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In 2 Sections — Section 2

## 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 "when?" 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 "When?"



Rafael Durand

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 550 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" now 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 302 projects of which 184, representing investments of \$53.5 million, were U. S.-owned projects. Twenty-three of these 184 were from "blue chips" firms such as American Can, Burlington Industries, California Packing, Colgate-Palmolive, Ford Motor, General Electric, Glidden, 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 9% to \$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 1962 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 USA

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 375 plants, shipments to the U. S. increased from \$89,000,000 in 1955 to \$163,000,000 in 1963.

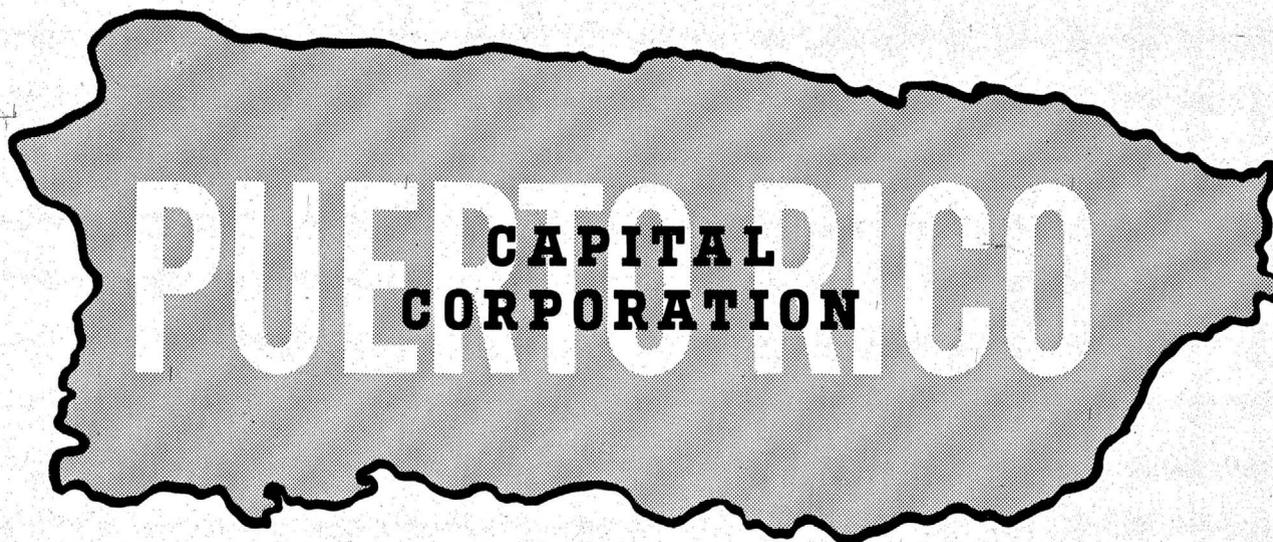
In electrical and electronics products, shipments to the U. S. rose almost six-fold from \$13,000,000 in 1955 to over \$65,000,000 in 1963.

Shipments of leather products more than doubled in the last half dozen years, from \$15,200,000 in 1957 to over \$38,000,000 in fiscal 1963.

In chemicals and allied products, shipments to the U. S. rose almost eight-fold from \$5,272,000 in 1955 to \$37,000,000 last year. New projects such as Puerto Rico Chemical's \$5-million phthalic anhydride facility. Commonwealth's Oil's \$5-million expansion, and Union Carbide's new \$22-million plant for the production of alcohol intermediates will increase substantially the product range and output of our \$100-million-plus chemicals and petrochemicals complex. Union Carbide is, moreover, presently expanding its existing \$38-million ethylene glycol installation in Penuelas.

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 steadily broadening base and 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 recent example of how the manufacturer benefits from in-depth growth. Up to last May, shoe adhesives 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)

Mariphel 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)

Torpedo, 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 leather from cattle hides and goatskins. In addition, ornaments and trimmings, eyelets 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 anticipation of these high profits, of course, that has attracted more than half a billion dollars 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 machines 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. This Department of Commerce program divides risks evenly with the Export - Import Bank and is expected to be a boon to island manufacturers, situated most favorably for the penetration of Caribbean and Latin American markets. Exports to Europe are expected to increase also through FCIA assistance.

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 re-

search under the direction of renowned scientists would help solve production problems of highly technical industries. Such a science 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 land 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 will 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 synthetics, 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 that 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 in-

come group. And the pace of advance is quickening — bringing a more abundant life to more and more of the people.



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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 outside the San Juan area; and points out services provided by the Bank and its successful efforts to broaden the market for the Island's municipals and to obtain higher ratings for its bonds.

The Government Development Bank, established in 1942, is one of the key instruments in Puerto Rico's governmental structure. This agency was originally established to supply loans of long and medium term, thereby supplementing other credit facilities available in the Commonwealth. In 1945 the Bank was named fiscal agent—or official borrowing agent—for the Government of Puerto Rico, its municipalities, and all public corporations. In this capacity the Bank conducts financing operations which have provided vast improvements in basic public services.



Rafael Pico

With the combination of these two important activities, the Development Bank assumes leadership in the financial aspects of Puerto Rico's development program. Throughout its history this institution has continued to expand its services to meet new conditions and needs occasioned by Puerto Rico's rapid and sustained economic transformation. It has contributed toward developing an ever stronger and more attractive financial environment in the Commonwealth.

At the close of the fiscal year which ended June 30, 1963, total assets of the Development Bank stood at \$112.0 million, the highest mark for any period in its history and an increase of \$16.5 million over total assets at the end of the previous fiscal year. Net income of \$1.1 million for the year also represented the highest level in the history of this institution.

## Expansion of Lending Operations

The Development Bank's private lending operations have been growing rapidly. Through June 30, 1963, the Bank had disbursed \$108.7 million directly to private borrowers. In recent years a number of new lending programs have been developed. New policies and

procedures have been adopted in an effort to channel developmental investment to various sectors of the economy not adequately serviced from other sources. Although most of the Bank's loans have been for manufacturing purposes—in fact 66% of total business loan disbursements—this institution has also participated in many other fields of developmental financing. Recently an extensive commercial loan program has been developed to stimulate balanced growth in the economy. Loans from the Bank have also helped in the development of 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 program to assist fishermen in the purchase of motors and boats to improve the efficiency of that industry. The Bank's basic policy objective is to stimulate over-all economic development.

During the fiscal year ending June 30, 1963, loans approved to private enterprise totaled \$14.3 million, the highest figure for any year in the Bank's history. Loan disbursements of \$10.2 million registered a 16% advance 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 covering loans for manufacturing enterprises, extractive industries and tourist facilities outside of 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 in certain zones 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 zone are also eligible for additional periods of tax exemption, some for 12-year periods and others for 17 year periods.

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 channels investment funds into basic development projects required to support the Island's economic program. As a result of these services, the financial needs of Puerto Rico's public borrowers have been met in an orderly and efficient manner. During the past year the Bank arranged financing for the Commonwealth of Puerto Rico, its municipalities and public corporations totaling \$265.0 million. Of this amount, \$151.0 million represented sales of long, and medium-term bonds and notes.

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 A. Other Puerto Rican issues rated A by Moody's are the Puerto Rico Water Resources Authority, the Commonwealth of Puerto Rico, and the municipalities of San Juan, Ponce, Mayaguez, and Arecibo. As part of its fiscal agency operation the Bank conducts an extensive financial information program aimed at furthering knowledge of Puerto Rico and Puerto Rican securities. In order to serve Puerto Rico's public borrowers more effectively there must be a free flow of information about these borrowers to financial groups. The Government Development Bank was one of the first institutions to embark on a continuous, organized credit information program of this nature. Last year the Investment Bankers Association granted the Bank an Award of Excellence, commending these efforts to broaden the market for municipal bonds through the use of mass media. The Bank maintains an office at 45 Wall Street in New York City through which its officials maintain day to day contact with the U. S. financial community.

An indication of widening geographic interest in Puerto Rican debt issues was apparent in the public bid proceedings for the sale of two Commonwealth bond issues last year. A bid group headed by Mid-Western and Western banks submitted an offer in each case. Another notable event was the approval in June 1963 of legislation in the State of California to include Puerto Rican governmental securities among those eligible for certain types of publicly regulated investment. Savings banks and incorporated insurers in the State of California have been legally empowered to invest in bonds and other evidences of indebtedness of the Commonwealth of Puerto Rico, its municipalities and the public corporations on the same basis as for those issues of any of the states.

## 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 about \$16 million, was serviced formerly by a national bank operating in the island. The Puerto Rico Bankers Association had requested that these funds be dis-

tributed equally among all banks in Puerto Rico, but the Treasury Department felt that it would be impractical to divide the account among the different banking institutions. After an extensive study it was determined that the most satisfactory arrangement would be for the Government Development Bank to administer this operation.

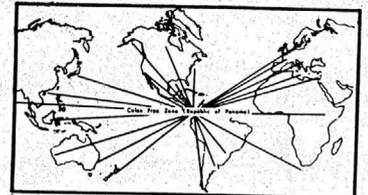
A further new activity took place on July 1 of this year when the Development Bank provided space for the physical exchange of all checks to be cleared among commercial banks on the Island. Formerly this exchange of checks had taken place directly between the banks themselves, although the Government Development Bank has been administering a settling operation for the local commercial banks since 1952. As clearing agent, the Development Bank maintains a non-member account with the Federal Reserve Bank of New York. As a result of the transfer of the Treasury Department's current account, the Bank also became a member of the clearing arrangement. During fiscal year 1962-63 settlements totaled \$4.3 billion, an increase of 10% over clearings for the previous fiscal year.

In addition to its other functions, the Development Bank

serves Puerto Rico in a broad advisory capacity. Its Economic Research Department acts as Secretariat of the Finance Council, an advisory body to the Governor, and the President is a Council member. As a result of operations of this body, which was established in 1956, a great many important legislative and administrative measures have been adopted to improve the financial environment in Puerto Rico. One example in which the Bank played a major role last year was approval of "Blue Sky" legislation in Puerto Rico, patterned on the Model Uniform Securities Act. The Bank was chiefly responsible for sponsoring this important legislation. During the year the Council also considered important matters in the field of banking, taxation, mobilization of financial resources, and others.

As Puerto Rico's dynamic economic expansion continues to gather momentum, the Government Development Bank stands ready to give added support to the growing needs of the financial sector. The financial services which are provided by this institution will be further expanded and diversified along all avenues found necessary to strengthen Puerto Rico's economy in the years ahead.

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NOTE: On account of the fluctuations in the rate of exchange, remittance for foreign subscriptions and advertisements must be made in New York funds.

## 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)  
 Beaunit Mills, Inc. (1)  
 Beatrice Foods (1)  
 The Borden Co. (3)  
 Brunswick Corp. (3)  
 Burlington Industries (1)  
 California Packing (1)  
 Carborundum (1)  
 Central Soya, Inc. (1)\*  
 Colgate-Palmolive (1)  
 Commonwealth Oil Refining (1)  
 Consolidated Cigar (8)  
 Continental Can (1)  
 Daystrom, Inc. (1)  
 Ford Motor Company (1)  
 General Electric Co. (4)  
 Glidden (2)  
 Goodrich (B. F.) (2)  
 Grace (W. R.) (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-Ross, Inc. (1)  
 Mohasco Industries (1)  
 National Biscuit (1)  
 Parke-Davis (2)  
 Phelps Dodge (2)  
 Philadelphia & Reading (1)  
 Ralston Purina (1)  
 Reichhold Chemicals (1)  
 Shell Oil (2)  
 Sherwin-Williams (1)\*  
 Simmons (1)  
 Sperry Rand (2)  
 Sprague Electric (2)  
 Stanley Warner (3)  
 Sterling Drug (1)  
 Stokely-Van Camp (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.

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 ball bearing 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.

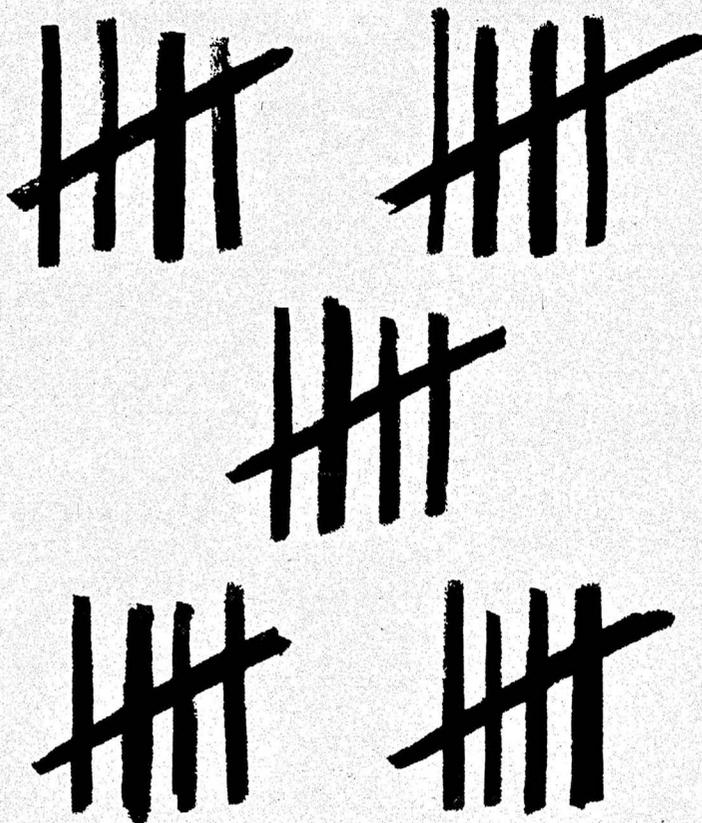
Mr. Katke said that a contract for more than 800 tons of structural steel already has been awarded to the Unit Steel Corp., Dearborn, Mich., for deliveries to the site to start in September. A contract for above ground construction work is yet to be awarded.

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 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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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**

## 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-based 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 grading 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

# 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 16% in air passenger traffic, 21% 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 new centralized harbor and air developments and notes that the Authority's revenues increased 30.5% 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 and ships which are some days in transit and requiring hours to dock, even though the bulk of Puerto Rico's incoming and outgoing cargoes is still



Ruben S. Echevarria

moved by sea. Actually maritime activity is showing substantial expansion as well as is air traffic.

During the fiscal year ended June 30, 1963 passenger traffic through the International Airport totaled 2,020,282, compared with 1,736,015 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 would be reached by 1970. This estimate was exceeded by 1958 and, in the current year, doubled.

The movement of cargo through Puerto Rico International Airport has been just as extraordinary, totaling 79,074,083 pounds in the

1962-63 fiscal year, against 62,276,419 the preceding fiscal year, a gain of 16,797,664 pounds or 27%.

As for maritime services, the number of ships using the port facilities in the 1962-63 fiscal year increased to 2,811 compared with 2,566 a year earlier and cargo tonnage increased to 2,172,548 tons compared with 1,778,241 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 \$9,273,433 over a period of three years, was begun. The capital development program, also included plans for improvement to other island airports to cost another \$2,500,000.

The International Airport developments included extension of the runway from 7,800 feet to 10,000 feet to accommodate jet planes, enlarging of the terminal

buildings, new cargo and fire station structures, lighting and safety installations, and the improvement of other airports 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 planned 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 a Central Market based on Puerto Rico's dynamic economic growth. With increasing numbers employed at higher wage rates, the demand for more 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, adequate warehousing and handling equipment, and means of distributing perishable produce as well as dry groceries. Construction in this area was begun in the latter part of 1962.

The dredging of San Juan Bay, to cost about \$10 million, will involve a cost of about \$1.5 million for the Ports Authority, the balance to be paid for by the Federal Government. Harbors in other parts of the island are also being extensively improved.

The 1962-63 fiscal year was marked by gains in all phases of Puerto Rico Ports Authority's operations. Total revenues for the year were \$5.5 million, compared with \$4.2 million in the previous fiscal year, an increase of 30.5%. Net income for the year was \$1.2 million, compared with \$862,000 the year before. Thus is indicated the growing activity of the Puerto Rico Ports Authority.

# "Bootstrap's" Financial Arm Accelerates Industrialization

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

Puerto Rico Development Co. has been instrumental in facilitating, when necessary, financing, real estate and tourist operational 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 descriptions 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 8% 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" arm of the Commonwealth's "Bootstrap" agency, the Economic Development Administration.



Manuel S. Rivera

PRIDCO has played a key role in Puerto Rico's mammoth transformation that has seen the Island change from an underdeveloped agrarian society into one of the world's fastest growing industrial economies. Its mission has been one of supplementing the economic development industrial promotion effort through the provision of low-cost factory sites 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 \$685,000 on an operating income of \$1,811,000. Ten years later, net income nearly quadrupled to \$2,349,000 on an operating income which increased nearly fourfold to \$6,843,000. Total assets during the

same period climbed from \$38,700,000 to \$113,100,000, including real estate valued at \$85,000,000.

PRIDCO's operations fall into three broad categories: the granting of financial assistance to private entrepreneurs establishing new industries or expanding existing operations; the development of new facilities for lease or sale to manufacturers; and participation in the expansion of tourist facilities through financial assistance or other means. The scope of PRIDCO's work and its contributions to the economic growth of the Commonwealth might best be understood through a brief review of its operations in each of these areas during the fiscal year 1963.

## Provides Financial Assistance

In '63, PRIDCO negotiated with 203 firms and investment groups involved in establishing new ventures or expanding existing operations. Most of these operations were in the manufacturing area. The projects represented a combined private investment of \$27,374,000. PRIDCO made available to these ventures approximately \$16,520,000 in financing and properties. It helped 89 of the firms—32 new industries and 57 expanding—find suitable locations, committing itself to provide 1,221,700 square feet of space valued at \$9,290,000. PRIDCO-aided firms included local operations of Ford Motor Co., Wilson & Co., American Can Co., and International Telephone and Telegraph Corp. And in keeping with the Commonwealth's policy of bringing industry to all sections of the island, 57 of the 89 firms will be located outside the San Juan metropolitan area when all the projects are completed.

PRIDCO also serves as a credit

## Pueblo Supermarkets, Inc. AND SUBSIDIARIES

### FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JANUARY 31,

Operating Data	1963	1962	1961
Net Sales	\$31,370,721	\$25,440,045	\$21,867,840
Net Income Before Taxes	1,980,824	1,584,760	1,268,984
Puerto Rican Income Tax	597,052	454,757	369,544
Net Income After Taxes	1,383,772	1,130,003	899,440
Cash Dividends Paid	335,259	197,500	75,000
Net Income Per Share	1.84	1.57	1.25
Shares Outstanding	751,000	720,000	720,000
Ratio of Pre-Tax Income to Sales	6.31%	6.23%	5.80%
Ratio of After-Tax Income to Sales	4.41%	4.44%	4.11%
<b>Balance Sheet Data</b>			
Current Assets	\$ 5,326,990	\$ 3,762,855	\$ 3,135,043
Current Liabilities	2,367,588	1,308,605	969,370
Net Working Capital	2,959,402	2,454,250	2,165,673
Current Ratio	2.25	2.88	3.23
Property and Equip. less dep. and amortization	2,209,990	1,762,049	1,201,164
Total Assets	7,693,788	5,717,050	4,457,719
Long Term Debt	13,682	13,185	25,592
Stockholders' Equity	5,312,518	4,395,260	3,462,757

PUEBLO SUPERMARKETS, INC., founded in 1955, owns and operates ten supermarkets in Puerto Rico, and is the largest retail food chain on the Island.

*Pueblo y Puerto Rico Progressan Juntos/Pueblo and Puerto Rico Progress Together*

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 Government Development Bank, the U. S. Small Business Administration and the Area Redevelopment Administration. In fiscal 1963, PRIDCO loans amounting to \$1,648,000 were granted to 27 companies and minority equity capital investments totaling \$570,000 were made in five industrial operations. These figures do not include the more than \$2,356,000 in dollar credits granted to manufacturers as part of the industrial incentives offered under "Bootstrap."

Puerto Rico's growing community of locally owned manufacturing enterprises are also served by PRIDCO. In 1963, financing, properties and grants totalling \$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 Penuelas, 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 \$38 million petrochemical operations. The Zone is expected to play an increasingly important part in the future expansion of Puerto Rico's industrial base and in the Commonwealth's role as a combination trade and manufacturing link between North and South America.

#### Sale and Leasing of Facilities

Since an average of three firms 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-Röth, Wilson Shoe, International Shoe, and Burlington Industries. The largest 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, McNeill & 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 \$19,200,000, cover 1,548 acres and include 759 factory sites. In the past two decades, PRIDCO has supplied industry with 489 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 465,267 visitors in fiscal 1963 as compared with 99,871 in 1952. 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, Americana, 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 \$922,000 in loans to four tourist projects. This included a \$200,000 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., Santurce, 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. The need for small business equity capital spells 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 "flamlike 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 10.8% 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 growth capital is being generated to match or complement the outside-fostered 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 past years. Simultaneous with the economic growth has been 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 living. 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 ones. In turn, these demands have generated a great need by local businesses for more equity capital. The result is that the "Bootstrap" economy is 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 \$8,795,840—a 50% increase over the previous year.

Fomento has also performed a valuable service in making funds available to small business. Negotiations for the establishment of 302 plants, with an initial investment of close to \$60 million were concluded by the Economic Development Administration during the past year. Over 63% of the new factory jobs created by these negotiations will be located outside the San Juan metropolitan area, thus giving better geographical balance to the Island's industry.

The Small Business Investment Companies Act is another source, combining both public and private monies, available to those growing firms that need dollars unavailable through normal commercial channels.

However, even though the need and the investment potential is great, the problems relating to this type of investment are many. Some problems within our experience are unique to Puerto Rico.

For example, business planning and business systems controls are in a pioneer stage in the Puerto Rican economy. Another problem and a major one, has been until recently the scarcity of middle management talent. A small business is only as good as its management.

In our investment of over \$2 million in one year in 13 Puerto Rican companies, we have found the normal growth problems of a rapidly-expanding economy. To solve these, the staff of Puerto Rico Capital Corporation, the only active, publicly-held SBIC on the Island, provides consulting services in all phases of management to our invested companies. We have found superior managerial abilities in young Puerto Rican businessmen.

Our investment purpose has been to channel our funds into those situations that promise the most rapid growth. We participate in the capital appreciation of our investments jointly with the owners of the firms. As a matter of policy, we do not seek control of the companies in which we invest. The interest of our 2,000 stockholders has been most active and encouraging.

Our investments have been made in the middle tier of the business scale, with particular emphasis on service firms. These include a printing company, a quality food distributor, a drug and beauty aids distributor, a vending machine firm, a soft drink bottling company, a chain of auto supply stores and a distributor of coin-operated phonographs.

We have also invested in a producer of tankage for livestock feeds, a manufacturer of undergarments, a maker of bedroom furniture, a soap manufacturer, a chemical processor of local waste materials, and an office equipment supplier.

We feel confident that the future will demonstrate that the talented businessmen now managing small firms will prove themselves by the growth of their companies.

Hence, Puerto Rico Capital Corporation is investing in these human resources—in the future of the people of Puerto Rico—and in their business intelligence and acumen. They are the flamboyant bloom of the Island's economy.

## Investment Opportunities in Puerto Rico Enterprises

By Gaspar Roca, Jr., President & General Manager International Investment Company, San Juan, Puerto Rico

Not too well known is the relatively recent rise of local Puerto Rican firms going public which offer investment opportunities for individual and institutional investors. Mr. Roca is not unmindful of the Island's difficult first steps to change decades-old habits of money management and family control. The former President of PRIDCO offers a sample Who's Who of Puerto Rican firms whose securities are publicly available in and out of Puerto Rico. Mr. Roca also notes the rise of joint ventures and calls attention to the newest local "bootstrap" effort—the investment company idea which has begun to catch fire.

### I

#### The "Go Public" Trend

A decade ago there were only about ten Puerto Rican corporate equities available to the general public with a total value of \$50 million. Today the number has doubled to 20, and the value quadrupled to over \$200 million.

Here is just a sample Who's Who among Puerto Rican companies that in an ever widening product spectrum are offering their securities to the public both inside and outside Puerto Rico:

**Puerto Rican Cement Co.:** first Puerto Rican owned corporation to be listed on the New York Stock Exchange (May 1963). Typical of successful Commonwealth family enterprises which for the first time are going public as a necessary prerequisite to ambitious expansion plans.

**Girard Industries:** Puerto Rico's leading furniture manufacturer after only seven years of operation. Typical of local "bootstrap" manufacturers who have imported from the States not only technological know-how, but the technique of widely held financial control as well.

**Swiss Chalet:** a complex of hotel and restaurants and an example of the "go public" tendency as applied to Puerto Rico's rocketing tourism investment.

The total range of product or service is suggested by additional names like these: *Bacardi; Commonwealth Oil; Pueblo Supermarkets; Puerto Rico Telephone, and San Juan Racing Association.*

Why this surprisingly sudden boom in Puerto Rican securities? Many reasons have been put forward: the recent swing-back of the U. S. stock market, the aggressive educational activities of local branch brokerage organiza-

Say "Operation Bootstrap" to an average, well-informed internationally interested businessman, and you'll probably get a definition something like this:

"Puerto Rican program to attract new industry through tax forgiveness and other incentives. Highly successful. Close to a thousand U. S. companies have indeed set up branches in the Commonwealth, including dozens of Exchange listed blue-chips and hundreds of smaller fry."

This vest-pocket description is all right as far as it goes, but unfortunately it doesn't go very far. True, during the past 20 years these new facilities have brought in a half billion dollars in investment, hired close to a hundred thousand people, and sparked an almost six-fold step up in per capita income from \$120 to over \$700.

But all this is only part of the story. The other part, which has mainly taken place in the past two rather than 20 years, is the complementary tale not of what "outsiders" have done for Puerto Rico, but what "insiders," Puerto Rican entrepreneurs and corporations, are doing for themselves. This "other bootstrap" story also holds important implications for stateside individual and institutional investors. Here are three of its little told chapters:



Gaspar Roca, Jr.

"Our foreign economic policy is designed to help these areas (Latin American) . . . through encouraging private skills and private investment funds to be channeled into their economies. One important way to harness both foreign and domestic capital resources would be through the establishment of private, broadly held investment companies."

Hon. William Fitts Ryan,  
Congressman from New York  
(CONGRESSIONAL RECORD,  
March 19, 1963)

**International Investment Company, Inc.**

San Juan, Puerto Rico

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tions like Merrill, Lynch, Pierce, Fenner & Smith and the unexpectedly strong acceptance by the island's investing 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 works. Now everybody wants to get into the act."

**II**

**The Joint Venture Trend**

Not only is local Puerto Rican industry beginning to feel 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 stateside interests.

A typical such medley: Sherwin-Williams Co., the Cleveland paint producer, joined forces with Sucs de A Mayol and Co. in a 23,000 square foot factory in Bayaman, a fast sprouting suburb of San Juan. Sherwin-Williams provides 75% of the capitalization, Mayol the other quarter. In similar alliances Reichold Chemical and Morton Saldt have also found island counterparts, while an even more ambitious three way deal is the newly signed agreement to produce bagasse wallboard entered into by Commonwealth Oil, C. Brewer 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-thou-likewise, but to induce Puerto Rico's increasingly moneyed middle class to participate personally in modern development.

The notion was embodied nine years ago in the Investment Companies Act of 1954 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,

at least in the beginning, as decades-old habits of money management continued to dominate the middle class consciousness, as they have incidentally in a hundred otherwise developing areas of the world. Among these: a tradition of family control, an overwhelming preference for real property, a desire for quick high yield and a distaste for minority investment position.

By 1958 the government itself tried to prime the pump by helping organize a very small scale "model" investment company, but this effort too ended in dissolution.

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.

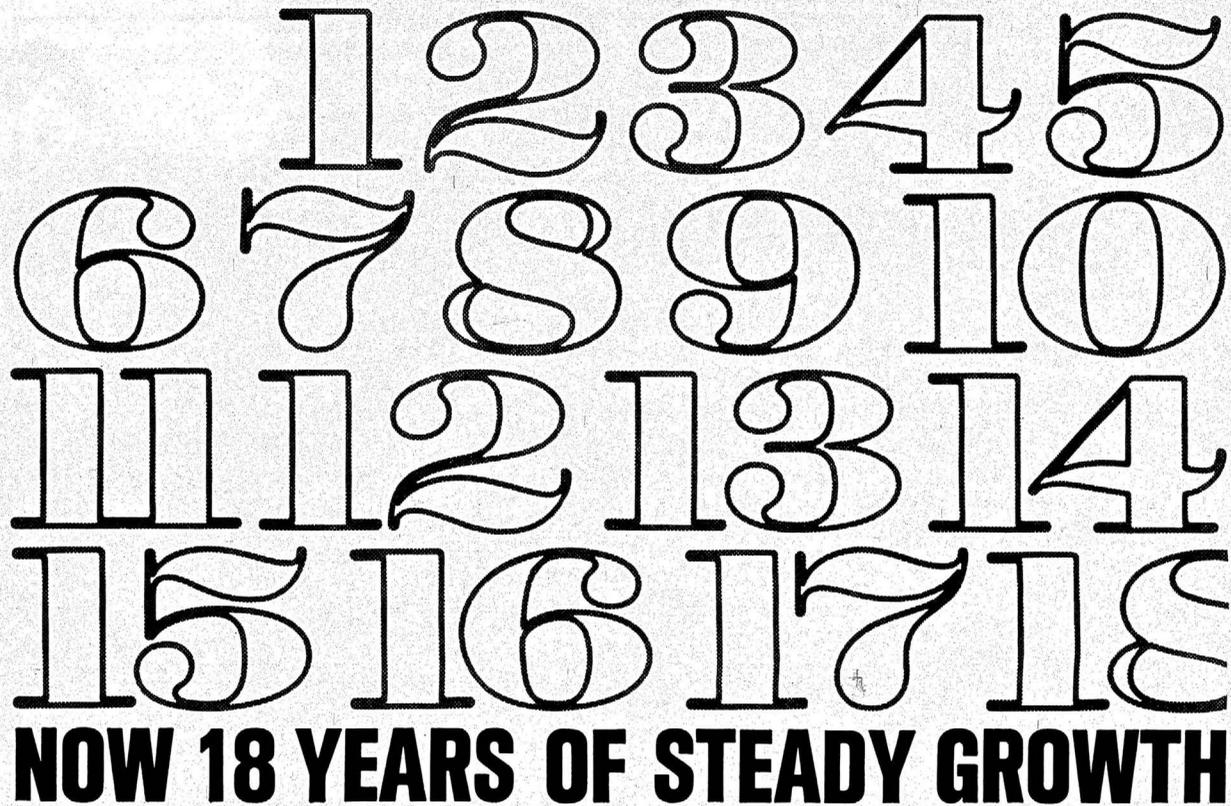
Most of these people's investment experience was limited to real estate: today it also includes manufacturing, insurance, hotel development and other phases of an increasingly modern and effective economy.

It is a good deal too early to describe this "other bootstrap" as 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

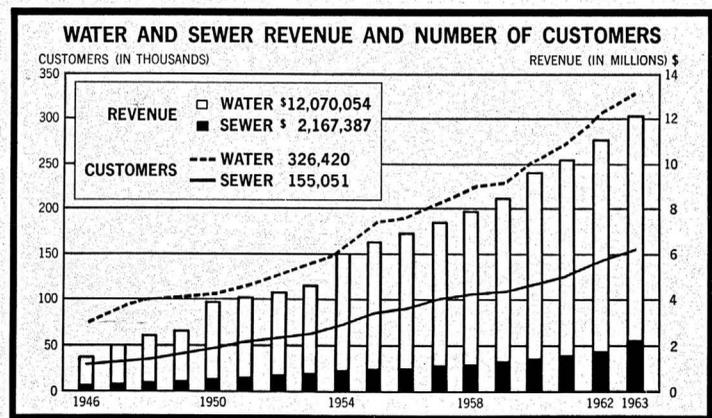
of modern, efficient businessman is developing in Puerto Rico . . . he is not only energetic and creative but also highly responsive to community social problems."

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.



**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.

**Puerto Rico Aqueduct and Sewer Authority**

## 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 pinpoints 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 \$1,400,000,000 for 1964.



Webster E. Pullen

Bank deposits today stand at \$946,002,524 and loans at \$666,133,954. The local chartered 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 require-

ments have been largely financed through 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.

Tourist business 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 and land 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.

to 41.5%. Moreover, this trend is continuing, and by 1965 most industry observers look for their market share 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 in general, and to maintain its position as the fastest gaining liquor in the U. S. Thus, the outlook for the Puerto Rican rum industry remains one of continued growth and prosperity.

Though 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.

### 2.1% 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 uptrend which has occurred, to some extent they mask the vigorous strides made by rum in recent years. From 1953 through 1956, 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 Americans consumed more than 2 million cases of rum, indicating an 11.2% average annual increase in consumption during the past five years. As revealed by the data in the accompanying table however, the gain in Puerto Rican rum shipments to the U. S. has been even more explosive.

During the past two years alone shipments of Puerto Rican rum to the United States have increased 58%, and since 1957, 91% or at a 14% annual rate. This trend is continuing to accelerate with shipments during the 12 months ended June, 1963 up 23.2% over the prior similar period.

Shipments from non-Puerto Rican sources have advanced only 25% (4.6% per annum) during the past five years, and a modest 5% since 1960. 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 Rico's percentage of the total has risen from 60.7% in 1950 to 68.8% 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, rums 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, rather than the Federal Government. A portion of the funds the San Juan Treasury derives from this source is in turn used to promote further industry gains through its well-known "Rums of Puerto Rico" program. Presently, the government is spending \$1.5 million per year for this purpose, with prime emphasis

being placed on rum's new image as being light and its versatility as a "good mixer."

Increased, and more imaginative advertising by distributors of particular brands of Puerto Rican rums, most notably Bacardi and Ronrico, 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 Daiquiri 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 stimulant to Puerto Rican rums dynamic growth of the past two years. During 1960 rum-based Daiquiris 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 1962 expanded to such an extent that Daiquiris now trail only the well-entrenched Martini and Manhattan as America's favorite cocktail. The Daiquiri's popularity is continuing to expand, and numerous additional mixes have been placed in distribution.

## Changing Tastes: A Boom To Puerto Rico Rum Industry

By Donald I. Trott, Research Analyst, Jesup & Lamont 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. Trott expects rum in general, and Puerto Rico rum, in particular, to continue to outpace the projected 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 total distilled spirits consumed here. All Federal taxes on Puerto Rico rums accrue to the Commonwealth, strict control is maintained over standards, and the rum is exempt from duties imposed upon non-U. S. sources. Analysis describes the distillers, 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 from a 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.



Donald I. Trott

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 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 Rico (which currently accounts for three out of every four bottles of rum entering U. S. trade channels) that has benefited the most.

### Will Keep Its Lead

Actually, though most pronounced during the past 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



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## BANCO POPULAR DE PUERTO RICO

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

**Other Factors**

As substantial as the Government's contribution 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. Rums of Puerto Rico estimates that nine out of ten visitors to the Caribbean sample rum drinks while there, and a sizable number of these, once exposed to it, continue to order and serve rum upon returning home. Puerto Rican rum has also benefited from the Commonwealth's political association with the United States. As a result of this relationship it is exempt from the \$1.75 per case duty imposed on rum imported from non - U. S. locations such as Jamaica and British Guiana, and thus has a price advantage over all other U. S. imported rums, except those originating in the Virgin Islands.

Bacardi Corporation, which accounts for an estimated 60% of all Puerto Rican exports of rum to the United States (or 45% of total U. S. rum sales) has been working towards 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. markets, 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 hopeful 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 compared with a 17% average rate of gain for Bacardi over the same period. With Serralles rum revenues pro-

jected 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 Ronrico whose Arecibo distillery shipped about 275,000 cases to the U. S. last year, Superior which operating out of Mayaguez bottles and distributes rum purchased from Serralles and Carioca, 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.

**RUM SHIPMENTS TO THE U. S.**  
(thousands of tax gallons)

Year	Puerto Rico	Non Puerto Rico	Total	Puerto Rico % of Total
1950	1,332	861	2,193	60.7%
1951	1,596	614	2,210	72.2
1952	1,467	508	1,975	74.3
1953	1,497	605	2,102	71.2
1954	1,440	625	2,065	69.7
1955	1,597	641	2,238	71.4
1956	1,593	721	2,314	68.8
1957	1,722	799	2,521	70.2
1958	1,732	715	2,447	70.8
1959	1,996	801	2,797	71.4
1960	2,089	946	3,035	68.8
1961	2,537	905	3,442	73.7
1962	3,300	999	4,299	76.7

Source Distilled Spirits Institute.

**20% of America's top corporations now have plants in Puerto Rico**

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—most of them in newly established 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.

**PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY**

# 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 utility, produces 99.9% of its power thermally and only 0.1% hydroelectrically, and spectacularly increased power output 15-fold in the past 22 years to spark the Commonwealth's phenomenal economic advance? Briefly reviewed here are the highlights of the Authority's soundly managed and financed activities, and the high regard held for its bonds—exempt from both Federal and state taxes—which it autonomously issues in the open market and has sold a total of \$352 million to continental U. S. A.

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 Commonwealth has continued to grow at an even faster pace. A good portion of the credit for this amazing growth is claimed 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. At present only about one-tenth of the power generated by the Authority is hydroelectric. The remainder is produced thermally in three steam plants and one gas turbine station.

An abundance of electric power has been one of the main incentives offered by 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.

In 1952, for example, the Authority's generating capacity was 170,560 kw. To this total 24,000 kw was added in 1953 and 8,000 kw in 1954. Between 1954 and 1956 an additional 68,440 kw was installed, followed by increases of 39,280 kw in 1957; 35,440 kw in 1958; 22,200 kw in 1959; 104,500 kw in 1960; 101,500 kw in 1961, and 82,500 kw in 1962. Another 82,500 kw is about to be added in 1963 in a new unit at the South Coast Steam Plant.



Rafael V. Urrutia

## Power Output Multiplied Fifteen Times in 22 Years

In 1941, the year the Puerto Rico Water Resources Authority was created, power production in Puerto Rico amounted to 192 million kilowatt-hours. In 1946 the total generation was 343 million kilowatt-hours. In the succeeding years power production continued to rise to 685 million kilowatt-hours in 1951 and 1.3 billion in 1956. Last fiscal year (1962-63) it reached 2.9 billion kilowatt-hours, over 15 times the 1941 figure. The spectacular increase in power production and sales within the 22 years of its existence has raised the Puerto Rico Water Resources Authority to levels above \$57 million annually in revenues from energy sales; 491,000 customers, and a construction program involving over \$42 million for fiscal year 1963-64.

In modern societies the consumption of electric power constitutes a fairly reliable index of economic growth and a good yardstick to measure improvement in living conditions. Puerto Rico offers a good example of the very close relationship that exists between economic growth and the demand for electric energy.

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 such as irons, hot plates, and table radios are very much in evidence, thanks to the electric service provided by the Puerto Rico Water Resources Authority through its rural electrification program which is now in its 11th year. The Rural Electrification Administration in Washington has been instrumental in the success of this program, by purchasing electric revenue bond issues from the Authority at 2% annual interest cost.

## Bonds Highly Regarded

The Puerto Rico Water Resources Authority, as an autonomous public corporation, has complete supervision and control over its own operations and administrative procedures and full powers to issue and sell its own electric revenue bonds in the open market. Since its creation in 1941 it has floated bond issues in the continental United States totalling over \$352 million. The Authority's bonds are fully tax-exempt from both Federal and state income taxation.

In the credit history of Puerto Rico, its municipalities, authorities, agencies and other political subdivisions, there is no known record of default or delinquency in the payment of principal or of interest on any obligation, nor has there been any forced or "managed" refunding of maturing bonds to avoid default.

Among the free activities on the Island is the week-long Festival of Puerto Rican Arts, beginning Oct. 15. It features films, ballet, theater, music and paintings, and is sponsored by Art Films Cooperative and the Commonwealth's Institute of Culture.

Patron saint festivals, which occur frequently throughout the year, charm most visitors to Puerto Rico. They usually include dancing, fireworks, fairs, contests and games, and travelers are always welcome.

## Briefings for Potential Investors

And, for the businessman and potential investor who may be vacationing in Puerto Rico, the Economic Development Administration arranges tours and briefings of the Commonwealth's "Operation Bootstrap" industrialization program.

Tourism, which now contributes so significantly to Puerto Rico's economic boom, has had a relatively brief history as an industry. During the late 1940s only about 40,000 visitors a year were coming to the Island, and it was not until 1947, when the Puerto Rican government constructed a \$7,000,000 luxury hotel—the Caribe Hilton—that the business potential of tourism was recognized.

Teodoro Moscoso, at that time head of Puerto Rico's development effort and now the U. S. Coordinator for the multi-million dollar Alliance for Progress, believed that modern hotel facilities should be available to United States businessmen who were visiting Puerto Rico to study investment opportunities there. Thus the Island's first luxury hotel was born, with the Economic Development Administration (Fomento) investing the funds for construction and leasing the property to the Hilton chain to manage.

The venture, which was highly criticized and dubbed "Moscoso's Folly" by some, was a dramatic success. The Caribe Hilton opened in December, 1949, supported by a strong advertising and public relations campaign. It was soon operating in the black and within a few years had repaid the government's entire investment.

This success encouraged new hotel construction by private interests and the beginning of a network of luxury hotels and new moderately-priced guest houses throughout the Island.

The natural beauty of the Island has been carefully maintained despite the fast growth of the tourism industry and the enormous amount of new construction. The development has been orderly, with new hotels attractively spaced. In San Juan, for instance, hotels are built in clusters along a seven-mile ocean frontage. This allows for space between each group of hotels.

Transportation to and within Puerto Rico is excellent. The low-fare jet service to and from major mainland cities has contributed to the increase of travelers to the Island, for short stays as well as long ones. Due to the jets, Puerto Rico is an easy 3½ hours from New York, and has become the recreational center of the entire Caribbean area.

# 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 Commonwealth's amazing economic growth. Recapitulated below are various factors responsible for tourism's growth ranging from sensible hotel development to cultural attractions. Tourists are even offered the opportunity to be briefed on investment potentials by the E. D. A.

Tourism in Puerto Rico continues its dramatic growth, with more and more visitors enjoying each year the Island's wide, sandy beaches and cool mountains, and staying in its luxurious hotels.

Non-resident hotel registrations exceeded 275,000 during the fiscal year ended June 30, 1963. This represented a gain of about 9% over the previous year. Hotel construction reached an all-time high during the same period, with six new hotels opening and another four under construction.

The new hotels (Americana, Holiday Inn, Dorado Hilton, Tanama, El Conquistador and El Lobo) brought the number of available rooms on the island to 5,402.

Under construction during the period were the Sheraton, scheduled to open Oct. 4; the Ponce de Leon, scheduled for Nov. 1; the Lee and the Mayaguez Hilton. These four hotels will add another 895 rooms to those available to visitors.

Tourism promotion, which began only in the late 1940s, has become a highly-organized activity. The Economic Development Administration Department of Tourism

maintains personal contact with travel agencies, carriers, travel clubs and convention bureaus.

This year the Department is making the Island more saleable for travel agents by advertising in newspapers and magazines, participating in travel shows in cooperation with newspapers (among them, the Boston Herald Travel Show on Nov. 13 to 17), and staging extensive area promotions and personal calls to travel agents. It will continue sponsoring selective agent familiarization trips to San Juan.

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

Particularly popular is the annual Game Fish Tournament, with prizes awarded by the Department of Tourism for record-breaking catches of huge blue marlin and other game fish. (Biggest marlin to date: 780 lbs.).

Sky diving exhibitions are a favorite attraction as is the special "sail-in" event for yachtsmen. Last November the Grand Prix racing-car classic was inaugurated in Puerto Rico.

## Major Cultural Events

One of the major cultural events is the Festival Casals, which features international concert artists performing under the direction of the distinguished cellist-composer-conductor Pablo Casals.



Jose Lopez Garcia

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# 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 list of consumer retail outlets, many of which are prominent, is expected to continue to widen considerably in step with the Island's remarkable real, per 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." Diets were largely sub-standard, devoid of fresh fruits and vegetables, quality meat, poultry and dairy products. Today, these people spend in excess of \$440 million for food and stroll up and down well-stocked aisles of modern air-conditioned supermarkets that rival the newest found 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.



Harold Toppel

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 marketing 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 1962 from 31 million pounds in 1955. During the same period poultry consumption increased 138% and milk consumption rose 39%.

### Three Food Chains in Operation

Soon after the Pueblo chain was established came the Todas 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, Supermercados Co-op, also operates in Puerto Rico.

Generally, these markets are comparable to the newest mainland supermarkets. They are of modern design, air-conditioned, usually located in shopping centers and offer a large selection of foods, wines and liquors, as well as a large variety of other conveniences and specialty items. In all, some 6,000 items are offered to customers on a cash-and-carry basis.

Thought to be the largest food

chain in Puerto Rico, Pueblo Supermarkets currently operates a total of ten markets on the island—nine located in the San Juan metropolitan area and one in Ponce with an 11th scheduled to open this year. Pueblo's largest competitor is Grand Union which operates eight markets on the island and plans to open two more by year end.

While the small grocery stores or "colmados" as still the backbone of retail food sales, supermarkets have better than 25% of the market. This compares with approximately 70% on the U. S. mainland.

The acceptance and growth of supermarkets in Puerto Rico has been aided by the rapid development of the Puerto Rican economy.

Sparked by the Industrial Development Program known as "Operation Bootstrap," Puerto Rico has undergone a historic transformation over the past 20 years, evolving from an underdeveloped agriculturally-based society largely dependent on its sugar crop to one of the world's fastest growing industrial economies.

Gross National Product has increased from \$755 million in 1950 to \$1,985 million for the year 1962, an increase of 162.9%. Per capita net income rose from \$343 for 1950 to better than \$700 for 1962 and is expected to reach \$1,070 by 1970. Personal Consumption Expenditures increased 143% to \$1,609 million for 1962 from \$662 million in 1950.

Of significance as a yardstick of consumer market potential is the projected redistribution of this increased spending power among family units. In 1962 approximately 93,000 of the 448,000 families in Puerto Rico had an income of more than \$3,000 per year. By 1970 it is estimated that \$375,000 of the projected 545,000 family units will have an annual income in excess of \$3,000.

### Non-Food Retail Chain Growth

The success of the pioneer supermarket, Harold Toppel, has encouraged many U. S. retail firms to establish outlets in Puerto Rico. Among the better known names are Walgreens, Woolworth, National Bellas Hess, S. S. Kresge, Thom McAn, Lerner's and 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.

While Puerto Rico today is a billion dollar market and the fifth largest market for U. S. goods, supermarket expansion in the Commonwealth is largely controlled by land availability. Commercial area is extremely limited and this scarcity makes for high land values. Once a store site is found, the Commonwealth Real Estate Board must be petitioned to zone it 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 Munoz Marin, and a new name will be added to Commonwealth maps.

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 \$9,100 for a one-story attached house to \$15,500 for a two-story detached home.

Governor Munoz 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 sincerely 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, which built the three sister Levittowns in the eastern U. S., said that the Commonwealth Guideline 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 con-

sumer 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 petrochemical fields which will be a valuable addition to the island's growing industrial complex.



## COMMONWEALTH OIL REFINING COMPANY, INC.

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# Island's Aqueduct-Sewer Authority Moves Ahead

By Juan Labadie Eurite, 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 services while keeping ahead of the Island's burgeoning, rapid growth. Mr. Labadie describes the Authority's intense progress, stresses conservative use made of its borrowing capacity said to provide more than ample debt service coverage, and lists outstanding bonds it has issued as of June 30.

The Puerto Rico Aqueduct and Sewer Authority's highlights for the year ended June 30, 1963 were as follows: (a) \$14,505,542, revenues; (b) a gain of 25,938 water and 13,836 sewer customers; (c) two new water filtration plants; (d) eight new sewage treatment plants; (e) 1,145,000 feet of water mains installed; (f) 60,145 feet of sewer pipe installed; and (g) an increase of \$24.9 million in utility plant value.



Juan Labadie Eurite

I would like to elaborate on these highlights. The revenue represents a 25.6% increase over the figure for the previous year which amounted to \$11,544,461. This substantial increase was largely gained through a 25% rate increase which became effective on July 1, 1962. 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 conservative with water use but from past experiences we know that that tendency is temporary. We can, therefore, expect the year 1963-64 to show higher individual water consumption.

The acquisition of nearly 26,000 new water customers shows that our growth in revenue-paying subscribers proceeds at full speed.

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

With both public and private housing construction in full swing and Puerto Rico's economy still booming there is no ground for expecting a leveling off in that trend.

### Water and Sewage Plants

Completion of two filtration plants during the year, and another one practically finished, marks the conclusion of a program which began about twelve years ago. In those twelve years we have constructed and placed in operation 28 plants and whenever possible have integrated two or more towns 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 Penuelas plant is dedicated this fall, all our towns but one will be served either by fully-treated water or from deep wells which require only a slight chlorine application.

The exception is Culebra, an off-shore island where about 500 Puerto Ricans live mainly by fishing and cattle raising. Because there are no rivers or creeks to tap and up to now the drilling of wells have 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 five transferred to us by developers) is also part of a long-

range program—to provide sewerage 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) was created in 1945 only 41 towns in Puerto Rico had sewer facilities. Today, 72 cities and towns have their sewerage systems and those for the other three are under construction. Within a year all Puerto Rican towns, except the isle of Culebra, will have sewage disposal facilities.

### Most Sizable Project

The most comprehensive and expensive 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 in completed sections now under operation; those under construction will cost when finished \$1,200,000. The trunk sewers and pumping stations not yet started have been estimated to cost \$11,400,000 and the branch sewers, submains and house connections, \$10,000,000.

Because of its relatively high cost estimate, the financing of the project is being shared with our Authority by other governmental entities, as per Table II.

The installation during the year of over 1,000,000 feet of water mains, together with the increase of \$24.9 million in utility plant value shows the intensity of our construction program. For the current year we expect an additional \$24 million plant increase to be financed as follows: borrowed money, \$7.6 million; legislative appropriations, \$7.3 million; Authority's own resources, \$3.8 million, and Federal and municipal contributions, \$5.6 million.

The preponderance of the use in this year's construction program of moneys from other sources than loans is not an exception. The Authority has been conservative in the use of its borrowing capacity. Because of that our debt service coverage has been always ample as shown by the figures in Table III.

### Outstanding Bonds

The bonds issued by this Authority and the amounts outstanding as of June 30 are shown in Table IV.

The 1963 issue was placed to refund the remainder of the 1949 issue. The refunding, in addition to providing a lower interest rate, allowed the Authority to liberalize the trust indenture by putting into effect a supplementary agreement in force since 1957 for the other revenue-secured bonded debt.

Whenever the Authority has needed some additional funds to carry on with its expansion program, and the market has not been favorable, private banks have been willing to provide a short-term line of credit. The Government Development Bank for Puerto Rico, as the Authority's fiscal agent, has been instrumental in all our financial transactions.

The Authority enters the fiscal year, 1963-64, its 19th year 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 optimistically concludes that the prospects for the establishment of new heavy industry on the Island are very good. Though existing industrial plants are not numerous, they have played an important role in Puerto Rico's economic progress which new plants can expect to share.

As a result of the incentives offered, there are today approximately 1,000 new Fomento (Economic Development Administration) promoted industrial plants operating in Puerto Rico. Employment in Fomento promoted plants has increased from 5,000 persons in 1950, to more than 60,000 today. The size of these plants ranges from the small plants employing 10-20 persons to the large plant of Consolidated Cigar Corporation, which employs more than 1,200 persons. We employ 830—92% of these are now Puerto Ricans.



Sam H. Casey

By far the largest number of the existing manufacturing plants in Puerto Rico are concerned with high value added products such as brassiere manufacturing, drug manufacture, cigars and assembly of electronic components. These plants require relatively little capital investment and take advantage of Puerto Rico's abundant and low cost labor. There are many such opportunities in the high value added field, but rather than try to cover the entire subject, I shall direct specific attention to heavy industry. Coverage has been given to Puerto Rico's sugar industry in the recent press, and I will only touch on phases of this.

### Heavy Industry Plants Now 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 Carbide Corporation which utilizes refinery gases and imported naphtha to manufacture ethylene glycol. That plant is presently being expanded by an additional investment of about \$22 million to produce alcohol intermediates, butadiene and other petrochemical products.

Also adjacent to our refinery is the steam electric generating station of Puerto Rico Water Resources Authority, the government-owned electric utility company. Our refinery supplies this plant with residual pitch as fuel. I might here mention that the electric power supply in Puerto Rico is adequate and stable enough for practically any industrial plant.

About 15 miles west of our refinery is an ammonium sulfate plant of Caribe Nitrogen Corporation, presently operated by W. R. Grace. That plant has had more than the normal amount of difficulties, not only operating problems in its initial stages but, more recently, extremely difficult marketing problems occasioned by the importation of foreign competitive products.

To the east of our plant, in Ponce, is the cement plant owned by Puerto Rico Cement Company. As you may know, Puerto Rico Cement recently issued a large block of privately owned shares to the public, and the Company is now listed on the New York Stock Exchange.

### Another Oil Refinery

On the north coast of the Island, near San Juan, is another oil refinery, Caribbean Oil Refining Company, owned by Gulf Oil Corporation. That refinery is approximately one-third the size of the Commonwealth Oil refinery.

Very near the Caribbean refinery are two additional steam electric generating plants of the Puerto Rico Water Resources Authority.

Also near the Caribbean refinery is the other of the Puerto Rico Cement Company's production plants.

Near the northwest tip of the Island, at Arecibo, is the multi-million dollar bagasse paper plant of International Paper Company. That plant converts bagasse, the residue from sugar cane grinding operations, into liner boards.

There is presently considerable talk concerning the construction of a phthalic anhydride plant near Arecibo. While we have had some talks with the principals involved in that proposed plant, 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 ball bearing plant somewhere near San Juan, at a cost of several million dollars. The products of the plant would be used in the various Ford assembly operations in the United States.

While the existing industrial plants on the Island are not numerous, they are exceedingly important, we believe, 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 by the Island's Government and I can assure you such plants will be welcome. From my experience in working with the various governmental officials in Puerto Rico, I can assure you that any new industry desiring to locate in Puerto Rico can anticipate the utmost in cooperation and assistance.

\*From a talk by Mr. Casey at a meeting in New York City.

TABLE I

Year	Customers on June 30		Increase for Year	
	Water	Sewer	Water	Sewer
1958	220,030	100,284	16,335	6,506
1959	236,398	107,199	16,368	6,915
1960	256,532	118,858	20,134	11,659
1961	276,688	130,374	20,156	11,516
1962	300,482	141,215	23,794	10,841
1963	326,420	155,051	25,938	13,836

TABLE II

Commonwealth Government	\$19,600,000
Five municipalities benefitted	12,700,000
Aqueduct and Sewer Authority	6,400,000
Federal Government (Water Pollution Control Act)	3,800,000
Other	2,300,000
	\$44,800,000

TABLE III

Year	Balance for Debt Service	Maximum Annual Debt Service	Times Earned
1959	\$4,358,660	\$1,847,318	2.34
1960	4,757,208	1,813,977	2.62
1961	5,101,330	2,345,368	2.18
1962	5,268,079	2,336,573	2.25
1963	6,594,135	2,993,682	2.20

TABLE IV

Year	Original Amount	Outstanding June 30, 1963
1949	\$22,700,000	
1957	12,000,000	\$10,724,000
1960	10,000,000	9,895,000
1962	14,000,000	14,000,000
1963	13,000,000	13,000,000
	\$71,700,000	\$47,619,000

# 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 outrun distribution. To remedy the threatening imbalance, the Island's three-year-old Department of Commerce has accelerated the development of such commercial facilities as warehouses and shopping centers, the teaching of better business practices and managerial methods, the supplying of technical assistance to commercial and trading firms, and the opening up of foreign markets to the Island's products. Presented below is the Secretary's report on progress and prospects.**

In July, 1963, the Department of Commerce of the Commonwealth of Puerto Rico entered its third year of life. The Department was created, at the insistence of the businessmen themselves, to cope with a paradoxical and increasingly complex situation. Paradoxical, because the rapid rate of growth shown by the industrial production system during the past two decades had not been matched by a corresponding progress in the distribution system. Complex because of the great number of very small businesses, the widespread ignorance of modern commercial techniques and the lack of capital, made any solution of the problem very difficult indeed.



Carlos J. Lastra

It is the policy of the Department to stimulate the development of a balanced and efficient distribution system, integrated with the economic and cultural development of Puerto Rico. A system where large and small firms, voluntary and corporate chains, cooperative and independent establishments may participate in a situation of balanced competition to the benefit of the consumer and for their own profit. It is also our aim to develop this kind of distribution system with the maximum participation of local businessmen.

During its second year of life, the Department expanded and intensified its programs for the training of businessmen in more efficient practices, helping them obtain credit to finance improvements and providing technical aid in planning and carrying out these improvements. The Commercial Development Company (CDC), a public corporation attached to the Department of Commerce, is engaged in developing commercial facilities: warehouses, shopping centers, public market places and others. At the beginning of the present fiscal year, construction was started on one of the four warehouses to be built in the port area of San Juan, the capital of Puerto Rico. The first two of these warehouses will be completed by the end of January, 1964.

A number of shopping centers and market places in different parts of the Island are in an advanced planning stage.

## Teaching Better Business Measures

To implement the program for the training and re-training of managerial and operational business personnel, the Bureau of Human 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 five 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 persons participated. The Bureau also cooperated in the organization of educational programs by other government agencies such 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 consist of purely formal training, completely practical on-the-job training or a combination of both. Instructors for these courses are found among the personnel of the Department and other Government Departments, university professors and businessmen. A sampling of the subjects taught indicates the range of this training program: merchandising methods, personnel and public relations, commercial arithmetic, cashier training, meat cutting (jointly with a local supermarket chain, Grand Union and the Agricultural Extension Service of the University) and many others.

## Technical Business Assistance

The Department does not limit itself to teaching better business methods: it implements its teaching 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 Bureaus

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 Development Bank and the Small Business Administration, as preliminaries to making specific remodeling plans. The second stage consists in preparing a plan for the modernization of the store (on the self-service pattern, wherever this is feasible) including a list of new equipment needed and floor plans for the distribution of equipment and merchandise. When the modernization is completed a publicity campaign is planned, including a grand opening. Modernized stores are referred to established chains as potential candidates. Help is also given, where needed, in establishing a simple but adequate system of accounting.

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 drug stores. During its second year, one chain was formed CADEM 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 these groups after they are established. For example, 25 of the 37 members of the Lucky Seven grocery chain and 13 of the 28 Golden Cross drug stores received complete technical assistance in remodeling their businesses during the past fiscal year. Golden Cross Drugstores bought a wholesale drug establishment several months ago for \$15,000. This company is now selling \$25,000 worth of goods monthly, 80% of this total to member stores. Lucky Seven has bought a total of \$1,538,381 from the Consumer Cooperative Wholesale Company.

Although the rate of growth of the Department's programs has been rapid, we still have a very long way to go before we attain the aim of a balanced distribution system. For instance, many businessmen are interested in modernizing their business and would be able to do so except for the lack of capital and the impossibility of obtaining credit under the present regulations of government and commercial credit granting institutions. The Department is therefore studying the possibility of developing new sources of credit for small businessmen. One possibility is the formation of groups for this purpose among the businessmen themselves.

## Developing Foreign Markets

Another aspect of the commercial life of Puerto Rico in which the Department is taking part is the development of foreign markets for Puerto Rico products. Many of the new industries established here have developed to the point where they need to ex-

pand their market. Others could so expand if the opportunity offered.

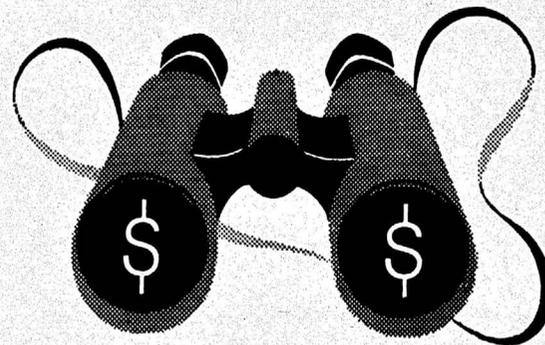
A number of businessmen in European and Latin American countries have shown an interest in buying Puerto Rican products. The recently organized Field Office of the United States Department of Commerce has been cooperating closely with us in informing us of trade opportunities in different countries and processing the applications of local businessmen for participation in a number of trade fairs and similar activities throughout the world. The Department and the Puerto Rico Economic Development Administration have collaborated in

organizing commercial missions to different countries and arranging for the participation of Puerto Rico in international affairs.

The Department also works closely with the Caribbean Organization in investigating and promoting the possibilities of trade in the Caribbean Area as a whole: both inter-Caribbean trade and the economic integration of the region for the production of goods and services.

As I said above, we still have a long way to go. But a good start has been made and, above all, we have been able to prove to Puerto Rican businessmen that there is really somewhere worth while to go.

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