 1966-68. This rapid expansion of the rum industry has been of prime importance in Puerto Rico's recent growth, and on the basis of present trends is expected to play an even greater role as the next chapter unfolds.

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**RUM SHIPMENTS TO THE U. S.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Puerto Rico</th>
<th>Non-Puerto Rico</th>
<th>Total</th>
<th>Puerto Rico % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>1,332</td>
<td>661</td>
<td>2,193</td>
<td>60.7%</td>
</tr>
<tr>
<td>1951</td>
<td>1,596</td>
<td>614</td>
<td>2,310</td>
<td>72.2%</td>
</tr>
<tr>
<td>1952</td>
<td>1,467</td>
<td>568</td>
<td>2,035</td>
<td>74.3%</td>
</tr>
<tr>
<td>1953</td>
<td>1,497</td>
<td>605</td>
<td>2,102</td>
<td>71.2%</td>
</tr>
<tr>
<td>1954</td>
<td>1,440</td>
<td>625</td>
<td>2,065</td>
<td>69.7%</td>
</tr>
<tr>
<td>1955</td>
<td>1,597</td>
<td>641</td>
<td>2,238</td>
<td>71.4%</td>
</tr>
<tr>
<td>1956</td>
<td>1,580</td>
<td>721</td>
<td>2,301</td>
<td>69.8%</td>
</tr>
<tr>
<td>1957</td>
<td>1,722</td>
<td>799</td>
<td>2,521</td>
<td>70.2%</td>
</tr>
<tr>
<td>1958</td>
<td>1,732</td>
<td>715</td>
<td>2,447</td>
<td>70.8%</td>
</tr>
<tr>
<td>1959</td>
<td>1,996</td>
<td>801</td>
<td>2,797</td>
<td>71.4%</td>
</tr>
<tr>
<td>1960</td>
<td>2,089</td>
<td>948</td>
<td>3,037</td>
<td>68.8%</td>
</tr>
<tr>
<td>1961</td>
<td>2,037</td>
<td>1,903</td>
<td>3,940</td>
<td>74.7%</td>
</tr>
<tr>
<td>1962</td>
<td>3,300</td>
<td>999</td>
<td>4,299</td>
<td>76.7%</td>
</tr>
</tbody>
</table>

Source: Distilled Spirits Institute.

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The steady growth of industrial Puerto Rico has been due largely to the establishment of a business climate favorable to private enterprise.

The Puerto Rico Industrial Development Company, or "PRIDCO," has given specific cooperation and assistance to hundreds of companies in establishing industries. Altogether it has built 458 buildings at a cost of $73,000,000. No wonder that 20 of the 100 largest corporations in the United States have Puerto Rican plants. 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 over $12,000,000.

Bonds of the Commonwealth and its agencies such as the Puerto Rico Industrial Development Company 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.

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**PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY**

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20% of America's top corporations now have plants in Puerto Rico
Puerto Rico’s Electric Power Output Keeps Growing

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

If one took the name of Puerto Rico’s Water Resources Authority figuratively, how could one tell that it is the Island’s sole electric power producer? Puerto Rico’s 0.1% hydroelectrically, and spectacularly increased output power 15-fold in the past 22 years to spark the Commonwealth’s pheno-menal economic advance? That is the story of the Authority’s soundly managed and financed activities, and the high regard held for its bonds—except from both Federal and state investors. In Puerto Rico and has sold a total of $332 million to continental U. S.

About eight years ago the assertion was made that no country in the world had shown a greater growth in its economy, in a ten-year period, than Puerto Rico. Since that time the economy of the Island has continued to grow at an ever faster pace. A good portion of the credit for this amazing growth is obtained by the Puerto Rico Water Resources Authority, the sole supplier of electric power in the Commonwealth.

The Authority, a publicly owned electric utility, was created in 1941 by an act of the legislative assembly of Puerto Rico for the purpose of developing the Island’s hydroelectric resources. It has operated continuously for a period of more than one-half of the time generated by the Authority is hydroelectric. The remainder is produced thermally in three steam power plants and one gas turbine installation. An abundance of electric power has been expanded rapidly in the interests of Puerto Rico’s industrialization program, the well-known Operation Bootstrap launched by the Commonwealth Government around 1947 under the leadership of Governor Luis Munoz Marin. Ever since its creation the Puerto Rico Water Resources Authority has been constantly anticipating the demand for power and adding generating capacity to its system. Additions are planned not only to meet the existing demand, but also to take care of increases as they occur. Estimates of future demand are based on special studies of growth trends in the Island’s economy.

Parallel with the continuous increase in power consumption in the Island Commonwealth, there has been a remarkable improvement in the standard of living of the people. Electrical household appliances are commonplace in Puerto Rican homes. Sales of refrigerators, ranges, TV sets, water heaters, washing machines, and air conditioners have been mounting from day to day. Even in the humblest dwellings in remote rural areas, smaller electrical appliances (like irons, hot plates, and table radios) are very much in evidence, thanks to the electric service provided by the Puerto Rico Water Resources Authority. Thus, a program that was created in 1941 has been instrumental in the success of this program, by purchases and more recently by lease, from the Authority at 2% annual interest.

Bonds Highly Regarded
The Puerto Rico Water Resources Authority, as an autonomous public agency, enjoys complete supervision and control over its own operations and administrative procedures. It owns all the power to issue and sell all its electric revenue bonds in the open market. Since its creation in 1941, it has floated bond issues in the international bond market amounting to $352 million. The Authority’s bonds are fully tax-exempt from both Federal and state income tax.

In the credit history of Puerto Rico, its municipalities, authors, and agencies, which have floated similar bonds, in many cases, shows the history is one of growth and success. In the case of Puerto Rico, the Authority has a slight difference in the payment of interest on its bonds, which is not due until the year 1963.

Among the free activities on the Island is the week-long Festival of Puerto Rican Arts, beginning with the Bacardi International Film Festival, ballet, theater, music, and painting, and culminating in the Puerto Rico Film Commission’s 


The Commercial and Financial Chronicle . . . Thursday, September 19, 1963

Tourism Joins Puerto Rico’s Series of Economic Successes

By Jose Lopez-Garcia, Director, Department of Tourism, Economic Development Administration, Commonwealth of Puerto Rico, New York, N.Y.

Newly arisen but not a "flash-in-the-pan" tourism has become one of Puerto Rico’s economic mainstays contributing significantly to the Island’s economic progress. Recent developments have been many, and the investment in the tourist business is one of the mainstays of the Island’s economy.

Tourism in Puerto Rico continues its dramatic growth, with more than 400,000 visitors this year, and every year the Island’s wide, sandy beaches and cool mountains, and staying in its luxurious hotels.

Tourism in Puerto Rico is the Islands’s mainstay personal contacts with travel agencies, carriers, hotel, travel clubs, and convention bureaus. This year the Department is making the Island more salable for travel agents by advertising in newspapers and magazines, participating in travel shows, cooperating with travel agents, and naming the Island as a travel destination.

The Department also provides visitor information about hotels, sports, fishing, sightseeing tours and special and cultural events offered throughout the year.

Among the principal is the annual Game Fish Tournament, which prizes awarded by the Department of Tourism for record-breaking catches of blue marlin and other game fish (Biggest marlin to date: 780 lbs.). Skydiving exhibitions are a favorite attraction as is the special "sail-in" event for yachtsmen and cruisers. Last year the Lobo Internationals Fishing-Castoff-Competition, the Puerto Rico’s famous fishing festival, was held in Puerto Rico. The event focuses on the best of Puerto Rico’s sporting tradition. The festival attracts visitors from around the world and is attended by both foreign and domestic tourists. The festival is considered one of the most important events in the tourism industry and is known for its high-quality events and activities. The festival features a variety of competitions, including sailboat races, fishing tournaments, and diving competitions. The festival also includes a variety of cultural events, such as concerts, parades, and food festivals. The festival is a major event in the tourism industry and attracts visitors from around the world.
Consumer Market Potential
Lures Chain Store Expansion

Following the precedent set by Pueblo Supermarkets, Puerto Rico's leading food chain, two others have come into operation and this, in turn, has encouraged rapid expansion of non-food retail chains. The link can come from outside sources, largely through massive investment from companies, with considerable expansion, is expected to continue with wide consideration in steps with the island's remarkable retail, or capita income and continuing growth.

SAN JUAN, PUERTO RICO—Less than a decade ago Puerto Ricans were spending approximately $300 million on food which was purchased at some 7,800 grocery stores known as "colmados." Diet and Diets were, largely substandard, a void of fresh fruits and vegetables, quality meat, poultry and dairy products. Today, these people spend in excess of $460 million for food and stoup up and down well-stocked aisles of modern air-conditioned supermarkets that rival the newest in metropolitan areas in the United States. Here they can choose from a wide variety of meats, poultry, fish and seafood, vegetables and fruits, fresh, canned and frozen.

As late as 1955, Puerto Rico did not have a truly modern supermarket or shopping center. Although certain kinds of locally grown fruits and vegetables were plentiful and reasonable, most food products were imported and expensive. Convinced that the Puerto Rican was ready for the supermarket, which would bring him better food at lower cost, an enterprising New Jersey supermarket, Harold Toppel, established the first of the present chain of Pueblo Supermarkets in San Juan. Since then what can be described as a revolution in the distribution and retailing of food has occurred in the San Juan metropolitan area and has spread to major cities such as Arecibo, Mayaguez and Ponce.

The supermarket not only brought better food to the people at lower cost, but with rising employment and real income growth helped change their shopping and dietary habits. The consumption of beef in Puerto Rico rose to 43 million pounds in 1965 from 31 million pounds in 1955. During the same period poultry consumption increased 139% and milk consumption rose 39%.

Three Food Chains in Operation

Soon after the Pueblo chain was established, the Todesco chain, financed by the International Basic Economy Corp., headed by the Rockefeller interests. This chain was later sold to the Grand Union Co. A third chain, Supermarchés Co-op, also operates in Puerto Rico.

Generally, these markets are comparable to those of major U.S. chain, the incarna-Basic Econon-...mies. Villages, Wollworth, National Bellas Hess, S. K. Kress, Thom McAn, Leisure, Sears Roebuck. All have expanded rapidly. This list of prominent retailers is expected to widen considerably as the island's economic program continues to accelerate.

With reference to food, today is a billion dollar market and the fifth largest market for U. S. grocer-based retail chains. The Commonwealth is largely controlled by land availability, usually located in shopping commercial area is extremely limited and this scarcity makes for high land values. Since a store site is a scarce resource, the Commonwealth Real Estate Board must be petitioned to design sites for commercial purposes. This will continue to prevent oversaturation, especially in urban areas.

New Pre-Planned City Dedicated
In Puerto Rico

SAN JUAN, U. S. A.—Exhibit houses in a new ocean-front city just west of metropolitan San Juan were dedicated recently in ceremonies led by Governor Luis Muñoz Marin, and a new name will be added to Commonwealth ranges.

The new city will be Levittown de Puerto Rico on the Atlantic ocean six miles from San Juan's commercial center. Initially planned for 3,100 families, it is the most complete large community to be built under the Commonwealth's pioneering "Guidelines" program for the planned urbanization of metropolitan San Juan.

Levitt and Sons, Inc., the largest U. S. home builder, showed furnished models of the five house styles to be built at Levittown de Puerto Rico. They are all single-family homes designed for occupancy by middle-income families and range in price from $1,000 in for a one-story attached house to $15,500 for a two-story detached house.

Governor Muñoz Marin, who headed the delegation of government and civic leaders at the dedication, said construction of this city "sets a splendid example to any community similarly dedicated to genuine urban progress— the kind of progress which has focused world-wide attention on this Commonwealth."

William J. Levitt, President of Levitt and Sons, who built the three sister Levittowns in the eastern U. S., said that the Commonwealth Guidelines program for orderly urban expansion will be closely watched by communities all over the world and that other cities stand to gain from the Commonwealth's example.

He said the Guidelines have made Puerto a "pace-setter," and he praised the Commonwealth for its "vision" in instituting the program.

Commonwealth Oil Grows With Puerto Rico

Commonwealth Oil Refining Company was formed ten years ago by businessmen who saw both the industrial potential of Puerto Rico and the need for a major local source of petroleum products. Since then, to keep pace with the developing economy of the island, Commonwealth has expanded refining facilities, trained skilled workers, and increased the range of its products.

Today, Commonwealth's refinery has a capacity of about 90,000 barrels-per-day—one of the largest independent operations in the United States. Sales are running at more than $100,000,000.

Commonwealth is proud of its role in the growth of Puerto Rico. It provides the consumer and power companies with fuel, chemical process units with raw materials, and transportation outlets with gasoline and jet fuel. It supplies export products that contribute increasingly to a favorable balance of trade.

In addition to providing for Puerto Rico's current needs, the company is planning for the future—in oil refining, and in petrochemicals. A $5.1 million refinery expansion, now under way, will increase throughput capacity to approximately 115,000 barrels-per-day by the first quarter of 1964. Commonwealth continues to work actively to expand its business into related petrochemicals fields which will be a valuable addition to the island's growing industrial complex.

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Island's Aqueduct-Sewer Authority Moves Ahead

By Juan Labadie Eorite, Executive Director, Puerto Rico Aqueduct & Sewer Authority, San Juan, Puerto Rico

The Puerto Rico Aqueduct and Sewer Authority, not to be confused with the Water Resources Authority, has done yeoman's work in constructing integrated water and sewer systems while keeping ahead of the island's burgeoning population. Labadie describes the Authority's intense progress, stresses conservative use made of its barbering capacities, to provide more than ample debt service coverage, and lists outstanding bonds in hois issued as of June 30.

The Puerto Rico Aqueduct and Sewer Authority's highlights for the year ended June 30, 1961 were as follows: (a) $14,500,342, revenues; (b) a gain of 25,838 water and 13,826 sewer subscribers; (c) a new water main installation; (d) new sewage treatment plants; (e) eight new sewage treatment plants; (f) 60,145 feet of sewer pipe installed; and (g) an increase of $43,900,900 in 1961 utility plant outstanding bonds.

I would like to elaborate on these highlights. The revenue represents a 25.6% increase over the figures for the previous year which amounted to $11,544,661. This substantial increase was largely gained through a 25.7% rate increase which came into effect on January 1, 1961. There was also an 8.5% gain in number of customers.

Whenever there is an appreciable rate increase, consumers have a tendency to be more conservatively with water use but from past experiences we know that that tendency is temporary. We can, therefore, expect the year 1963-64 to be a realization of even lower utility consumption.

The acquisition of nearly 26,000 new water customers shows that our growth in residential use is not met by an increase in customer base, by the large number of individuals doing a regular checkout of the water consumption.

The growth for the last six years is shown in Table I.

Water and Sewage Plants

Completion of two filtration plants during the year tells us that another one practically finished, marks the conclusion of a program which began about twelve years ago. In those twelve years we have added and replaced 28 plants and whenever possible have integrated two or more plants under one water system. In 1951 we had 13 plants to serve filtered water to 24 cities and towns. Today we have 41 plants serving 57 towns. When the Penasles plants were dedicated on June 10 of this year, we will be served either by fully-treated water or from deep wells which require only a slight chlorine application.

An exception is Ceuja, an off-shore island where about 500 Puerto Ricans live mainly by fishing and cattle raising. Because of no rivers or creeks to tap and up to now the drilling of wells has failed, we have partially solved their water problem by the construction of catchment areas from which the water is collected, delivered to some distribution reservoirs and chlorinated.

Completion during the year of three sewage treatment plants (plus one which lenders approved) is also part of a long-range program—to provide sewage facilities to all Puerto Rican cities and towns.

When the Puerto Rico Aqueduct and Sewer Authority (not to be confused with the Water Resources Authority which is in charge of electric power and irrigation) purchased 41 townships in Puerto Rico had sewage facilities. Today, 72 cities and towns have sewage facilities, systems and those for the other three are under construction. Within a year from now, except the small towns, we will have sewage disposal facilities.

Most Sizeable Project

The list of projects that are large, expensive and of all our projects is the Metropolitan San Juan Sanitary Sewer Project serving San Juan and four neighboring communities. The project will cover an area of about 30 square miles with an estimated population of 875,000 for 1975. Its cost when completed has been estimated at $44.8 million of which $22,200,000 has been already expended. The project, which was completed in 1976, will be able to serve 11,400,000 and the branch sewers, submanias and house connections, sewer mains.

As a result of its relatively high cost, estimate, the financing of the project was worked out by the Authority by other governmental agencies.

The installation during the year of over 1,000,000 feet of water mains was accomplished with the increase in utility revenues of $34.9 million in utility plants. The value shows the importance and the nationwide scale of our program for the year we expect an additional $34.6 million plant increase to be used in the following years: borrowed money, $7.6 million; legislative appropriations, $7.3 million; Authority's own resources, $2.8 million, and Federal and municipal contributions, $5.6 million. A significant feature of the use in this year's construction program is the financing of sources other than loans is not an exception. The Authority has been able to increase it's construction capacity. Because of that the debt service coverage has been maintained, shown by the figures in Table III.

Outstanding Bonds

The bonds issued by this Authority and some amounts outstanding as of June 30, 1961 are listed in Table IV.

The 1963 issue was placed to refund the remainder of the 1949 issue. The refunding, in addition reduced the tax burden on the Authority, allowed the Authority to liberalize the trust indenture by putting into effect a supplementary agreement in force since 1957 for the other revenue-secured bonds.

Whenever the Authority has needed some additional funds to carry out these a supplementary agreement, the market and the market has not been favorable, private banks have been unable to furnish the Authority with the necessary amount. The short-term line of credit, the Government Development Bank for Puerto Rico and the capital markets of the Authority's fiscal agent, has been instrumental in all our financial transactions.

The Authority enters the fiscal year, 1963-64, 68 months of operations, with full confidence in its potential and in Puerto Rico's growing economy.

The Prospects for Heavy Industry in Puerto Rico

By Sam H. Casey,* President and Chief Executive Officer, Commonwealth Oil Refining Co., Inc., San Juan, Puerto Rico.

Brief summary of the types and investment expenditures of manufacturing plants in the Commonwealth Caribbean area is as follows: The Commonwealth Caribbean area is made up of the island of Puerto Rico, some 630 offshore islands, and the mainland of the eastern coast of South America.

As a result of the Incentives Act, which today approximates 1,000 new Fomento (Economic Development Administration) promoted industrial plants operating on the Puerto Rico Industrial Park, Empleyment in Puerto Rico is soaring.

Heaviest Industry Plants New Operating

There is today a substantial amount of heavy industry on the Island. On the south coast, adjacent to the Commonwealth refinery, is the $32 million plant of Union Caribbean Corporation which utilizes refinery gases and imported naphtha to manufacture ethylene glycol. That plant is presently being expanded by an additional investment of about $17 million to produce alcohol intermediates, butadiene and other petrochemical products.

Also adjacent to our refinery is the steam electric generating station of Peninsula Consolidated Sugar Corporation, which employs more than 1,800 people. We employed 92% of these are now Puerto Ricans.

Another Oil Refinery

On the north coast of the Island, Arecibo, is the multi-million dollar bagasse paper plant of the Caribbean Paper Company. That plant converts bagasse residue from sugar cane grinding operations into paper.

There is presently considerable talk concerning the construction of petrochemical plants near Arecibo. While we have had some talks with the principals involved in that project, we are not in a position at this time to make any comments on that plant.

New Ford Plant

There has also been announced the construction, by a subsidiary of the Ford Motor Company, of a $52 million assembly plant in southern Puerto Rico. The plant will be used in the various Ford assembly operations in the United States.

As of now, there are no industrial plants in the Island are not numerous; they are exceedingly important to the Island's economy. We believe that the prospects for the establishment of new heavy industry on the Island are good. New industry is wanted and ample land is available and I can assure you such plants will be welcomed. From my experience with various government officials in Puerto Rico, I can assure you that any new industry which is located in Puerto Rico can anticipate the utmost in cooperation and assistance.

*From a talk by Mr. Casey at a meeting in New York City.
Aiming for a Balanced Distribution System

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

Puerto Rico's production has far outstripped its facilities as warehouses and shopping centers, the teaching of better business practices and managerial methods, the supplying of technical assistance to commercial businesses and the opening up of foreign markets to the Island's products. Presented below is the Secretary's report on progress and prospects.

Teaching Better Business Measures

To implement the program for the training and re-training of managerial and operational business personnel, the Bureau of Business Resources was created within the Department at the beginning of fiscal year 1962-63. By the end of that period, the Bureau had organized 41 managerial training programs in which a total of 1,052 businessmen participated. One of the most interesting of these projects was the organization, jointly with the National Cash Register Co., of seminars on modern merchandising methods held in different towns with a total of 342 participants.

As regards the training of operational personnel, 35 programs were organized in which 705 businessmen participated. The Bureau also cooperated in the organization of educational programs by other government agencies as the Department of Education, the University of Puerto Rico, the Labor Department and others.

Training programs are developed on the basis of investigation of needs. A given program may range from purely formal training completely practical on-the-job training or a combination of both. The following programs were found among the personnel of the Department and other Government agencies: teaching of pure arithmetic, business mathematics, bookkeeping, accounting, merchandising, clerical work, use of office machines, and marketing.

Technical Business Assistance

The Department does not limit itself to teaching better business methods; it implements its teaching by providing consultation services and direct technical aid to businessmen. During the past fiscal year, the Department's Bureau of Technical Commercial Development attended 1,007 cases of businessmen seeking orientation, advice or assistance in business practices, the localization of their businesses, modern techniques and related problems. Of these 725 received partial or complete technical assistance in the remodeling of their stores.

The technical assistance rendered by the different Bureau and Offices of the Department includes assessment of the present financial standing of a business and its potentialities for development, the preparation of a financial statement and an estimate of the cost of modernization, processing loans through the Government's Puerto Rico Land Bank and the Small Business Administration, as preliminaries to making specific modernization plans. The second stage consists in preparing a plan for the modernization of the store (on the mass-selling service pattern, wherever this is feasible) including a list of new equipment and furnishings, the plans for the distribution of equipment and manpower. Then, when modernization is completed a publicity campaign is planned, in¬

The Department promotes the organization of voluntary chains and purchasing groups. Two of these were formed during the Department's first year: Lucky Seven groceries and Golden Cross Drugstores. During its second year, one chain was formed CADENM furniture dealers and two others promoted among the retail jewelers and beauty parlor owners. In addition, the Puerto Rico Hospital Association is now in the final stages of the organization of a purchasing group.

Continuing assistance is offered to these organizations. Two are established. For example, 25 of the 37 members of the Lucky Seven grocery chain and 13 of the 29 Golden Cross drug stores received completed and opened stores in remodeling their businesses during the past fiscal year. Golden Cross Drugstores bought a whole¬

The first Puerto Rican office of The Bank of Nova Scotia was established on the island more than 50 years ago. Since then the Bank has accumulated a vast store of experience and information on trade between Puerto Rico and the North American mainland—all readily available both to you and your business customers through any Scotiabank office.

In addition, the special incentives offered to business in Puerto Rico are completely outlined in the Scotiabank brochure Advantage of a Puerto Rican-Based Operation. You can obtain your free copy simply by completing and mailing this coupon.

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