



PMAI Newsletter

Every generation has some fool who will speak the truth as he sees it! Boris Pasternak

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PROPOSED PMAI PROGRAM FOR SY 2008-09

TIPS ON

ELECTRICAL ENERGY

COMPRESSED AIR

- Every 5°C reduction in intake temperature would result in 1% reduction in compressor power consumption.
- Compressed air leak from a 1 mm hole size at 7 kg/cm² pressure would mean a power loss equivalent to 4500KWH per year.
- A reduction of 1 kg/cm² of air pressure (for instance from 8 kg/cm² to 7 kg/cm²) would result in a 9% input power savings.

REFRIGERATION-

- Refrigeration capacity is reduced by 6% for every 3.5°C increase in condensing temperature.
- Reducing the condensing temperature by 5.5°C, results in a 20-25% decrease in compressed power consumption.
- A reduction of 5.5°C in cooling water temperature at the condenser outlet, reduces compressor power consumption by 3%.
- A 1 mm. scale build-up on the condenser tubes can increase energy consumption by 40%.

LIGHTING-

- Ensure proper illumination and efficacy (lumens/watt).
- Install photocells.
- Use timers.
- Retrofit occupancy sensor.
- Use servo-stabilizer in the lighting circuit.
- Replace High Pressure Mercury-Vapor lamps with High Pressure Sodium-Vapor lamps.
- Replace conventional chokes with electronic chokes.

All these years we have been indulging ourselves in short-term projects that have served us, yes, in the short-term. We have not really done any projects for the long-term. Consider the following:

This is a list of proposed projects — originally proposed from 15 to 5 years ago (1992 to 2002) — that seek to address PMAI's needs for manpower supply, engineering information dissemination, materials supply and sources of funding, exploring the export market, and the overall improvement of product quality, plant productivity, environmental protection, and operating costs. In view of the globalization of competition and the many environmental and energy problems, it is deemed timely and practical to take a more serious look at these projects. They should not be dismissed as undoable because that is what management is all about: **MAKE DOABLE SOMETHING THAT INITIALLY SEEMS TO BE NON-DOABLE.** The key is political will and organization!

1. **SKILLS TRAINING:** A *Metalcasting Industry Training Center* for foundrymen and patternmakers with due accreditation for skills and for upgrading engineers in the field of Metal Engineering. (This could be done with the cooperation and support of QCPU and TESDA, for technical skills; CHED, for bachelor's degrees in engineering courses; and PLM, for master's degrees in engineering courses.)

2. **INDUSTRY STATISTICS:** A *Metalcasting Industry Information Center* to gather, sort, collate, and disseminate data and relevant information on the Industry. It could publish a *Metal Engineering Digest* — similar in format to the *Readers' Digest* — and distribute this free-of-charge to all accredited Metal Engineers in the Philippines. Financing could come from solicited advertisements that would bring the suppliers closer to the actual users — in the manner of *Foundry Magazine* of Penton Publishing in the United States. (This could be a project of the PMAI and it could probably be done much better with the cooperation and support of an established and prominent engineering school.)

3. **BULK-BUYING:** A *PMAI Cooperative Institution* set up as a financial center, for the purpose of (1) establishing a ready source of funding for any identified PMAI project, (2) centralized procurement of vital raw materials and supplies, and (3) exploration and development of the foreign markets. (This could be done with the cooperation and support of DILG which is, today, promoting the establishment of such small scale cooperative financial centers in as many *barangays* throughout the country as possible and of BOI and DFA for exploring foreign markets.) A study of this project could be made.

4. **CLUSTERING:** A *Metal Engineering Industrial Park* for the Metal Engineering Industry companies that have their own product lines — like water pumps, liquid centrifugal pumps, air compressors, refrigeration compressors, transformer welding machines, OEM parts for the Automotive Industry and Appliance Industry, and, hopefully, small heavy equipment, single-cylinder engines, small electric motors, and small power generators. Note that this is feasible only for manufacturers who do not need to be near their market; it would be impractical for jobbers. *This is envisioned as the only answer to meet global competition and to ward off imminent annihilation of the industry.* (This could be done with the cooperation of DTI, BOI, and any government agency that is relevant to the project — most especially try to establish coordination with Dr. Ceferino Follosco, Guru of Clustering in the Philippines). A preliminary study of this project is presently available.

The foregoing is only a partial list — perhaps you have ideas that could be added to this — of what PMAI can do *if only the government could and would just make the business climate conducive to manufacturing.* The members of PMAI have proven time and again that they could really get together and work together with enthusiasm, passion, dedication, and commitment, as when they built the Philippine Metalcasting

Center Building of the Philippine Metalcasting Foundation in Novaliches, Quezon City in 1997, and much earlier — in 1982 — when they ventured in the bulk-buying of Foundry Coke when coke prices went up. ***When the need was there, the support was likewise there.*** That is PMAI in a nutshell!

AN ALTERNATIVE TO SCRAP

In recognition of the great amount of scrap generated by the country in relation to the needs of the local Metalcasting Industry, perhaps it would be more prudent to consider and encourage the establishment of Secondary Smelters that could recycle the excess non-ferrous metal scraps into “composition metal ingots.”

Secondary Smelters are companies that take metal scraps, remelt these, adjust the melt composition, and pour the adjusted molten metal into composition ingots. These could be used by foundries, instead of unsorted scrap, and produce specification-correct castings, thereby improving the whole non-ferrous metalcasting industry in the process.

There is also the possibility of exporting the composition ingots, instead of the metal scraps, with a higher value-added and export price. Furthermore, this would spawn a relatively new and overlooked industry that could generate greater employment.

ON THE ENVIRONMENT PROBLEM

- We agree that control of pollution is mandatory for a cleaner environment and *we shall do our share*.
- We note that the foundry industry is *just a minor contributor* to environmental pollution; it's just a fraction of that coming from vehicles and other types of manufacturing plants.
- The foundry industry is *as basic an industry as basic can be in industry* (note that all manufacturing starts here!).
- Despite this very important role, the foundry industry is *still a very marginal industry* in this country because it is not fully appreciated, and thus is *practically neglected*, by the powers that be (yes, it is not quite well understood).
- The major problem of the industry now, as regards environment, is that pollution control equipment *add to the cost, but not to the quality*, of the product. This is something that has to be resolved.

TIME TO LOWER ELECTRICITY RATES

High power rates in the Philippines are the bane of local and foreign businessmen. In many instances, the high cost of electricity

serves as the major deterrent to the plans of foreign companies to relocate their business here.

Politics and the weak peso in the past few years have somewhat convoluted the electricity pricing structure in the Philippines. Political leaders in the past found it convenient to freeze the rates of state-owned National Power Corp., especially during election periods, to woo voters. Napocor eventually found itself in a financial mire, unable to keep up with its operations due to low revenues. And with the exchange rate deteriorating, Napocor's debt payments ballooned, finally prompting the government to assume bulk of the company's obligations.

Recent reforms in the power sector, including the privatization of state-owned generating assets, however, have eased Napocor's finances. With majority of its debt stricken off its books and the share of oil-fired power plants in its energy mix virtually down to zero, Napocor can well afford to sell much lower rates to customers and retailers, including Manila Electric Co.

President Arroyo, thus, could not understand why the privately owned Meralco had been slow in reducing its distribution charge despite lower Napocor rates.

“I am wondering out loud why power rates in the Luzon urban beltway should be so high when Luzon is reliant on imported oil for only 1 percent of its power,” Mrs. Arroyo told a group of business leaders. **“Therefore, there is room for improvement in the rates.”**

Meralco, the biggest power retailer in the Philippines, has its own complex pricing structure that has been compounded further by the organization's anomalous set-up. The private utility firm partly buys electricity supply from its sister companies and pass on those rates to consumers. The Trade Department may have sensed the controversial dealings of Meralco with its sister companies when it petitioned the Energy Regulatory Commission to bar the utility from passing its system losses to consumers and force it to lower its 16-percent return on rate base to 12 percent to bring down power costs.

Meralco may have its own reasons why it could not readily reduce its rates to customers. In the meantime, the cost of doing business in the Philippines will remain high and force foreign investors to look elsewhere in Asia for their relocation plans.

NZTE REMIND EXPORTERS TO BE-WARE OF CHINA SCAMS

New Zealand Trade and Enterprise (NZTE) are advising exporters to be cautious following an increasing number of reports indicating deceptive business practices by distributors supposedly working with the China market.

Enquiries bear similarity to scams that were reported last year and have a common theme. Sectors that have been targeted include: the food and beverage industry, marine, services, health food products and manufacturing but this issue is not exclusive to these sectors.

A recent variation came through an internet-based enquiry from distributors based in South America working with Chinese buyers looking to import a New Zealand Company's products and/or services and inviting the potential exporter to visit them to sign contracts.

Key features of the enquiries are that the companies want to place large orders, claiming to focus on quality not price, and agreeing to all general terms of trade. In addition they request that the companies, according to Chinese custom, travel to China to sign the contract. They have also, of late, started asking for a 1% notary public fee to be paid in cash on arriving in China.

Following on from ongoing alerts in this area, NZTE strongly recommends New Zealand companies do their own due diligence to verify who they are dealing with, bearing in mind the old adage – “if it looks too good to be true, it probably is”.

NZTE has indicated that there is absolutely no need to travel to China to sign contracts, for pay a fee to a notary public. It also suggests New Zealand businesses insist on the Chinese company providing a copy of their business license and ask for references from other companies they have dealt with in New Zealand and internationally.

It is important to note that only a small percentage of trade enquiries from China are of this nature. A majority are genuine trade enquiries that do not make unrealistic demands. NZTE is able to commission a report on the Chinese company if New Zealand exporters believe the trade opportunity is genuine and want to follow up independently.

New Zealand companies seeking further information should contact NZTE China Market Manager Pat English, email

pat.english@nzte.govt.nz.