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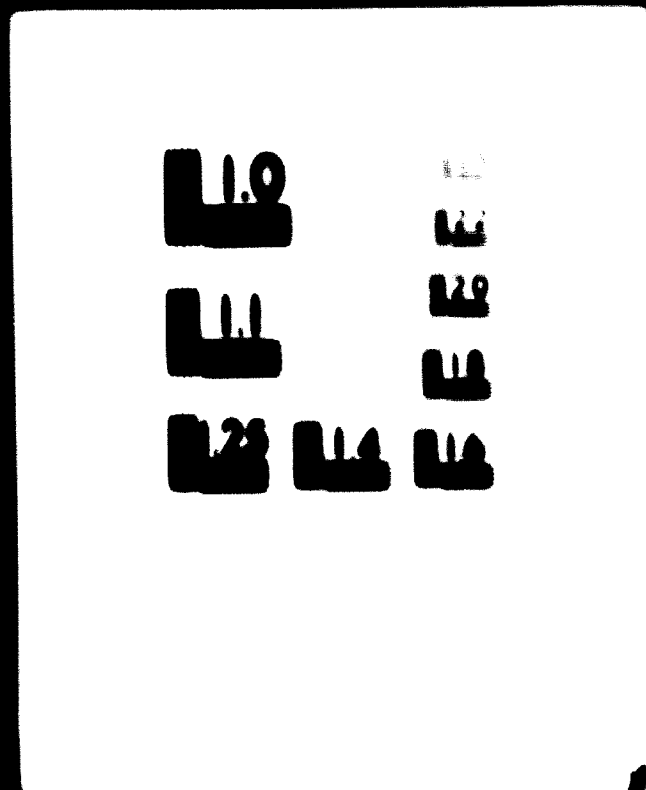
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1 OF 1



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TORIELLI

PROJECT No. 818-70/819-PHIL 18

DATA DATE

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**ASSISTANCE TO THE FOOTWEAR MANUFACTURING
INDUSTRY IN THE PHILIPPINES**

Contractor	Messrs. TORIELLI ING. PIETRO - ITALY
No. of contract	70/45
Field Expert	Mr. R. Spagliardi
Length of Contract	Four (4) months
Date start	September 3rd, 1970
Termination	January 2nd, 1971

**by: Footwear Manufacturing Expert
Mr. RENO SPAGLIARDI
OF**

**TORIELLI ING. PIETRO
Via L. da Vinci 130a
TREZZANO - Milan - Italy**

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INDEX

	Pages
Introduction	1
Brief Summary of Mr. Amagliardi's activities	2
Type of Shoe Factories	8
Working Systems	11
Main problems of the Shoe Industry	12
Failed Mechanisation in Marikina	13
High Import duties	15
Technical assistance to Existing factories	17
Lack of development direction	18
Failed exportation	20
Briefing on a follow-up Project Proposal	21
Considerations on Leather Pilot Plant and Research (tanning)	22
Considerations and recommendations on Shoe Pilot Plant and Research	26

INTRODUCTION

The shoe industry in the Philippines, is facing many problems which can be solved by intense financing and some technical assistances: it is not different from other industries in the same or other developing Countries.

The shoe manufacturing in Marikina and elsewhere in Philippine is basically a cottage industry, however production is high and quality is good. It well covers the need of local consumers.

There are great possibilities of development especially in exporting to the United States of America but this will be only possible after further improvement and efficiency.

Having a reasonable large local market, and abundant skilled labour, it should be considered as a great advantage to reach these objects.

Production for the export or for the local market cannot be dissociated.

TOSMELLI

DATA DATE

5th Feb. 1971

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N. 2

BRIEF SUMMARY OF MR. SPAGLIARDI'S ACTIVITIES

ACQUAINTANCE ON THE WORK

The expert took residence in Marikina, Rizal, a town 18 kilometers east of Manila. His assignment was to assist the Marikina Shoe Trade Commission, a local Government agency for shoe industry, by way of facilitating its work.

The host town, led by Mayor Osmundo de Guzman, Chairman of the Marikina Shoe Trade Commission, (M.S.T.C. as will be called afterwards) provided clerical assistance, a reasonable transportation and driver, and other things to enable the expert to perform his assignment for the benefit of the shoe-industry.

The expert received full co-operation from the Commission, which in turn received the support and co-operation of the Majority of the town's shoemakers. This co-operation would discourage any problem which may arise, that might interrupt the implementation of objectives.

INITIAL STAGE OF THE PROJECT

The expert immediately began an active work on his commission. He extended assistance promptly whenever and wherever necessary. Shoe manufacturers never received helpful instructions on installation of machines which have been idle for a long time, and instructions on their operations, advices on modern shoe production, fashion (in other parts of the world) designs, last fittings and standardization of sizes.

The expert had some meetings with Mr. W.R. Jones, the Senior Industrial Adviser of the U.N.I.D.O. to inform him carefully on Marikina situation.

Mr. Jones, Mr. Harding, the Resident Representative of U.N.I.D.O. with the expert Mr. Spagliardi paid many visits to shoe-factories, to have a correct knowledge of all problems.

We give here below a list of the shoe factories visited, grouped per town.

BARANGKA - MARIKINA - RIZAL:

Tagumpay Shoe Industrial Cooperative, Inc.
Mr. Tagumpay Santos

CALUMPANG - MARIKINA - RIZAL:

Margo
Mr. Mariano Santiago

Lebells
Mr. Ignacio Cruz

Joline Shoe Factory
Mr. Franco Cruz

Blue Bonnet Shoes
Mr. Mariano Santos

Cris Arts Shoes
Mr. Lorenzon Santos

Josar's Shoes
Mr. José Santiago

CONCEPCION - MARIKINA - RIZAL:

Mc. Gerry Shoes
Mr. Luis Angeles

Chancellor Shoes
Mr. Rosario de Dios

Edmann Shoes
Mr. Pedro Reyes

King Albert Shoes
Mr. Lope Rivera

JESUS DE LA PENA - MARIKINA - RIZAL

Rinyers
Mr. Virginio Reyes

Julinette Shoes
Mr. Manuel Ortega

Emmas Shoes
Mr. Amado Javier

Queen Miller Shoes
Mr. Zacarias Fulgencio

MAYNIN - MARIKINA - RIZAL:

Gerrysen Shoes
Mr. Federico Bautista

Stewartson Shoes
Mr. Antonio Suapengco

Peters Shoes
Mr. Alfredo Suapengco

Average Shoes
Mr. Avelino Santiago

Demyson Shoes
Mr. Demetrio Mejia

S.TA ELENA - MARIKINA - RIZAL

Mil Walker Shoes
Mr. Manuel Santos

S.TO NINO - MARIKINA - RIZAL:

George
Mrs. Adelia Alfonso

J. Shoes
Mr. José Mendoza

Carla Shoes
Mrs. Florentina San Diego

Webbs Shoes
Mr. Arturo F. de Guzman

SAN ROQUE - MARIKINA - RIZAL

Carmelettes
Mrs. Felicita Puenaventura

Danny Debs
Mr. Apolinar Santos

Ely Mir Shoes
Mr. Melanio Tustaquic

Princess Ann Shoes
Mr. Mariano Carr

TANONG - MARIKINA - RIZAL

Paulo
Mr. Pablo Mariano

He helped to solve the various problems of the shoe industry, repaired malfunctioning machines, and rendered advice on other puzzling problems confronting the shoe industry.

In co-operation with the MSTC he contacted the local trade attachés, financing and shipping companies, shoe exporters and agents in order to organize and finance the projected exportation of footwear, the main aim of the project.

During some meetings with the undertakers, which want to establish new shoe factories, he gave full technical and commercial information to help them. In this field rised a great interest and therefore there is a well founded hope that some factories can be builded up in a short time as a direct consequence of the expert mission.

With this great need, the presence of an expert was of an immense value.

SKILL POTENTIALITY

In his personal visit to the shoe factories, he found highly skilled workers in the shoe manufacturing business. He discovered a high level or degree of specialization, which has been made possible only after a long personal experience.

He noticed that no school fully devoted to the shoe industry has been established up to the present.

Although this has been the case, Philippines far surpass the level of specialization expected from them by the expert. Based on this showing, the expert opines, if their skill could only be directed properly, technically and business wise, the Philippines could be expected to be among the leading countries in the world in the manufacture and export of quality footwear in big quantities, within six or eight years.

It is certain to find itself competing successfully in the world shoe market with Italy, United Kingdom, Spain and others, if some entrepreneurs or manufacturers would take advantage of the skill of their workers and local conditions with the introduction of modern machineries.

Moreover, compared with other Nations where the level of skill is lower (but highly paid) Philipinos could easily excel in craftsmanship uncommonly found in some nations. This is a factor that will help boost in this industry.

QUALITIES OF PRODUCTS

Footwear manufacturing, in the above process, produces good shoes.

However, because the finishing touches applied to the shoes, especially on the soles and heels and its bottom parts, are done with the use of hands and rudimentary or unsuitable tools and machineries, the footwear is not attractive, not uniform, and tends to disrupt the increase in sales.

This deficiency, common among the shoe factories in Marikina, reflects the lack of machineries or suitable tools.

Trade names and other marks do not appear on the soles. The marks usually embossed in soles, should appear also on the soles to add attractiveness and beauty to the shoes.

Regarding uniformity, the efficiency lies mainly on the imperfect hands of the workers, as he begins and finishes the shoes by himself.

Although the uppers are from the same pattern and assembled on the same last, uniformity depends entirely on the final handling of the footwear.

Of course, shoe stores pretend to have uniformity in products. Considering possible expectation, uniformity problems should be met and solved accordingly.

SHOEMAKING COMMUNITY OF MARIKINA

The expert fully realizes and appreciates the love, solidarity and co-operation among the shoe manufacturers in Marikina. They are trying to work out together in unity as a moral community solving the problems of the shoe industry with the guidance and support of the Marikina Shoe Trade Commission.

But, viewed by an expert, this procedure is actually producing negative results for the shoe industry. Shoemakers have a reduced opportunity to be creative in designs and styles in a free competitive market. One's designs or styles are usually duplicated by other fellow shoe manufacturers.

This also applies to the method of construction.

With this manner of production and lack of competition, potential buyers are not attracted by the footwear produced. Hence, manufacturers are losing prospective buyers and markets.

TERRAZZI

DATA DATE

15th Feb. 1971

PAGINA DEN PAGE

N 7

It should be appreciated that to produce different styles of shoes, availability of different leather is of great importance. But because of high tariff duty on import leather and lack of finances, shoe manufacturers cannot effort to solve their leather problems.

The expert had many meetings with Marikina Shoe Trade Commission Exponents and Government officials to improve and revise the proposed project.

The assistance and advising works, as per instruction received, were regularly brought to their end. The manufacturers will realize their problems and the manner to solve them.

TORRALI

DATA UNIT

12th Feb. 1971

PERIOD FROM YEAR

N 8

APPROXIMATELY 70 FACTORIES
DIVISION OF SHOE INDUSTRY WHICH ARE TOO SMALL
ENTERPRISES AND CONSIDERED AS PROBLEMS

There are approximately 70 shoe enterprises in Marikina but only approx. 70 are the firms which could be classified as factories where it is possible to examine their activities.

Among them 10 are clearly emerging above average. They are orientated toward full mechanization and modern techniques but with great difficulties.

However, one of them it seems to make some progress.

Only to these 70 firms modern techniques can be applied and eventual help from U.S.I.D.O. or private investments could give a positive result.

At present, it is possible to make assessments only on above mentioned 70 factories as the others, as they are of very small dimensions, do not give any asset to the shoe industry.

These 70 shoe-factories, are a family business but not all members of family are engaged in this activity.

They are rather small and disorganized, insufficiently equipped and also with inadequate premises.

There are no bases for an efficient assistance. Any good technician or expert, not only will see his service completely wasted, if applied to factories under these conditions, but the required and much needed assistance should not give any satisfactory result.

PREMISES:

Usually, shoe factories in Marikina are located in the basement or groundfloors of Residential houses, sometimes an extension or part of the same.

These premises are not befitting as ideal shoe factory sites and are not suitable places of work.

If mechanization or other developments are in program it must be considered the above mentioned and negative condition and also the very small dimension of properties.

TORRELLI

DATE
15th Feb. 1971

PAYING TERM PRICE

N

2

For many manufacturers at present it really
imposed is to enlarge or build new premises
suitable for planning in industrial development.

It is not the case to remember that for an
efficient shoe factory, also if of small
dimensions, it is indispensable to work in good
premises, well clean and aired. Unfortunately,
80% of Philippine shoe-factories have not these
characteristics.

In the case it should be decided to use the
actual premises, it will be necessary to make
adequate transformations and renewals.

Moreover, it must be considered that 80% of
these factories are unprovided with electric
light at industrial voltage. At present for the
few machines in operation are used single or two
phase domestic terminals.

LOCAL AVAILABILITY FOR MATERIALS AND SERVICES

LASTS:

In Marikina exist 3 shoe-last factories with
good machines. Any type of last can be reproduced.
The price for one pair of lasts varies from
US\$ 0.90 to US\$ 1.50=

HEELS:

Wooden heels for ladies shoes are used and
are produced by many manufacturers.

They are entirely hand-made, with saws and
rasps.

The price for 10 pairs is of approx. US\$ 0.50=

PRESS KNIVES:

They are made locally in all heights and sizes.
Basic price for 1 piece of a men sole cutting
knife is of US\$ 3= cutters for the sole edge
trimming are locally produced.

STEEL SHANKS:

They are used for the elastic reinforcement
of the waist of ladies shoes and are made locally.

FINISHING AND CEMENTS:

All kinds are made locally. They are both with
rubber base and resin/rubber base or P.V.A.

TOKYO

19th Feb. 1971

FROM NEW YORK

to

The thermoplastic resin sheets (that melted) for lacing with modern machines must be imported.

SHOES - SOLE & LEATHER SOLE

They are not available locally. Instead of them are used normal cardboards.

PLASTIC OR RUBBER MATERIALS - SOLES & INSERTS

There are many suppliers which have stocks available immediately at disposal of customers.

Any type can be available from paraffin to common plastic sheets. Prices are competitive. Country of origin: local or Japanese.

LABORERS

See lacing observation

REPAIR TO MACHINES

Small repairs to machines can be made locally. Spare parts for replacement are not available.

TOP SECRET

FORM 100

15E

FORM 100

14

WORKING SYSTEMS AND AVERAGE STANDARD EQUIPMENT

UPPER:

Considering that nowadays is impossible to see by hand the shoe uppers, all factories have sufficient machines for this section of work, however machines are mostly old and inadequate.

BOTTOM:

As far as the bottom manufacturing and its components, i.e. insoles, stiffeners, welts, shanks, heel lifts, etc. are concerned, all is hand-made. Lasting of the upper on the last, pounding up, sole and heel attaching, etc. also done by hand.

Machines are used only when soles must be stitched especially for the men shoes.

These operations are executed by machines originally built for repairs (type Lindia A16)

The finishing of soles, heels edges and bottom surfaces are, in most of cases, executed by old and inadequate machines which consist of simple shaft with attached emery wheels and revolving brushes.

LAST:

Due to the fact that in Mexico there are 3 last factories, all shoe factories are rather well equipped with lasts.

Last factories are now introducing the last type of plastic last as used elsewhere in the world.

TERRAZZI

FORM 100
25th Feb. 1971

FORM 100

No. 1

MAIN PROBLEMS OF THE SHOE INDUSTRY

The problems could be resummed as follows:

- 1) Failed Mechanisation and development in Machines
- 2) High Tariff Duties on quality leathers, other shoe making materials and shoe import
- 3) Technical assistance to existing factories
- 4) Lack of development directions and some inefficiency in managements
- 5) Failed exportation

Here following we are giving a detailed comment on each of above items.

LEATHER TECHNOLOGY AND DEVELOPMENT IN PHILIPPINES

Generally speaking, 3 great and extremely well organized shoe-factories are established in Great Manila as a part of Philippine shoe-industry.

The shoes produced by these shoe-factories have rubber or resin soles and the upper made by canvas or other rubberized material.

The internal and commercial organization, the equipment and machinery, the product quality are equal if not even higher than many highly industrialized countries.

These factories besides supplying greater part of the local market, are able also to export large quantity of shoes.

These factories have been established or reorganized during last 10 years.

It must be considered that the technology required for this type of shoes is higher than the one required for the production of leather shoes.

For the last one is required more skill than the first one.

In Collocam City, part of Great Manila, there is a leather shoe factory which, even if it is a "family business" is completely mechanized and the volume and the production importance are much higher than any other Philippine shoe factory.

A firm in the same Marikina has recently installed a good machine equipments and the production is going to reach up to 600 pairs daily.

Also another firm in Marikina zone, even not having installed the machines, produces at present about 400 pairs of shoes daily.

Both these two firms produce high quality ladies shoes which part are exported.

The situation in Marikina and in other Philippine shoes centers is therefore very complicated and cannot be verified the reasons of the failed mechanization and industrial development.

It must be considered that the success or not of the shoe industry, as well as many other activities, depends entirely from the

personal capacity of owner and from the way this capability is applied and converted into his own firm.

For men who want to devote to this industry, there are in Marikina and elsewhere great possibilities of success specially for shoe industry which has now a period of relative prosperity.

The mechanization will be of a great help, if not indispensable, to achieve these results.

A negative factor against the non-mechanization in Marikina and in other shoe-Centers is the great quantity of workers specialized mostly in shoe making by hand and available at very low wages.

HIGH TARIFF DUTIES ON QUALITY LEATHERS OTHER SHOE
MAKING MATERIALS AND SHOE IMPORTS

HIGH IMPORT TARIFF ON LEATHERS

The Custom Tariff on upper leather is of 100% "ad valorem".

To this must be added the Purchases or Sales Taxes amounting to an additional 13%.

Certain articles such as Box Calf and other top quality leathers or materials which are not produced in Philippines are not exempted.

In Philippines, as well as in many other Countries, it is possible to import, free of duty, under Bonded Warehouse, if for manufactu ring purpose, but only with the condition that the finished product is exported.

Many are the shoemakers who, thinking themselves able to export, would like to take advantage of this facilitation, but such a permission of Bonded warehouse requires obviously certain rules, guaranties, securities, registra tion charges and the cost for a continuous maintenance. Marikina shoe manufacturers being of very small sizes, cannot afford these expen ditures and therefore do not take any advantage from this.

At the moment one only shoe factory in Marikina is using this advantage.

HIGH TARIFF ON RAW HIDE

Heavy tariff is also applied to imported raw hides and chemicals for the tanning industry and consequently prices of finished leather is much higher than the same imprted article.

TARIFF PROTECTION ON SHOES

Also on shoes there is a Custom tariff of 100% ad valorem plus additional charges.

The result of this situation is that, notwithstanding shoe-makers must pay a high import duty on leathers, they are highly protec ted against shoe imports and in certain cases they can sell certain products that sometimes are not up to standard.

TORRELLI

DATA - DATE

15th Feb. 1971

PAGINA - FOIL - PAGE

N. 16

This situation is going to the disadvantage of the quality.

It could be possible to import some small quantities of high grade shoes, local shoe industry will have only a benefit, because the quality generally will tend to improve.

TECHNICAL ASSISTANCE TO EXISTING FACTORIES

To be able to see some concrete results and improvements in the existing shoe factories, it would be advisable to send for at least 6 months in different factories, and in each of them, 2 technicians dedicated to a group of workers already specialized.

In addition, those factories must be provided with indispensable machines, tools and equipments for a minimum value of US\$ 30.000.-.

The factories to be assisted should have available stock of materials and orders on hand so that the technicians are able to coordinate their practical assistance. Not always these elementary conditions are existing, therefore assistance under these conditions is not advisable.

As separately suggested, if in Marikina existed a Shoe Pilot Plant, working where local manufacturers would have possibility to accede to it, to execute some works, to copy some working systems, technique, and to get trained on machines, without doubt this will bring to a real and fast benefit.

As mentioned at page 19 contacts and visits to foreign shoe factories will be of great help because will permit to local manufacturers of being in full working production, equipments which should be installed in their own factories.

LACK OF DEVELOPMENT DIRECTION AND SOME INEFFICIENCY
IN MANAGEMENT

MANAGEMENT

After carefully considering the system of all works in the factory in a survey, and after exchanges of views with the owners of factories, this expert concludes that factories in Philippines are not well managed. To be brief, the deficiencies of management are:

A. Buying - Nobody seems to know what the world market supply offers to make shoes better, economical, and easy these days. No direct buying is made from the source of origin. Purchases are made through local wholesales and agents who are in most cases not specialists on shoe trade. With little efforts more, they could have afforded to buy directly from the source of origin, thus avoiding unnecessary expenses and wrong kind of leather. It has also been a practice in Philippines to buy leather from wholesalers and agents who dictate the prices in exchange for their finished shoes, as the latter are sometimes shoe distributors and dealers.

B. Production - Usually, factory owners prefer their workers to work on piecework and/or on finished article basis, the owners themselves do not directly supervise the production. Sometimes, the owners are engaged in other activities which has nothing to do with the shoe industry, and o-tentimes are absent from their factories.

C. Selling - Normally, in other developed countries manufacturers are not involved in shoe retailing. This will put them as a competitor with their dealers, although apparently creating more outlets. In Marikina manufacturers do apply all sorts of business procedures in marketing their shoes with little or no consideration to their dealers. This is not a critical attitude, as may be viewed by some, but reasons on why this is an aspect of mismanagement.

DEVELOPMENT

We feel that giving more consideration to the work-premises and to contacts with more advanced shoe making Countries, this point should bring to good results.

This includes also, visits to foreign shoe factories producing similar types of shoes, new equipments, specialized exhibitions where contacts with shoe importers would be established.

Contacts on this direction can be organized.

Another point is that shoe manufacturers should give priority in investments for their shoe-factorics rather than other personal one.

TORNELLI

DATA - DATE

15th Feb. 1971

PAGINA - FOIL - PAGE

N.

20

FAILED EXPORTATION

The direct consequence of items 1-2-3-4, is the reason of the failure of shoe exports.

In addition to them, a lack of finance is also very important, because does not allow shoe manufacturers to gradually eliminate or improve any of the above mentioned reasons. Export operation itself, needs finance availability because not all shoe importers are prepared to buy on Letter of Credit bases, particularly not knowing a new source of supply.

Large imports of raw materials are essential for this export operation, which involves a corresponding large financing.

**BRIEFING OF CONSIDERATIONS AND RECOMMENDATIONS ON
THE PROPOSAL FOR THE SUPPORT OF RESEARCH AND
DEVELOPMENT CENTER BY U.N.I.D.O. SPECIAL FOUND.**

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

1. From the original project submitted by the Republic of the Philippines, 1970, the tanning activity has been placed in a secondary importance.
2. Reduction on total cost
3. The size of shoemaking pilot plant has been increased to a workable dimension
4. Considerable reduction in the number of technical internationally recluter experts.
5. Shoe-making pilot plant to be operated in a semi-commercial basis with technical collaboration or partnership with a reputable foreign shoe manufacturer, for the following reasons:
 - a. to gain technical and management experience
 - b. to avoid the danger that the plant might stand still
 - c. to make it an economical and feasible project
6. Limited necessity for travel fellowship.

LEATHER PILOT PLANT AND RESEARCH

The following suggestions regarding parts which concern the tanning activities of the whole proposed project itself, were submitted and discussed in meetings with Marikina Shoe Trade Commission and the Philippine National Committee on U.N.I.D.O. matters. There was a full agreement on accept these suggestions therefore it is appropriate that the whole project should be basicly RE-FORMULATE.

EXCLUSION OF TANNING AND LEATHER RESEARCH

After a careful study, the proposal for the support of the projected center, if approved, is estimated to be of great help in solving initial problems and to generate the basis of a modern shoe industry in the Philippines, producing better quality shoes in large quantities at a low cost.

Philippine Shoe Manufacturers, after a short period of time, will be in a condition to compete in the export market.

While it should be hopeful to see urgently the implementation of the project, it is our duty to make you aware of the difficulties and dangers that may arise if whole project is not carefully studied and properly planed.

If something goes wrong, Philippine Government and U.N.I.D.O. will be responsible for a non-successfull project involving large amount of money and from which the philippine Shoe Industry cannot gain any significant benefit.

The main object of the project is the immediate need to help in practical ways, the whole of the shoe manufacturing industry of the Philippine and in particular of Marikina and therefore it is advisable to concentrate the efforts only in this direction. In the proposals, the greater part concerning finance for purchase of machines and wages for personnel is asked and needed for the Tanning Pilot Plant and leather Research part.

It is not only for economical reasons that it is necessary to review this part of the proje ct in the way to exclude the Tanning Pilot Plant and Leather Research for at least the initial stage but also for the reasons and risks explained here further.

LOCAL PRODUCED LEATHERS

It is fully understood that for the development of the shoe industries it is necessary to have good tanning industries in the Country and that both are interlocking, connected and depending to each other.

In the Philippine, there are at present at least 30 tanneries which very well can supply all the needs for a particular item which under local condition is only possible to be entirely produced in the Philippine by any tanning organization.

This item is called "Side Leather" which is produced in corrected grain (by sanding abrasive) and also in a full grain version called "Softies". For the top grades of those articles the local tanners are using imported Bovine Raw Hide and for the lower grade they are using local hide which is of very poor quality.

In addition to those articles, the local tanneries are also producing printed and lining leather using local hide, which being re-selected in the extreme poor quality side, are only suitable for the above described types of leathers.

It has been examined the top quality of leathers here produced and find that it compares favourably with international standards.

However, the leathers locally produced, although of basically good tannings are finished only in a traditional plain pigmented colour and fashion.

Nowadays, often market demands new styles of leathers as the case of the "wet-look" and "traslucent patent" which today are in great vogue and are not produced in the Philippine.

Today, fashion and finishing in leathers change every season to the will of big tannery Groups in Europe and from Philippine it will be impossible to follow them in time even if the Leather Pilot Research Plant is established in Marikina or other part of Philippine.

The difficulties in running successfully a Leather Tanning Pilot Plant are:

- a) - Fashion, Finishing and Style of leathers change almost every season.
- b) - High speculative nature of the tanning business itself as profitably is based on speculative buying of raw hide which at any one time must be imported if wanted to produce good leathers.
- c) - Lack of experience compared with veteran tanners bearing also in mind that nobody in Marikina, which is and remains a typical shoe making town, is at present capable to manage this business.
- d) - Impossibility to produce in quantity and quality most of the several articles needed for the local shoe industries, not the projected Pilot Plant will be able to make sample quality orders of fashion leather required from time to time.
Please note that today each tannery is specializing in the production only of particular items, and this apply also to Country of specialization, i.e.
Italy for light substances calf and fancy leather
France for men calf leather
U.K. for heavy substances full grain bovine leather kip lining and kid-leathers
Holland for side leathers
- e) - Difficulties in giving instructions to the employed tannery technicians as nobody, at present in Marikina, would understand the method and technique of work.

RECOMMENDATION FOR TRANSFER

If however there will be a firm conviction that the projected Leather Pilot Plant and Research is needed in Marikina, then and only in this case it is suggested to make the necessary approaches to the concerned authorities in order to obtain transfer of it to Marikina and perhaps to incorporate it in the project.

Again it is emphasized that this must be put in full work and therefore finance should be provided for the operations. Such provision is not included in the original proposal.

TRAINING BUILDINGS

If this is the case then requests building or installing this or any other training plant would have to be provided, must be bearing in mind the heavy machinery and other work installations in the training process involved.

The present building plans, as it is projected, is not adequate for these training purposes, as it is not advisable to have them in the same building where other activities are performed, this for particular nature of the training work.

LEATHER RESEARCH AND DEVELOPMENT

At present, the tanning industry in the Philippines is consisting of about 30 tanneries of which 6 are large tanneries. All of them can only produce few articles.

It is not of reason any immediate necessity for establishing above mentioned service centering also that these are well organized and famous centers of such research in Europe and United States.

For these centers it is possible to be affiliated with full membership, by subscription and paying a small fee.

It is therefore advisable to take full advantage of these services at least until the time the Philippine tanning industry is fully developed to warrant a local Tanning Center for further researches.

In any case, the above mentioned existing Pilip Tanning Plant is located with a Testing Laboratory which eventually could be used for this purpose.

SHOE PILOT PLANT AND RESEARCH

The immediate need for solving many problems which the Philippine shoe industry is facing, is to raise it from merely present cottage industry to an organized, mechanized and modern one.

Therefore we fully agree with this part of the proposal and for this case, suggestions for a better implementation and improvement are as further mentioned on establishing amongst other services, a Shoe Pilot Plant for training purpose.

MACHINERY

In the proposal (exhibit No. 5 of original proposal) it is shown a list of shoe machinery to a moderate value of US\$ 50,000.= and in the same proposal there is no provision for material in order to put this machinery into operation.

It is therefore presumed that it will be for demonstration purposes only, as it is impossible for any training on these machineries if working materials are not provided.

Again, expert warns the risk involved and it is re-called the case previously mentioned: Leather Pilot Plant which is standing still in Great Manila.

The only suitable solution, is to put up an efficient, modern, well-equipped and complete Shoe Pilot Plant to be in continuous full operation from which Marikina people, workers, management staff, as well as Marikina manufacturers can have the only opportunity to learn fast, new method of work, technique and mechanization.

The results will be to obtain a full knowledge of how to produce better and at lower costs.

Expert would like to make the following suggestions:

INCREASED CAPACITY OF MACHINERY

The plant and equipment is to be versatile to cope with all types of footwear production, mainly in leather, excluding canvas shoes.

It is to be imported and it is estimated its cost F.O.B. to be about US\$ 250,000.=

A detailed list of machinery can be supplied on demand.

TYPE OF PRODUCTION

The amount of production must be in an economical quantity which minimum is to be around 1200 pairs per day.

As production of different types of footwear involves different type of machinery, workmanship reflecting different specialization it is proposed to have in the same factory 3 (three) well distinguished producing line units as follows:

1	unit	producing	500	pairs	ladies	shoes	per	day
1	"	"	300	"	"	sandals	"	"
1	"	"	400	"	men's	and	boy's	shoes
							per	day.

These quantities for a total of 1200 pairs per day, are sufficient to justify the permanence of good training factory, foreign technicians in the Pilot Plant, and to create some profits, should the pilot plant be put into commercial operation.

MODEL PLANT FOR PHILIPPINE CONDITIONS

This proposed pilot plant is considered these days as appropriated for a medium size operation. The quantity and quality and the types of shoes to be produced have been taken into consideration.

These separate types and quantities of production (500 pairs ladies shoes, 300 ladies sandals, 400 men's and boy's shoes) will serve as models for future specialized factories suitable for local conditions.

It is not advisable to operate large factories in the Philippine in consideration of the large number of existing factories which could be considered as an asset to the Country, should the shoe industry grow up enough.

OPERATIONAL CAPITAL

As, for training reasons, the shoe produced are to be of a good quality, it is necessary to use good quality leathers and other materials which are mostly to be imported from abroad, specially from Europe and United States, the minimum capital involvement for this import operation shall be of not less than US\$ 150.000.=.

In addition to this US\$ 50,000.= are required for local purchases, financing supporting trainees, overhead etc.

The minimum operational capital therefore required is US\$ 200,000.=.

The financing of sales operation is not contemplated and it is presumed that most of the production will be exported with payment against Letter of Credit, or, if sold locally, to be on C.O.D. or other favourable terms.

Otherwise the total operational capital should be of not less than 300,000 US DOLLS.

NAMELY:

IMPORTATION OF LEATHER AND OTHER MATERIALS	US\$ 150.000.=
LOCAL PURCHASES, OVERHEAD	US\$ 50.000.=

	US\$ 200.000.=
IF IS NECESSARY FINANCING SALES	US\$ 100.000.=

	US\$ 300.000.=
	=====

TRAINING FOREIGN TECHNICIANS

In addition to a project manager, must be considered to appoint:

one cutting and closing technician

one lasting and making technician

for all the duration of the project.

Agreement on following bases can be drawn between M.S.T.C. and a foreign shoe manufacturer.

One U.N.I.D.O. project manager is required for supervision.

It is proposed that M.S.T.C. should directly participate to run the above shoe making Training Pilot Plant on semi-commercial base.

In order not to conflict and compete with existing Marikina Shoe Manufacturers it is recommended that the total production should be mainly for export only.

Philippine shoe manufacturers which are, at present, mostly operating by hand, should be invited to participate and invest as partner and the M.S.T.C. on running this pilot plant jointly with an associate firm.

PREMISES

The M.S.T.C. or other local entities shall provide the premises for a period of 3 years to the operational organization.

Provision for the construction of the building is provided in the submitted original proposal for the support of the Marikina Shoe and Leather Industry Research and Development Center.

MAINTENANCE OF FOREIGN TECHNICIANS

The foreign manufacturer shall provide 2 expert technicians one of which to be permanently stationed in the plant in Philippine and the other may be a liason between the main factory in Europe and local office.

The foreign manufacturer shall contribute a 50% of the cost of the 2 technicians from his own source.

However, the technician assigned to the operating commercial organization shall be considered at disposal of the M.S.T.C. and to the U.N.I.D.O. for any operation connected with general assistance to Philippine shoe Industry.

The operating commercial organization shall not be entitled to use the plant after 5 p.m. of each working day in the event that M.S.T.C. or U.N.I.D.O. design to let other manufacturers to use all or part of machinery.

SHARE OF KNOWLEDGE

The foreign manufacturer shall open his factory for any requirement by M.S.T.C. or U.N.I.D.O. permitting the latter to copy work system, design, organization, style, type of materials used and even brand name and method of marketing.

These facilities are however limited to the proposed project only.

The foreign company shall train his own factory at least two students each time; the duration of this service to be 3 years.

It is recommended that the two students should stay at least 6 months; they must come from Philippine under U.N.I.D.O. fellowship scheme.

The foreign company shall allow to practice at his own factory at no charge.

TERMINATION

As there is not real investment by the operating organization, nor from the foreign participation, in form of building, machinery, after the 3 years of commercial operation, the operating organization can be liquidated and suffering no loss.

After, or in the termination period, M.S.T.C. and U.N.I.D.O. will confer, based on the projected proposal, plans on how to go on with the project and how to follow up with the project after this period.

RECOMMENDATIONS CONCERNING SHOE TRAINING PILOT PLANT

TECHNICAL MANAGEMENT ON SUBCONTRACTING BASES

Although present production in Marikina is of a good quality it must be borne in mind that not always is up to date as style, fashion and type of workmanship for the export market which is the main aim.

The M.S.T.C. or Marikina Shoe Manufacturers however have no experience in running a good shoe pilot manufacturing plant, especially if on a semi-commercial base, therefore it is recommended to secure the services of a top quality footwear manufacturer who operates in a highly industrialized shoe Country.

This manufacturer should supply initially all technical works, planning production, sample lasts, styles, purchase of materials and marketing as is being done in his own factory.

In other words, the same products which he produces at his own factory will be re-produced in Philippine.

Usually, these services are available only after heavy charges, and if this manufacturer has no direct interest in the project, the result may be doubtful and the risk will be on the Philippine side.

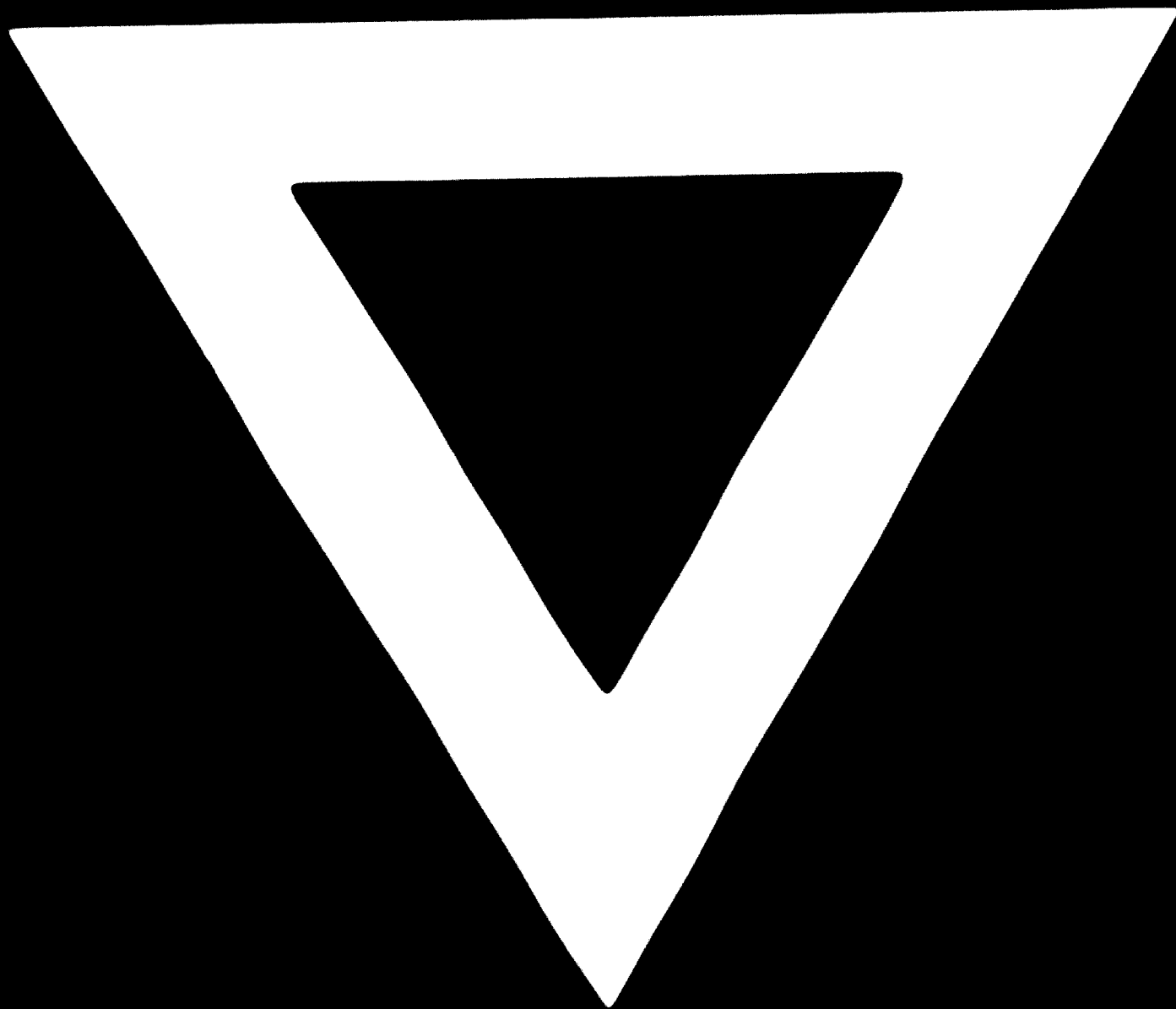
It is therefore suggested to go into a joint venture or other form of business collaboration so that the proposed shoe pilot plant will be run jointly by M.S.T.C. and one selected foreign manufacturer for a period from 3 to 4 years.

Messrs. TORIELLI PROJECT DIVISION or Philippine Trade Attache' are able to furnish name and address of potential interested foreign manufacturer.

If, for some reasons, arrangements with a foreign shoe manufacturer cannot be made in a joint venture base or other form of business collaboration, the project may go ahead as originally planned.

But it is recommended to hire in a period base of at least 2 years the technical services of a highly specialized foreign firm on a straight payment base.

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