

SCOPING MISSION ON PRIVATIZATION

THAILAND

Volume II

FILE COPY (Supplementary Reference Materials)

REPORT BY

Gordon O. F. Johnson & Marion Thomson

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CENTER FOR PRIVATIZATION

2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Project No. 47

July 1987

Prepared for the
BUREAU FOR PRIVATE ENTERPRISE
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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Taxation

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Volume II

(SUPPLEMENTARY REFERENCE MATERIALS)

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THAILAND SCOPING MISSION

(Volume II)

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**Establishment of the National State Enterprise Committee
(NSEC)**

For effectiveness monitoring of state enterprises and solving their problems, and also conformance to government policies and the Sixth National Economic and Social Development Plan, it is therefore expedient to form a National State Enterprise Committee to undertake said tasks.

The Prime Minister, with the consent of the Cabinet, then ordered the formation of National State Enterprise Committee, composing of :

- | | |
|---|-----------------|
| 1. Deputy Prime Minister
(Adm. Sonthi Boonyachai, RTN.) | Chairman |
| 2. Minister of Finance
(Dr. Sutee Singhsaneh) | Deputy Chairman |
| 3. Minister to the Prime Minister's Office
(Flying Officer Suli Mahasantana) | Deputy Chairman |
| 4. Minister to the Prime Minister's Office
(Dr. Meechai Ruchupan) | Deputy Chairman |
| 5. Permanent Secretary for Finance | Member |
| 6. Secretary General of the Office of the
National Economic and Social Development Board | Member |
| 7. Director of the Budget Bureau | Member |
| 8. Auditor - General | Member |
| 9. Secretary General of the Office of the
Judicial Council | Member |
| 10. Governor of the Bank of Thailand | Member |
| 11. Director General of the Department
of Labour | Member |
| 12. Mr. Nukul Praohubmoh | Member |
| 13. Mr. Pajitr Duathaveekul | Member |
| 14. Mr. Suwan Walaiathien | Member |
| 15. Mr. Amaree Sila - on SAM CEMENT | Member |
| 16. Mr. Olarn Jayaprawat | Member |
| 17. Mr. Anuparb Sunanata NESDB | Member |
| 18. Secretariat of the National Security Council | |
| 19. Permanent Secretary for Interior | Member |
| 20. Permanent Secretary for Industry | Member |

The Committee shall have the following responsibilities :

1. To monitor state enterprise's performances, ensuring their conformity with government's policies and development plans as prescribed in the Sixth's National Economic and Social Development Plans.
2. To make recommendations on appropriate measure to solve state enterprise's financial problems
3. To make recommendations on utilities pricing in the manner that they reflect true costs and conform to government's policies
4. To make recommendations on privatizing guidelines and procedures applicable to all privatizing programmes.
5. To coordinate into alia state enterprises and concerning agencies to bring about performance effectiveness.
6. To make recommendations on the solution to state enterprise's labour problems.
7. To make recommendation guidelines on the size of manpower specifically to industries and in conformity to government policies
8. To perform other functions as designated by the cabinet

Statement of Work for USAID Assistance
as Approved by the NSCE (April 1987)

1. Background Information

Whereas the overall performance of state enterprises may consider to be of great concern to the government, and the Fifth (1982 - 86) and the Sixth (1987 - 91) National Economic and Social Development Plans prescribed for state enterprise effectiveness, the National State Enterprise Committee, therefore, deems it expedient to improve state enterprise operation and policies. One possible alternative is to set up a program to study the approaches for state enterprise's efficiency enhancement with the assistance from the USAID. Hopefully, the recommendations from the programme will be translated into effect and bring about desired effectiveness.

2. Objectives of the Programme

The efficiency enhancement programme is envisaged to consist of two major objectives :

- 1) Specifying performance standards and indicators that can be used to determine whether any state enterprise should be retained or privatized
- 2) Identifying patterns and procedures of operation for efficiency enhancement (if it is decided to retain) or for privatization (if it is decided to privatise)

In order that the recommendations be applicable, it is therefore essential that the studies be carried out by Thai authorities, Thai experts, in conjunction with foreign experts.

3. The probable USAID assistance programme may conceivably be divided into three phases :

Phase I Designing the information system to analyze aggregate or sectoral conditions or problems of state enterprises,

- 1) collecting information, quantitatively and qualitatively, in a distinctive manner.
- 2) identifying problems and difficulties faced by the top, middle management and lower levels,
- 3) pin-pointing any typical strength, weakness, problem and difficult encountered by local or foreign enterprise operating in same field with state enterprises.
(For example see Cooper and Lybrand's Reports)

Phase II Designing

- 1) specifying performance standards or indicators, that can be used to determine whether my state enterprises should be retained as privatized by using information deriving from Phase I,
- 3) analysing conditions and problems of internal market,
- 2) formulating of strategy to solve state enterprise to identify factors affecting or hindering privatization problems (disregard of retention or privatization scheme) at various levels, by sector or particular state enterprise,
- 3) recommending specific policy for the retaining state enterprise

Phase III Designing privatization patterns and procedures, by

- 1) analyzing privatization patterns and procedures e.g. liquidating, initiate private investment etc., defining framework and procedures of privatization pattern applicable to respective authorities e.g. Cabinet, Board of Directors or Directors, as well as considering the advantages and disadvantages pertaining to such patterns and procedures,
- 2) recommending appropriate privatization patterns and procedures, by sector or to particular state enterprise,
- 3) analysing conditions and problems of internal market, to identify factors affecting or hindering privatization

NSEC AGENDAS

The first meeting of the National State Enterprise Committee

(November 26, 1986)

The agenda consists of the following:

1. Presentation of the chairman
(list of members of the Committee; selection of 3 additional members; scope of duties and responsibilities of the Committee)
2. Discussion on the following topics:
 - 2.1 Specifying the duties and responsibilities of the Committee.
 - 2.2 Summary of important items that the previous national state committee had done.
 - 2.3 Privatization in Thailand.
 - 2.4 The first thing that the Committee must do.
(monitoring and evaluating the performances of state enterprises through their financial reports that must be turned in to the Comptroller General's Department every 3 months, and if certain problems are found, the Committee will provide necessary recommendations.)
3. Other items to be discussed (if any).
(none)

The second meeting of the National State Enterprise Committee

(January 16, 1987)

The agenda consists of the following:

1. Presentation of the chairman.
(3 additional members of the Committee have been selected: (i) Secretary-General of the National Security Council, (ii) Permanent Secretary for Interior, (iii) Permanent Secretary for Industry.)
2. Certification of the (previous) first meeting (November 26, 1986).
3. Summary of unfinished business of the previous national state enterprise committee.
(How to present accounting reports of those state enterprises concerning their sub-projects arising from the main projects; how to penalize financially the State Railway of Thailand for its failure to promptly repay the loan.)
4. Discussion on the following items:
 - 4.1 Bonus payments to employees of the Port Authority of Thailand.
 - 4.2 General situation, problems and rectification of those problems of the Textile Organization.
 - 4.3 Privatization
 - 4.3.1 Before certain state enterprises are privatized, approval from ministers who supervise those enterprises should be required.
 - 4.3.2 Feed-back reports on those enterprises that have already been privatized.
 - 4.3.3 Proposal to privatize certain enterprises that have been established or acquired for other purposes (e.g., Dhipaya Insurance Co., Ltd., Syndicate of Thai Hotels and Tourist Enterprises Ltd., Chalburi Sugar Corp., Ltd., North East Jute Mill Co., Ltd., Sugar Factories Inc., Bang-Pa-In Paper Mill.)
4. Labor problems
 - 4.1 Labor problems of the State Railway of Thailand
 - 4.1.1 Conflict between the employees and the management regarding the adjustment of wage rates from daily and hourly basis to monthly basis.
 - 4.1.2 Conflict regarding the specifications of holidays.
 - 4.2 Pension for retired employees.
5. Other items (if any)
(none)

The third meeting of the National State Enterprise Committee

(April 15, 1987)

The agenda consists of the following:

- 1. Presentation of the chairman.**
- 2. Certification of the previous meeting (January 16, 1987).**
- 3. Discussion on the following items:**
 - 3.1 Responses to labor union's complaints regarding privatization.**
 - 3.2 Situation and problems of the Textile Organization.**
 - 3.3 The need for USAID's assistance to:**
 - 3.3.1 lay down the information-collecting procedure that will help pin-point the general situation and problems of state enterprises.**
 - 3.3.2 specify indicators that can be used to decide whether certain enterprises should be privatized.**
 - 3.3.3 specify the types of privatization and how to achieve them.**
 - 3.4 Privatization procedure.**
 - 3.5 Scope of work of the Committee's secretariat (the work of the secretariat must be consistent with the 5th and the 6th National Economic and Social Development Plans.)**
- 4. Other items (if any)
(none)**

The fourth meeting of the National State Enterprise Committee

(Originally scheduled on June 10, 1987, but postponed to June 12, 1987.)

The agenda consists of the following:

1. Presentation of the chairman.
2. Certification of the previous meeting (April 15, 1987).
3. Discussion on the following items:
 - 3.1 Short-run plan to improve the business performance of the Thai Maritime Navigation Co., Ltd.
 - 3.2 Bonus payments to employees of the Port Authority of Thailand.
 - 3.3 General basic problems of state enterprises.
4. Other items (if any)
(none)

The "State Enterprise Development Plan"
is one of the ten plans in the
Sixth National Economic and Social Development Plan
(1987 - 1991)

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Chapter 1: Introduction

The development of Thai state enterprises starting from the First to the Fifth Plan (1961 - 1986) has evolved in the following manner:

One

The number of Thai state enterprises has decreased from over 100 in the past to nearly 70 at the present time. This scenario is in sharp contrast to the case of the majority of developing countries whose number of established state enterprise is always on the rise.

Two

In spite of the reduction in number, the size of the state enterprises administrative and investment expenditure have increased rapidly from 72% of 1977 national budget to 109% of the 1986 national budget. The investment budget of the state enterprises themselves especially in the past eight years, has increased 20% annually, on the average.

Three

The debt of state enterprise accounts for 60% of the foreign debt of the public sector (guaranteed by the government) and about 90% of the state enterprise debt is foreign loans. The remaining 10% is made up of domestic borrowings.

Four

State enterprises remittance to the government has declined from 73% of the net profit during the Fourth Plan to 42% during the Fifth Plan because state enterprise earnings were added to the actual investment itself, increasing in proportion from being 10% of the investment budget at first to 20% later.

Five

State enterprise personnel has increased as a whole to around 250,000 at present. The number is likely to increase more than 3% annually during the Fifth Plan. (In contrast to the civil service whose ceiling permits not more than 2% increase in personnel during this same period.)

Six

More than half of the 70 existing state enterprises are what may be termed as "large" operations with a roster of more than 1,000 employees.

The efficiency of state enterprises in using their human resources, therefore, is an important issue that determines the overall efficiency of state enterprises and needs to be carefully monitored.

Chapter 2 Results and Development Issues

1. Policy Framework in the Fifth Plan

The Fifth Plan has as its policy the goal improving the efficiency of state enterprise by

- 1.1 Reducing government funding support for the state enterprise (taken from the national budget) and helping the state enterprises to be self-reliant.
- 1.2 Readjusting prices and service charges so that state enterprises may have net income (as a percentage of capital) at a rate not lower than the interest rates of government bond and to see to it that the debt to equity ratio of state enterprise is reasonable.
- 1.3 Developing a general plan for every state enterprise in order to clearly outline the various aspects of production, marketing, income sources and the reduction of expenses.
- 1.4 Considering the shift of management style to a more business-like manner; closing out or selling state enterprises that have not performed well, and experienced a deficit for a number of years without reasons.

The Fifth Plan has also stipulated a close monitoring of state enterprises expenditure and investment which have consequences on the monetary and fiscal stability of the country as well as the incurring of foreign debt.

2. Results of State Enterprise Development during the Fifth Plan and Development Issues

2.1 Performance and Financial Status

As far as the performance of the 59 state enterprises which requested for investment fund from the NESDB is concerned [in accordance to the regulations on Investment Budget for State Enterprises (1979)] the majority profited during the Fifth Plan. The amount was roughly 57,717 million (Bahts) or around 4.2% of their total assets of these state enterprises. In comparison, the rate of return of large Thai private corporations, was, on the average, almost 9% of the total assets value during the same time.

2.2 Decline in the number of state enterprises with deficit

The number of State Enterprises "with deficit" declined during the Fifth Plan. During the early years of the Plan, there were about 18 state enterprises which lost around 2,292 million (Bahts) whereas in the ending years, only 11 were performing poorly, losing about 2,117 million (Bahts). Such an outcome resulted from the inability to readjust the service charges quickly, the competition with the private sector and the inefficient organization. The 2 state enterprises with a deficit of more than 500 million Bahts annually during the Fifth Plan include the Bangkok Mass Transit Authority (BMTA) and the Railway Authority of Thailand (RAT).

2.3 Increase in Investment

The investment by state enterprises during the Fifth Plan increased almost two-fold when compared with that of the Fourth Plan (from 89,000 million to 170,000 million bahts). The majority of this increase was in communication, transportation and energy and amounted to 87% of the total investment budget of the Fifth Plan. As a result, the administrative as well as investment budget of state enterprises at the moment is larger than the national budget.

2.4 Increase of Foreign Borrowing

Since the size of the investment budget has expanded rapidly, state enterprises had to resort more and more on external loans. This resulted from the insufficient fund derived from the earnings of state enterprises themselves, the government funding support as well as domestic sources. The total investment fund from external sources for the state enterprises, therefore, has increased from 47,264 million bahts during the Fourth Plan to 76,192 million bahts during the Fifth Plan leading to an increase in the total debt of state enterprises from 57% of the total debt of the public sector during the Fourth Plan to 65% during the Fifth Plan. Such an increase deeply effected the governments' debt structure and financial stability.

State enterprises' dependence on external lendings therefore constitutes an important issue that necessitate the mobilization of capital from domestic sources as well as the increase of capital for the state enterprises that are expanding.

2.5 Mobilization of Capital

Mobilization of capital from domestic sources has its limitation and together with the high interest rates as well as the short-time allowed for repayment make it difficult to acquire enough capital needed for investment purpose by the state enterprises.

If state enterprises were to increase their borrowings from domestic sources, such a move will definitely effect and even pre-empt the mobilization of capital by the private sector.

The main issue, therefore, is whether the state enterprises should increase the proportion of capital mobilization from their own sources of income or limit the number and nature of investment as well as the increase of capital or establish a joint-venture with the private sector which include the transfer of certain operations to the private sector in the future.

Many state enterprises' operations can be more effectively administered by the private sector. This would amount to a reduction or restrictions of investment by state enterprises to only the main ones.

2.6 Increase in the Reinvestment of Earnings

The mobilization of capital from state enterprises' earnings themselves has increased proportionally from 10% of the investment fund during the Fourth Plan to 20% during the Fifth Plan which reflected a much improved mobilization effort. At the same time, it also led to a reduction of remittances to the government from 73% of the net profit during the Fourth Plan to merely 42% during the Fifth Plan. Increase mobilization of capital from state enterprises' earnings, therefore, would have to be considered in conjunction with the remittances to the government.

2.7 Price setting, Service Charges and Monopoly

The establishment of commodity prices and service charges of state enterprises is still conditioned by the respective ministries in charge. Some state enterprises have difficulties in readjusting prices and therefore had to face deficit. The cases of state enterprises dealing with transportation and public utilities are some examples of operations where prices established are lower than the break-even point.

At the same time, state enterprises that can easily readjust prices or those which monopolize the production of certain commodities and services and lacks competition can set prices that are higher than normal and acquire huge profits as a result which definitely exerted certain effects on the production costs of other industrial venture as well as the competitiveness of Thailand.

2.8 Dependence on Government Funding Support

State enterprises received government funding support for investment in the amount of 9,000 million bahts during the Fourth Plan and 11,500 million bahts during the Fifth or 10% and 7% respectively, of the total investment fund of the two Plans. There is also additional funding to offset the deficits of state enterprises which are inefficient. Or the government may also purchase certain commodities or acquire services from state enterprises because the prices set for their products are lower than what they should be. Or the government may dispense funds as a part of its policy. All of these actions taken by the government side are responsible for the inefficiency of state enterprises that received assistance and are not conducive to the promotion of their competitiveness.

2.9 The Role of guaranteed loan to the state enterprises

Since the government is involved in guaranteeing the loan of state enterprises from both domestic as well as external sources, the state enterprises pay a lower interest rates than the private sector due to a lower risk factor. Together with the special privileges accorded to state enterprises from the state banks in the form of a lower interest rate than the private sector, one may be justified in saying that these constitute certain forms of indirect support but at the same time making it quite difficult for the lending party to evaluate the investment plan of state enterprises.

(Because the government is seen as backing up the deal.)
In many cases, these investment plans are not feasible at all without the necessary backing of the government.

Therefore, if increase efficiency in investment by the state enterprises is called for or if structural readjustment toward a more business-like management is implemented, the borrowings of state enterprises should be monitored in the same manner as practiced by the private lending institutions.

2.10 Problems with accumulated debt from state enterprises themselves and from the government

State enterprises with outstanding debt to the government and among themselves are increasing in number. The debt amounts to 6,500 million bahts at the moment making the state enterprises that are granting the loans face liquidity problems. Production costs and service charges also increased as a result. Some systematic procedures should be established for tackling debt problems in a quick manner, especially those delaing with energy, electricity, water and telephone charges which are long overdue. State enterprises should consider using a standard procedure for collecting service charges from other state enterprises or from the government just like the way it's done with the private sector.

2.11 Management/Development of State Enterprise Personnel

Managing and developing state enterprise personnel have to deal with the following problems which require attention namely:

- 1) The lack of managers with experience and appropriate credentials at the committee members level, managing directors and administrative level. The position of senior director as well as committee members of many state enterprises are usually political appointees and subjected to constant changes leading to a lack of continuity in management, the lack of appropriate experience and damage to many state enterpriese. The majority of state enterprise committee members or 86% of them are civil servants; military and otherwise. Private entrepreneurs constitute only 17%. This issue pertaining to the personnel at different levels must be given due consideration in the process of managing and developing state enterprise personnel.

- 2) Monthly salary and remunerations including health care, tuition for the children, contributions to the pension fund and overtime pay in many places are quite high relative to the civil servants or the private sector. On the average, they are higher than the civil servants by 55% and higher than the private sector especially at the "middle" and "lower" levels. The high expenditures for state enterprise personnel therefore, is transferred to the production costs and service charges. In some cases, it is the main cause responsible for the deficit of the whole operations because the expenditures for personnel increase proportionally higher than other expenses. The salary and remunerations for senior manager of the state enterprises are significantly lower than the private sector making it difficult for state enterprises to maintain senior manager within their fold or to compete favorably against the private sector.

2.12 Goal and Planning

State enterprises were required to provide an operational plan during the Fifth Plan although the formulation of such general outline has not proceeded in a satisfactory manner capable of providing a guideline for implementations. The plan also lack a clearly defined goal for each state enterprise to use as a general framework for investment purposes and the setting of prices, since each state enterprises were set up with different goals and roles such as: to provide public goods and basic public utilities, to maintain security and dispense social welfare, to find income for the state and also to initiate certain industries in the countries, etc. As time passes by, these roles should be reviewed and made compatible with the structural changes in the national society and economy. It is, therefore, necessary to review the role and nature of investment of the various state enterprises under the constraints stemming from the financial and monetary situations of the government, technological change, limitation in management and the capability of the private sector. A clearly defined set of goals during every period of the Plan is required.

2.13 State Enterprise Monitoring System

During the Fifth Plan, the government has paid increasing attention to the management of state enterprise. Beside formulating the general state enterprise plan, a national committee for state enterprises was established in 1985 with the power to monitor state enterprise operations and guide them to follow the government policy. This committee also established a Joint Secretariat composed of representatives from the Office of Financial Economy, Budget Office and the NESDB but lacks a permanent staffs which would be responsible for analyzing systematically relevant issues to be presented to the Standing Committee.

Right now, the task is left to the personnel from the three cooperating institutions. The effectiveness is still limited therefore.

The NESDB has also upgraded its procedures for evaluating the annual investment budget of state enterprises, presented a general picture to the cabinet and identified key problem issues of each state enterprise in a clearer and more comprehensive manner than in the past.

Chapter 3 Framework for developing State Enterprise

1. General Framework during the Sixth Plan has as its objectives the following:

- 1.1 Maintenance of the National Financial Stability by trying to establish certain measures aimed at reducing the external loans, increase the mobilization of capital from domestic sources especially from the earnings of state enterprises themselves which should have a higher ratio as well as limit the size and nature of investment of state enterprises.
- 1.2 Improvement of management efficiency and the upgrading of service provided by state enterprises in order to be stable enough to operate continually and to be acknowledged widely for providing good service of international standard at a reasonable price. These will be achieved by encouraging changes toward a more business-like operations and the search for ways that would help augment the income and reduce production cost which would enable state enterprises to be more self-reliant and at the same time reduce the need for government support.
- 1.3 Review of the Role and the improvement of the state enterprise monitoring so that there may be an opening for private sector involvement and joint-venture with state enterprises. The various stages for privatization will also make clearer and easy to implement. An improvement of monitoring by the government both at ministry level and as a whole will be geared toward the established goal. Laws and the various regulations need to be revised in order to provide more flexibility to state enterprises.

2. Framework for specific considerations

In order to develop state enterprises according to the priorities cited earlier, it is important to outline a developmental and administrative framework for the various aspects as follows:

2.1 Investment

- 2.1.1 The Sixth Plan has set out to sustain the investment level of the public sector including the state enterprises in order maintain the public sector's ability of debt payment which is set at 11% of the income from exports. Therefore, the size of investment by the state enterprise during the Sixth Plan has to be readjusted on a yearly basis in relation to the economic and financial situations of the country.

2.1.2 Investment by state enterprises should achieve a return in the amount not lower than the interests of government bonds since it would enable state enterprises to limit their investment to only those with good returns. State enterprises with designated operations by the government will be excluded from consideration.

2.1.3 There should be a reduction of investment or joint-venture in certain continuous operations whether in the beginning stage or final stage if such ventures are better performed by the private sector. There should also be investment in joint-venture where the private sector is already operating in order to lessen the financial burden and, at the same time, allow investment in other activities that are really important. Investment in the form of social welfare should also be reduced or stopped altogether.

2.2 Mobilization of Capital

2.2.1 Reduce external borrowings by establishing a ceiling for foreign loans of state enterprises during the first three years of the Plan so that the external loan would be of the same size as that of the Fifth Plan in the latter years. In the final stage of the Plan, a ceiling should be set to correspond to the financial situation of the country.

2.2.2 The rate of investment taken from the earnings of each state enterprise should not be lower than 25% of the investment fund while the debt service coverage ratio of 1.5:1 should be maintained.

If the state enterprises are capable of mobilizing capital from their own sources, foreign loan during the Sixth Plan could be reduced by 42,500 million bahts.

2.2.3 Mobilizing capital from the earnings state enterprises themselves would lessen the amount of remittances to the government. In any case, remittance to the government by each state enterprise should not be lower than income tax rate.

2.2.4 Encourage state enterprises to increase their capital in order to have an acceptable debt to equity ratio. State enterprises could increase their capital by selling shares to the public which would enable them to mobilize capital locally.

2.2.5 Consider taxing state enterprises (sales tax, income tax, etc.) in order to promote fairness into the competition between the public and private sector thereby facilitating a more efficient use of resources and more income for the public sector.

2.3 Guaranteeing of loans

Reduce the burden of guaranteeing loans for state enterprises as well as the support granted to them in the form of low-interest government loan. The government would only guarantee loans that are for investment in accordance to the government policy.

State enterprises with efficient management and good returns meanwhile, will be permitted to guarantee the loans themselves.

2.4 Price setting and Service Charges

State enterprises should consider setting prices and services charges in order to be self-reliant by:

2.4.1 Making sure that they cover the costs of production, service and operation and provide enough return that allows for future expansion and increase in investment.

2.4.2 Cease the /Support (except in cases where it is vital for the achieving of goals set by the government) by leaving the burden to those who benefit from the services.

2.4.3 Abolish indirect support (except in cases where the government has specifically ask for assistance) such as the guaranteeing of loans, and the lending of funds to state enterprises with low interest rates.

2.4.4 In cases where the government has to regulate prices and service charges, of state enterprises that operate in a monopolistic fashion, the setting of prices and service charges need to be compared with normal changes for similar benefits especially those dealing with energy and international telecommunications, for example.

2.5 Personnel Management

2.5.1 Let the state enterprises formulate a personnel plan and incorporate it into the general plan. This plan would set out a clearly-defined set of goals with respect to personnel and production.

Personnel should be increased only in sector that has to expand in accordance to the overall goal.

2.5.2 A readjustment of salary scale and other remuneration of "middle" and "lower" level personnel to accord to their counterparts in the private sector.

2.5.3 Fix the overtime pay and all kinds of social welfare benefits not to exceed 15% and 10% of the respective salaries in order to improve labor efficiency and reduce production costs per unit.

2.5.4 Support the hiring of private agencies that provide security personnel, bus services for employees and cleaning service for example.

2.5.5 Encourage the hiring the private managers by offering appropriate remunerations.

2.5.6 Readjust the balance of the state enterprise committee memberships by selecting and appointing capable people with the managerial know-how vital to the respective enterprises, distinguished scholars and successful businessmen in order to facilitate a more efficient and business-like management in the long run.

2.5.7 The senior administrative executive of state enterprises has to be a person who has the managerial know-how and capability appropriate to certain state enterprise. He or she should also be able to work full-time and in a continuous manner which provide enough time for achieving good management results.

2.6 State Enterprise Management

2.6.1 In order to manage and develop state enterprises in accordance to the general framework, the ministries together with agencies responsible should immediately establish a well-defined set of goals for each state enterprise so that state enterprises may use such goals as a guideline when formulating their respective plans. These plans should be formulated by giving attention to all due considerations and should be easily be implemented in a constructive and continuous manner.

2.6.2 A central agency should be established to monitor and evaluate the performance of state enterprises so that they may evolved according to the plans. Improvement of services is emphasized together with the efficiency and stability in providing the services aside from the operations according to the established financial goal.

2.7 Privatization of State Enterprises

2.7.1 Consider the privatization of state enterprises in order to improve operation efficiency which may be obtainable in 3 ways namely:

transforming the internal management style of state enterprises to be more business-like by improving the efficiency in administration, investment and personnel management and also allow private sector to be involved in management.

- Allowing private sector involvement in renting, bidding and concession.

Transferring the ownership, partial or total by selling shares, sales.

2.7.2

Changing the policy on the privatization of state enterprises into actual implementation requires the following;

Let the central agency take responsibility for formulating the policy for privatization.

This central agency must have a secretariat working full-time and responsible for covering all important aspects in order to analyze the problems and coordinate with the respective ministries and institutions involved in choosing state enterprises to be privatized. The secretariat will study the laws, regulations, constraints and means for privatizing together with the ministries and institutions involved in order to present the findings to the central agency.

Develop a capital market to handle the selling of shares by state enterprises.

State Enterprises: Basic Problems

There are 67 state enterprises at the moment, which, based on their mode of operation and organizations, can be divided into 5 categories in accordance with the Cabinet Decision of June 12, 1984:

1) State enterprises that are directed primarily towards the gaining of direct income for the government such as the Government Lottery Bureau and the State Tobacco Monopoly (under the Ministry of Finance).

2) Public Goods and Utilities such as:

- Electricity Generating Authority of Thailand and the Metropolitan Water Authority, for example, and;
- Expressway and Rapid Transit Authority of Thailand and the Airport Authority of Thailand.

3) Priority Areas designated by the government policy include:

- Financial institutions, such as the Krung Thai Bank and the Savings Banks;
- State enterprises that deal with:
 - conservation and utilization (such as the Petroleum Authority of Thailand and The Forest Industry Organization);
 - agriculture and commerce (such as the Dairy Farming Promotion Organization of Thailand and the Rubber Estate Organization); and
 - promotion (such as the Tourism Authority of Thailand and the Sports Organization of Thailand).

4) State enterprises established to attain a security of supplies on a nation-wide basis (such as the Preserved Food Organization and the Glass Organization).

5) State enterprises established or acquired due to other reasons (such as the Dhipaya Insurance Co., Ltd. and the North East Jute Mill Co., Ltd.).

(Please see Appendix 1 for details).

During the 1986 Fiscal year, the 67 state enterprises (except for the Bank of Thailand, the Bangchak Petroleum Co., Ltd. the Petroleum Authority of Thailand, Prachin Province Commercial Co., Ltd., Lampun Province Commercial Co., Ltd., Surin Province Commercial Co., Ltd.) had a total capital of 113.9 billion bahts, a total debt of 462.7 billion bahts and total assets of 576.6 billion bahts. During the 1986 fiscal year, 50 state enterprises made a profit of 15.7 billion bahts whereas 11 had a deficit of 2.1 billion bahts. The net profit for 1986, therefore, was 13.6 billion bahts and by analyzing the general performance of state enterprises from 1985 - 1986 on, the following ratios may be calculated.

*67
ENTERPRISES*

	<u>1984</u>	<u>1985</u>	<u>1986</u>
1. Rate of profit to capital (%)	17.32	12.59	11.92
2. Rate of Return to total assets (%)	3.85	2.53	2.35
3. Total ^{REVENUES:} income: total assets (%)	41.79	41.90	10.07
4. Expenses: total income (%)	90.77	93.96	94.12
5. Net profit: total income (%)	9.22	6.04	5.88

From the comparison above, it appears that there were noticeable declines in the rate of profit to capital, the rate of return to total assets, the rate of total income to total assets, and the rate of net profit to total assets (see Appendix 2 for details). The problems and obstacles of state enterprise management may thus be summarized under the following headings.

- 1) State enterprises' internal management structure.
- 2) Financial Problems.
- 3) Accounting Problems.
- 4) Problems with Operation Planning and Evaluation.
- 5) Marketing Problems.
- 6) Problems with the Labor Law.
- 7) Problems with the central institutions responsible for monitoring state enterprises.

1. State Enterprises' Internal Management Structure

State Enterprises may be divided into 2 large groups, namely, those considered as a juristic person and those that are not.

Those in the first case include:

- 1) State enterprises established by a royal or revolutionary council's order;
- 2) State enterprises established by a royal edict; and
- 3) State enterprises established by civil and commercial laws.

Non-juristic ones, on the other hand, include state enterprises established by cabinet decisions. (see Appendix 3 for details).

The various state enterprises, therefore, were established through different legal modes which specified the reasons for the setting up of state enterprises, the power as well as duties of committees, director/governor or general manager. The various laws also contain clear provisions on the appointment of committee members. The designation of power and duties of state enterprises' personnel, meanwhile, is undertaken by a committee or the director, the governor or the general manager and incorporated into the rules and regulations of each state enterprise exclusively.

(1) State Enterprise Boards

State enterprise boards have the authority to plan, establish goals and monitor state enterprises so that they may develop according to the policy designed by the government. According to the Royal statute on the standard qualifications of board members and state enterprise personnel (1975), it was stipulated that there should be not more than 11 board members. State enterprises with less than 11 members, though, were permitted to maintain whatever number of appointments that had been made. The appointment of board members is supposed to proceed as follows:

For State enterprises established by royal statutes or by order of a revolutionary council or by royal edict, there is a statute delegating the power of appointment to the cabinet or the minister in charge of certain state enterprises.

A state enterprise that is a limited company will ^{have} its board members appointed by a meeting of the company's shareholders.

- The board members of non-juristic state enterprises, meanwhile, will be appointed by the minister in charge of such enterprises.

There are three types of appointees to state enterprise boards:

1. Board members that are appointed because of their holding positions are mostly career civil servants, state enterprise personnel and political appointees. (Royal statutes stipulate that the minister in charge of certain state enterprise may serve as the board chairman). Most of these members will leave the board following there is a change of position, a transfer to another position, or retirement.

2. Board members appointed on a personal basis will be designated either from the public or the private sector. If he or she is a civil servant, he or she may or may not be from the parent ministry. Most of the time, these boards members are political appointees chosen by the minister in charge. As a result, the turn-over rate of state enterprise board members corresponds with changes in the minister in charge of such state enterprises.

3. The Royal Statute or Law that established state enterprises has also set certain criteria and academic credentials required for some board members of state enterprises (such as the Institute for the Promotion of Scientific and Technological Education and the Thailand Institute of Scientific and Technological Research) who have scholastic backgrounds.

In analyzing these various types of appointments, one can see that:

1. Most board members of state enterprises are civil servants (around 70%, see details in Appendix 4) making the management style akin to that of the civil service instead of operating in a more business-like manner. These board members also do not devote their full attention to the management of state enterprises.

2. The board members under category 2 are usually political appointees. There are changes of board members in this category as often as there are changes of ministers in charge. There is no continuity of membership, an absence of a real effort to study state enterprises under jurisdiction and overall ignorance of state enterprises' operations. Constructive suggestions on how to improve state enterprises, therefore, are not ever offered.

3. Some committee members lack the appropriate experience, knowledge and capability required for effective management of state enterprises.

(2) State Enterprise Executives

Those responsible for managing state enterprises and making sure that they develop according to the policy established by the state enterprise's board include the executive officers such as the governor, the director and the general manager. There are two ways of appointing people to such positions:

1. People from within the state enterprises themselves, which is often based on seniority just like in the civil service.

2. People from outside the organization. Appointments here may be done through:

2.1 political means

2.2 by not appointing anybody from within because of internal conflicts between the administrators themselves.

There are two problems associated with these methods of appointing executives in state enterprises:

1. the absence of a manager who is professional and experienced; and
2. the constant change of executives due to political reasons leads to a management that lacks continuity.

(3) State Enterprise Personnel

The personnel selection process of some state enterprises sometimes does not provide enough opportunity to really acquire knowledgeable and capable people for the job. As a result, efficiency is lacking due to:

1. The existence of clientelism or the use of political influence during the selection process. State enterprise personnel of common standing all the way to the executive level may be employed in these manners.
2. Some state enterprises have binding agreements with their affiliated labor unions which require that the former give special preference to the children of state enterprise personnel in their hiring procedures.

(4) State Enterprise Management System

The management system of state enterprises is similar to that of the civil service in the following aspects:

- 4.1 Organization-wise, they are not run in a business-like manner and are neither concerned with the maximization of profit nor the reduction of expenditures as may be required.
- 4.2 State enterprise personnel lack a sense of belonging. They do not feel as though they are truly involved in the profit and loss of their employer.
- 4.3. As far as rewards and punishment are concerned, there are no penalties given to administrators or personnel of state enterprises who fail to deliver.

2. Financial Problems

(1) Administrative Expenditures:

At the moment, many state enterprises are facing problems having to do with administrative expenditures, especially for personnel management, which can be summarized as follows:

- a) Salary expenses for state enterprises personnel. Too many people are employed (beyond the actual need) and when compared to the salary scale of the civil service and the private sector (with the same kind of work and academic requirements) the ceiling for the salary of lower-level state enterprises personnel is higher than the average wage in the labor market (for details, see Appendices 5 and 6).

b) Social Security and other benefits.

Besides monthly salary, allowances given for costs of living and various bonuses, state enterprise personnel also receive social security and other forms of benefits. Although the social security provisions are not different from those given to civil servants, state enterprises personnel also have other forms of benefits that differ from the civil service, and more in number when compared with the private sector. (see Appendix 7 for details).

c) Expenses for overtime pay in many state enterprises are too high, amounting to roughly 35-40% of monthly salary costs.

(2) Loans and Debts of State Enterprises

State enterprises acquire their loans from domestic as well as external sources. With respect to the external ones, state enterprises resort more to this type of loan than the public sector. As of September 30, 1986, for example, Thailand had an outstanding foreign debt of \$10.8 billion; \$6.8 billion, or 62.59%, comes from loans to state enterprises. State enterprises also have debt acquired domestically and guaranteed by the Ministry of Finance amounting to 28.5 billion bahts as of October 31, 1986.

Debt problems of state enterprises are attributable to the following reasons:

1. The need of state enterprises to expand operations and to invest in large undertakings such as the Telephone Organization of Thailand and the Electricity Generating Authority of Thailand.

2. Investments in operations in accordance with government policy but without receiving any compensating budget in return.
3. State enterprises often do not get government financial support in time and therefore resort to loans. The case of the Railway Authority of Thailand is a good example.
4. State enterprises often face difficulty raising their service charges. Their income, therefore, is insufficient to cope with rising production costs and results in a need to borrow more.
5. The government has a policy of allowing state enterprises to operate at a loss or with only marginal returns. Consequently, state enterprises increasingly faced financial problems. The components of the Eastern Seaboard Development Program allotted to the State Railway Authority of Thailand, the Industrial Estates Authority of Thailand, and the Port Authority of Thailand are some leading examples.

(3) Problems with Outstanding Debt

Outstanding debts exist among state enterprises themselves as well as between the state enterprises and government. As of September 30, 1986, state enterprises have outstanding debts for public goods, gasoline and natural gas, railway transportation and other commodities amounting to 9.9 billion bahts. The government, on the other hand, also has an outstanding debt of 2.7 billion bahts with some state enterprises. The large outstanding debts of state enterprises was largely responsible for liquidity problems and the absence of cash flows of some state enterprises, leading to a higher cost of production and service charges.

3. Problems with Accounting

(1) The accounting system and reports.

Some state enterprises lack a well-established accounting system and, as a result, encountered the following problems:

- 1) The management could not benefit from the information system and use data for its decision-making process on how to have efficient management since there are no current accounting reports to rely upon.
- 2) Some state enterprises do not have an estimate of the costs of production and services and, as a result, could not determine the appropriate prices for service rendered. When state enterprises wish to raise the prices of their commodities and services, therefore, they could not come up with a justification to present to the public. As a result, no price adjustment could be undertaken even though such a move is essential.
- 3) Many state enterprises could not close their financial accounting books on time making it difficult for management to ascertain the financial status of their operations.

(2) Internal Control

- 1) Some state enterprises do not have internal control or checking system.
- 2) Some state enterprises may have units responsible for internal checking but lack authority in operations, thereby making it extremely difficult to check the shortcomings on the part of administrative as well as management personnel.

- 3) Managers either do not attach any importance to this issue or feel that no benefits will come out of internal control and checking. As a result, the system is not utilized to assist in bringing about more efficient management.

4.

4) Problems with Operations Planning and Evaluation

- 4.1 Most state enterprises already have a corporate as well as an action plan. A few, however, cannot proceed according to the goals established because of the lack of an ^{IMPLEMENTATION} evaluation plan. Managers, therefore, do not know the problems and obstacles of state enterprises and cannot develop their operations according to the plan.

5

5) Marketing Problems

State enterprises do not give importance to marketing since they do not understand the principles of business management.

6

6) Problems with the Labor Law

1. The current Labor Protection Law and the Labor Relations Law cover personnel both in the state enterprises as well as in the private sector.

The people that really benefit most, however, are the state enterprise personnel. Although they already receive many kinds of benefits and are much better off than those employees in the civil

service and the private sector, state enterprise personnel still utilize the Labor Law to their advantage as evident by their rising demand for even more kinds of benefits. Despite the fact that state enterprise demands are controlled by the ministry in charge or the Ministry of Finance, nothing much is achieved. In some cases, management and state enterprise personnel have agreed to have the latter's assorted demands registered which eventually exerted some legal impacts. The agreement becomes a binding contract leading state enterprise personnel to various kinds of benefits and more demands.

2. Having state enterprises under the Labor Law resulted in many overlapping expenses by state enterprises which led to financial problems with pension funds and retirement funds, for instance.
3. Placing state enterprises under the Labor Law also led the union members and board members of labor unions to utilize or even abuse the Labor Law to their advantage. This is damaging to the management side because it cannot assert its full authority. Order is lax as a consequence.

In cases where state enterprise personnel are lazy or lack any responsibility, they may not be dismissed from work. If management wants to penalize state enterprise personnel, the accused will be protected by the labor unions. Whenever there is a change in labor union management, the newcomers often try to make a name for themselves

by asking for an increase in benefits for the union members in order to gain the latter's friendship and at the same time strengthen the former's role which would lead to competition among the various labor unions in demanding for higher wages and other kind of benefits without giving any consideration to the financial situation of such state enterprises:

Problems with the central institutions responsible for monitoring state enterprises.

State enterprises operations are related to the following state organizations:

1. The cabinet is the highest body responsible for outlining state enterprise operations.
2. The ministry in charge has the power to guide state enterprises according to the law so that they may develop along the line set out by government policy and corporate plans.
3. The Ministry of Finance is responsible for financial records, guarantees, financial assistance, sources of loans, establishment of salary scales and various forms of benefits of state enterprises and for evaluating the performance of state enterprises.
4. The Budget Bureau is responsible for appraising state enterprise proposal with respect to the allocation of funds and for estimating the amount of income that state enterprises must remit annually to the government.

5. The National Economic and Social Development Board has responsibility for formulating a state enterprise development plan and for appraising the annual investment budgets of state enterprises and for seeing to it that state enterprise development programs evolve in accordance with the National Economic and Social Development Plan.
6. The Auditor General is responsible for checking and certifying state enterprise budgets.
7. The Ministry of Interior and the Labor Department are involved with state enterprises in accordance with the due process of labor law.

Aside from having the ^{*Boards of Directors*} committees monitor the various operations, the state enterprises are also under the control of the ministries and other government agencies in charge. Sometimes, there are problems with coordination and delays in decision-making due to procedural obstacles which, according to Arthur D. Little, Inc., (which conducted a study on the restructuring of the communication and transportation sub-sectors) resulted from too much government involvement with the state enterprises. This over-involvement without having a clearly-defined set of functions is reflected in the case of the Ministry of Communications, which has acted as the planner, coordinator, owner and regulator of its state enterprises and which was very confusing. The role of the state should be limited (especially in the Ministry of Communications) to being planner, coordinator, owner and shareholder only.

State enterprise programs that will be implemented also have to gain the approval of many agencies such as the state enterprises committee, the Ministry of Communication, the NESDB and the Cabinet which can be time-consuming.

Note: This report is based on data taken from:

- 1) Facts on operations gathered by the Secretariat.
- 2) Reports on the study of overtime-pay auditing process of the Port Authority of Thailand, and the results of the evaluation by the Office of the Auditor General on the general observations by the special commission for drafting the Royal Statute for the 1986 Budget.
- 3) Reports of the Study contracted out by the NESDB to Arthur D Little, Inc., together with Jasmine International Co. and the Technical Application Universal Co., Ltd. which have to do with the structural readjustment of the communications and transportation sub-sectors.

The different categories of state enterprises based on the mode of operations/organization

1. Those geared toward gaining income for the government (2)

- 1) State Tobacco Monopoly (Min. of Finance)
- 2) Government Lottery Bureau

2. Public Goods/Utilities

- Public Utilities (5)

- 1) Electricity Generating Authority of Thailand
- 2) Metropolitan Water Works Authority
- 3) Provincial Electricity Authority
- 4) Metropolitan Electricity Authority
- 5) Provincial Water Works Authority

- Public Services (11)

- 1) Expressway and Rapid Transit Authority of Thailand
- 2) Airports Authority of Thailand
- 3) Ports Authority of Thailand
- 4) State Railway of Thailand
- 5) Bangkok Mass Transit Authority
- 6) Telephone Organization of Thailand
- 7) Communications Authority of Thailand
- 8) Mass Communications Organization of Thailand
- 9) Aeronautical Radio of Thailand
- 10) National Housing Authority
- 11) Industrial Estate Authority of Thailand

3. Priority Areas designated by government

- Financial Institutions (5)

- 1) Krung Thai Bank Ltd.
- 2) The Government Housing Bank
- 3) Bank for Agriculture and Agricultural Cooperatives
- 4) Office of Social Welfare, Department of Welfare, Ministry of Interior (PUBLIC PAWNSHOP)
- (5) GOVERNMENT SAVINGS BANK

- Conservation/Utilization of natural resources (3)

- 1) Petroleum Authority of Thailand
- 2) Off-shore Mining Organization
- 3) Forestry Industry Organization

Agriculture and Commercial (21)

- 16) Express Transportation Organization of Thailand
- 17) Thai Maritime Navigation Co., Ltd.
- 18) Thai Airways International, Ltd.
- 19) Thai Airways Co., Ltd.
- 20) Transport Co., Ltd.
- 21) Bangkok Dock, Ltd.

- (1) COLD STORAGE
- (2) DAIRY FARMING
- (3) FISH MARKETING
- (4) GOVT PHARMACEUTICAL
- (5) LIQUOR DISTILLERY
- (6) MARKETING ORG
- (7) MKTG ORG FOR FARM
- (8) PLAYING CARDS FACT
- (9) POLICE PRINTING PR
- (10) PUBLIC WAREHOUSE
- (11) RUBBER ESTATE
- (12) THAI PLYWOOD
- (13) ~~STATE PAWNSHOP~~

Promotion (6)

- 1) The Tourism Authority of Thailand
- 2) The Sports Organization of Thailand
- 3) The Zoological Park Organization
- 4) Institute of Technology and Vocational Education
- 5) Thailand Institute of Technology and Scientific Research
- 6) Rubber Replanting Aid Fund.

- Security-related (5)

- 1) Preserved Food Organization
- 2) Glass Organization
- 3) Textile Organization
- 4) Battery Organization
- 5) Tanning Organization

Established/Acquired due to other reasons (6)

- 1) Dhipaya Insurance Co.
- 2) Syndicate of Thai Hotels and Tourist Enterprises, Ltd.
- 3) Cholburi Sugar Corp., Ltd.
- 4) Northeast Jute Mill Co., Ltd.
- 5) Sugar Factory, Inc.
- 6) Paper Factory, Inc.

Excluded were:

- Bank of Thailand
- Bangchak Petroleum Co., Ltd.
- Petroleum Exploration/Production Co., Ltd.

State Enterprises Balance Sheet

The performance of 67 state enterprises (excluding the Bank of Thailand, the Bangkok Petroleum Co., Ltd., the Petroleum Exp/Prod. Co., Ltd. the Prachinburi Province Comm. Co., Ltd., the Lampun Province Comm. Co., Ltd. and the Surin Province Co., Ltd.) from 1984 - 1986 are as follows:

Unit: million bahts

	! 1984 ! (65 ST. ENT.) !	! 1985 ! (63 ST. ENT.) !	! 1986 ! (61 ST. ENT.) !
Total assets	464,819.39	516,699.15	576,623.85
Total debt	361,382.56	412,882.89	462,729.19
Total capital	103,436.80	103,816.26	113,894.66
Total income	194,247.11	216,512.37	231,060.51
Total expense	176,327.66	203,438.18	217,480.62
Total profit (defisit)	17,919.45	13,074.19	13,579.89
State Enterprises with Profit	49 St. Ent. 19,977.86	45 St. Ent. 15,309.53	50 St. Ent. 15,652.31
State Enterprises with defisit	16 St. Ent. 2,058.41	18 St. Ent. 2,235.34	11 St. Ent. 2,072.33
Investment Budget	45,182.03	39,867.75	49,126.32
Personnel	252,881	254,106	263,665
Income Remitted	32 St. Ent. 6,211.00	33 St. Ent. 9,373.00	29 St. Ent. 8,623.97
Investment Budget Allocated by government	387.74	419.00	749.85
Rate of profit to capital (%)	17.32	12.59	11.92
Rate of return on total assets (%)	3.85	2.53	2.35
Total income: total assets (%)	41.79	41.90	40.07
Expenses: total income(%)	90.77	93.96	94.12
Net profit: total income (%)	9.22	6.04	5.88

- Remark:
1. Data as of July 31, 1986.
 2. In 1985, 2 state enterprises were privatized: The Alum Organization and Narayapand Store.
 3. In 1986, 2 state enterprises were privatized: Mines Organization and The Marble Co., Ltd.

State Enterprises categorized according to mode of organization

1. Established by a royal statute (Juristic)

- 1) Electricity Generating Authority of Thailand
- 2) Metropolitan Electricity Authority
- 3) Provincial Electricity Authority
- 4) Metropolitan Water Works Authority
- 5) Provincial Water Works Authority
- 6) State Railway of Thailand
- 7) Airports Authority of Thailand
- 8) Ports Authority of Thailand
- 9) Communications Authority of Thailand
- 10) Petroleum Authority of Thailand
- 11) Tourism Authority of Thailand
- 12) Industrial Estate Authority of Thailand
- 13) Sports Organization of Thailand
- 14) Telephone Organization of Thailand
- 15) Government Pharmaceutical Organization
- 16) Fish Marketing Organization
- 17) Government Lottery Bureau
- 18) Rubber Replanting Aid Fund
- 19) Thai Institute of Technological and Scientific Research
- 20) Bank for Agriculture and Agricultural Cooperatives
- 21) Government Savings Bank.
- 22) Government Housing Bank
- 23) Bank of Thailand

2. Established by revolutionary council's order (Juristic)

- 1) Expressway and Rapid Transit Authority of Thailand
- 2) National Housing Authority
- 3) Institute of Technology and Vocational Institution

3. Established by a Royal Edict (Juristic)

- 1) Bangkok Mass Transit Authority
- 2) Forest Industry Organization
- 3) Off-shore Mining Organization
- 4) Preserved Food Organization
- 5) Glass Organization
- 6) Textile Organization
- 7) Battery Organization
- 8) Tanning Organization
- 9) The Dairy Farming Promotion Organization of Thailand
- 10) Rubber Estate Organization
- 11) Government Cold Storage Organization
- 12) Public Warehouse Organization
- 13) Marketing Organization for Farmers
- 14) Marketing Organization
- 15) Mass Communication Organization of Thailand
- 16) Express Transportation Organization of Thailand
- 17) Zoological Park Organization

4. Established by the civil and commercial laws (Juristic)

- 1) Krung Thai Bank
- 2) Transport Co., Ltd.
- 3) Aeronautical Radio Authority of Thailand
- 4) Cholburi Sugar Co., Ltd.
- 5) Northeast Jute Mill Co., Ltd.

- 6) Bangkok Co., Ltd.
- 7) Thai Plywood Co., Ltd.
- 8) Prachinburi Province Commercial Co., Ltd.
- 9) Lumpun Province Commercial Co., Ltd.
- 10) Surin Province Commercial Co., Ltd.
- 11) Thai Airways Co., Ltd.
- 12) Thai Airways International, Ltd.
- 13) Syndicate of Thai Hotels and Tourist Enterprise, Ltd.
- 14) Thai Maritime Navigation Co., Ltd.
- 15) Bangkok Petroleum Co., Ltd.
- 16) Petroleum Exp/Prod. Co., Ltd.
- 17) Dhipaya Insurance Co., Ltd.

5. Established by the cabinet (not-Juristic)

- 1) Liquor Distillery Organization
- 2) State Tobacco Monopoly
- 3) Playing Cards Factory
- 4) Sugar Factory
- 5) Paper Factory
- 6) Police Printing House
- 7) Office of Social Welfare, Department of Public Welfare

State Enterprises' Committee Members According to Profession

(64 Places)

(64 FIRMS)

	CAREER CIVIL SERVANTS				THOSE ARE PENSION				POLITICAL APPOINTEE	STATE ENTERPRISES			PRIVATE SECTOR	PRIVY COUN- CILLOR	TOTAL
	MILITARY	POLICE	CIVILIAN	TOTAL	MILITARY	POLICE	CIVILIAN	TOTAL		PERSONNEL	ON PENSION	TOTAL			
Per son	77	29	346	452	24	1	10	35	15	102	6	108	54	2	666
%	11.56	4.35	51.95	67.86	3.60	0.15	1.50	5.25	2.25	15.32	0.90	16.22	8.11	0.30	100

Chairperson of State Enterprises Committee by Profession

(64 Places)

	MILITARY	CIVIL SERVANTS	PRIVY COUNCILLOR	POLITICAL APPOINTEES	STATE ENTERPRISE PERSONNEL	PRIVATE SECTOR	TOTAL
Persons	19	28	2	9	3	3	64
%	29.69	43.75	3.12	14.06	4.69	4.69	100

Table 1: Starting Salaries for State Enterprise Personnel in Comparison to the Civil Service and the Private Sector
(Large enterprises)

ACADEMIC CREDENTIALS	CIVIL SERVANTS			STATE ENTERPRISES			PRIVATE SECTOR (3) SALARY	STATE VS CIVIL SERV. (2) IS LESS THAN (1)		PRIVATE SECTOR VS. SE (3) IS LESS THAN (2)	
	SALARY	COST OF LIVING SUPPORT	TOTAL (1)	SALARY	COST OF LIVING SUPPORT	TOTAL (2)		BAHTS (2)-(1)	%	BAHTS (3)-(2)	%
Grade 4 - Grade 10	1,255	424	1,679	1,600	590	2,190	2,400	511	30.43	210	9.58
Certificate in Vocational Education	1,950	200	2,150	2,170	400	2,570	3,200	420	19.53	630	24.51
Certificate in High Vocational Associate Degree	2,205	200	2,405	2,780	400	3,180	3,500	775	32.22	320	10.06
B.A.	2,765	200	2,965	3,270	400	3,670	4,500	705	23.78	830	22.61
M.A.	3,745	200	3,945	4,140	300	4,440	5,000	495	12.55	560	12.61

Table 2: Lowest - highest salary scale for the various levels of state enterprises' personnel (Public Goods/Utilities) in comparison to the civil service and the private sector (Large Enterprise)

CIVIL SERVICE		STATE ENTERPRISE		PRIVATE SECTOR		(2) MORE THAN (1)	(3) MORE THAN (2)
LEVEL	SALARY (NOT INCLUDING COST OF LIVING SUPPORT)	LEVEL	SALARY (EXCLUSIVE OF COST OF LIVING SUPPORT)	LEVEL	SALARY (WITHOUT COST OF LIVING SUPPORT)	%	%
		1. Janitors	1,600 - 6,570	1. Janitors	2,400 - 5,000		50.00 - (31.3)
Dip. in Voc. Ed.	1,255 - 3,535	2. Dip. in Voc. Ed.	2,170 - 7,080	2. Dip. in Voc. Ed.	3,200 - 7,000	72.90 - 100.28	50.69 - (1.14)
Dip. in High Voc. Ed.	2,250 - 4,685	3. Dipl.	2,780 - 8,730	3. Dipl.	3,500 - 8,000	26.07 - 86.34	25.90 - (9.13)
B.A.	2,765 - 5,735	4. B.A.	3,270 - 10,610	4. B.A.	4,500 - 10,000	18.26 - 85.00	37.61 - (6.10)
M.A.	3,745 - 7,285	5. M.A.	4,140 - 12,920	5. M.A.	5,000 - 12,000	10.54 - 77.35	20.77 - (7.67)
Chief	4,945 - 9,385	6. Ph.D. and Chief of sector	5,640 - 15,740	6. Ph.D.	5,000 - 18,000	14.05 - 67.71	59.57 - 14.35
Chief	6,935 - 12,535	7. Assistant Chief	7,610 - 17,920	7. Chief	13,000 - 25,000	9.73 - 42.96	70.83 - 39.50
Chief of Sector	8,475 - 13,095	8. Chief of div.	9,940 - 21,640	8. Chief of Sector	16,000 - 32,000	17.28 - 65.25	60.96 - 47.87
Chief of Div.	9,385 - 14,295	9. Assistant to Director of Sec.	12,920 - 25,960	9. Chief of Div.	18,000 - 36,000	-	39.32 - 38.67
Deputy Director-Gen.	10,365 - 15,575	10. Director	14,740 - 29,260	10. Chief of Sec.	20,000 - 40,000	57.05 - 104.69	35.68 - 36.70
Director-General	11,415 - 16,975	11. Assist. Governor	15,740 - 31,060	11. Director	35,000 - 70,000	51.86 - 99.42	122.36 - 125.37
Under-Secretary	12,535 - 17,745	12. Deputy Governor	17,920 - 34,960			56.99 - 105.95	
	\$1 = 25B	13. Governor	24,440 - 41,560		1400 - 2,800	94.97 - 134.20	
	\$500 - 700 600/yr		\$980 - \$1660 1320				
	\$7200/yr		\$15,840				

Note: Civil servants' cost of living support

State enterprises' cost of living support

Salary	Cost of Living Support
1,255	424
1,325	354
1,395	284
1,470-1,735	270

Salary	Cost of Living Support
1,600	590
1,720	470
1,850-3,540	400
3,830-6,570	300

CIVIL SERVICE	STATE ENTERPRISES	PRIVATE SECTOR
1. Retirement benefit/pension	1. Retirement (Some state out have both the retirement/or pension such as the State Railway of Thailand; Port Authority of Thailand; and the Government Savings Bank	1. Retirement and/c Provident Fund
2. Hospital Support 3. Child support 4. Child education support 5. Rent support	2. Hospital support 3. Child support 4. Child education support 5. Rent support 6. Religions rite support 7. Maternity support 8. Emergency loan 9. Loan for real estate purchase or house repair 10. Support in case of arsonry - related loses 11. Mortgaging motorcycles 12. Funeral support 13. Special fund (for electric/water bills) 14. Support for uniforms 15. Scholarship for children 16. Compensation after leaving jobs 17. Bonus 18. Buses to pick up one to/from work 19. Bonus for efforts 20. Support for weddings	2. Hospital support 3. maternity support 4. Support in cases arsonry related loses 5. Funeral support 6. Support for unifi 7. Scholarships for children 8. Compensation aft. leaving jobs 9. Bonus 10. Wedding support:

Section: F

Newspaper Clippings

Asia goes private

Kuala Lumpur (AP) — Officials have given up trying to sell Malaysia's state-owned railroad for 1 ringgit (40 US cents), but still hope to turn the debt-ridden carrier over to private enterprise.

Philippine President Corason Aquino has approved 113 state-owned or controlled corporations for conversion to private ownership.

Japan plans to sell its stock in Nippon Telegraph and Telephone, as well as numerous industries and financial institutions.

The privatisation bandwagon is rolling through Asia as governments try to spark economic growth or reduce debt.

There have been some problems, including reluctance to part with companies that make profits, but more and more governments are getting out of business.

Nowhere has converting state companies into private firms, one of the popular economic philosophies of the 1980s, been embraced more ardently than in Malaysia.

Prime Minister Mahathir Mohamad's administration hopes to unload many of the 900 corporate agencies whose budgets are not subject to parliamentary review. Few are profitable apart from Petronas, the state oil company.

"Governments the world over are notorious for inefficiency when running enterprises, even when aided by monopoly," Mahathir said in 1985, when going private started to gain momentum.

Many queries came in after the railroad was put out the block for a token sum last October. But no firm bids, said General Manager Datuk Ahmad Basir.

"Privatisation involves a magnitude of problems and we are now having another close look at it," he said.

One problem is that the railroad has been running in the red for

years, with a total loss estimated at 600 million ringgit (\$199 million). Some of it already has been written off but if new owners can be found, they will need deep pockets.

Finance Minister Daim Zainuddin said the government has lent 950 million ringgit (\$379 million) and guaranteed five times that much to its non-financial enterprises.

Those with the greatest potential were the first to be sold. Private investors bought 35% of the national airline last year and 35% of the government shipping line a few months ago.

by Kenneth L. Whitting

A privately owned television channel now competes successfully with the government network. Telecommunications services have moved 100% toward private ownership. Container terminals, the electric power system, hospitals, plantations, roads and the Bernama news agency are among other prospects for going private.

The purpose is described in these official terms: "It is expected to promote competition, improve efficiency and increase productivity. By stimulating private entrepreneurship and investment, it is expected to accelerate the rate of growth of the economy."

Elsewhere in Asia, Pakistan, Sri Lanka and Bangladesh sold off bits and pieces of their unwieldy public sectors long before the trend became fashionable.

The financially strapped Philippines government offers "debt-equity swapping," in which a creditor gets a stake in a company in lieu of loan repayments.

Finance Secretary Jaime Ongpin said, "the Philippines is probably unique in adopting policies that specifically link privatisation with

a debt-equity conversion programme."

In Bangkok, the government has said it plans to sell Krung Thai Bank, the country's third largest commercial bank, and other interests.

South Korea has announced plans to sell 12 companies this year, which would leave the government with 72 others.

Indonesia has 215 state enterprises, with combined total assets of more than \$68 billion, that account for about 80% of the country's economic activity. Few provide public accounts and many reportedly operate at a loss.

President Suharto has ordered conversion to private ownership to weed out only the losers, a stipulation that did not generate excitement among potential investors.

Singapore Finance Minister Richard Hu said, "the government's presence in the economy is being gradually rolled back to provide greater room for private entrepreneurs."

A government-appointed committee has proposed the full or partial sale of 41 state-linked companies, including the national lottery.

The committee suggested that \$5.91 billion (\$2.8 billion) of stock in state companies and boards be sold to the public.

The Japanese National Railway has been split into seven private firms. Shares are being sold in the government's tobacco monopoly.

The IMF said India has announced plans to close 26 of the 600 textile mills it owns and to get out of several other businesses.

Although more than 1,000 denationalisation plans have been announced worldwide, only 100 to 150 government firms actually have been sold, the IMF said. Most of those were in textiles, food processing, construction, engineering, banking and hotels.

BANGKOK POST week of JUNE 22

STATE ENTERPRISES

B2,000m revenue shortfall expected

^{6/16}
REVENUE collection this year will fall 2,000 million baht below target, Revenue Director-General Pandit Bunyapana said yesterday.

However, he denied reports the Government would lower the revenue target by 6,800 million baht because the Revenue Department's collections were much lower than expected.

"It's not true," he said. "The shortfall will not be more than 2,000 million baht below the target of 78,000 million baht."

As of the end of May, revenue collection amounted to 46,400 million baht, while the target was 48,500 million baht. Collection during the same period last year was 42,100 million baht.

The collection comprised 19,200 million baht in personal income tax, 10,500 million baht

in corporate tax, 21,650 million baht in business tax, 800 million baht from the sale of stamps, 250 million baht in travel tax and 50 million baht in other forms of tax.

Mr Pandit said personal income tax collection fell 3,000 million baht below target, while business tax collection was down 200 million baht. However, corporate tax collection was 1,400 million baht above target.

He said the reduced collection of personal income tax was due to the banking system's lower interest rates and some commercial banks helping clients evade interest tax payments.

He reaffirmed that the Revenue Department had asked the Bank of Thailand to monitor these banks' practices.

Regarding the payment of taxes in arrears which amount to 14,000 million baht, Mr Pandit said the Revenue Department had classified these debt accounts into four groups.

The first is "bad debts" amounting to 4,000 million baht. Payers in this group had simply disappeared.

The second group is "recalling debts". These include cases pending court rulings and amount to about 5,400 million baht.

The third one includes those who had sought relaxation from the department and amount to about 900 million baht, and the last group includes those accounts which the department is confident it will be able to collect and amount to 3,800 million baht.

State firms' budget offerings to rise 6%

STATE enterprises contribution to the government coffer for the 1989 fiscal year budget, starting this October, is expected to increase by 6% due to anticipated improvements in their operations, an informed Cabinet source told the *Bangkok Post* yesterday.

The source said the prediction was contained in the Finance Ministry's report on the operations on the 67 state enterprises, submitted to the Cabinet on Tuesday.

The source quoted the report attributing the anticipated higher contributions to various factors, particularly the ongoing restructuring of the state enterprises' operations for the past two years and service fee adjustments.

Other factors included declining interest rates, lower water and electricity rates, reduced oil prices and favourable investment situation, according to the report.

State enterprises are regarded as among the major sources of income for the government coffer. Under government regulations, state enterprises with business monopoly are required

to contribute 80% of their net profits and semi-monopoly ones 50%; those engaged in providing public utilities may contribute in amounts deemed appropriate after meeting their expenditures and expansion plans.

HELP

The report also stated that the anticipated improvements in state enterprises' operations would help lessen the Government's burden, particularly in subsidising loss-ridden ones, the source noted.

It also noted that public-utility state enterprises which have been suffering losses, including the Telephone Organisation of Thailand, Metropolitan Waterworks Authority, Provincial Waterworks Authority and Com-

munications Authority of Thailand, were expected to show some operating profits in fiscal 1988.

The Government is expected to pass the report on to Parliament soon.

As for fiscal 1987 which ends this September, the report said about 252,424 million baht in income was expected to be made by all state enterprises, of which about 8,579 million baht was expected to be handed over to the Government for fiscal 1988 budget, up from 8,419 million baht for fiscal 1987 budget.

According to the report, the Lottery Bureau is expected to remain the largest contributor to the government coffer for fiscal 1988 budget, with about 2,907 million baht, up from 2,417 million baht.

The anticipated increase was attributed to lottery ticket price adjustments and the increase in the number of tickets.

The report also said the Government has guaranteed many state companies for their local borrowings: the Telephone Organisation of Thailand (5,250 million baht), State Railways of Thailand (3,676 million baht), Bangkok Mass Transit Authority (3,786 million baht), Electricity Generating Authority of Thailand (1,000 million baht), National Housing Authority (1,700 million baht) and Public Warehouse Organisation (4,829 million baht).

It added that state enterprises' assets totalled 580,033.74 million baht at the end of last year.

6/4

28 มกราคม 1988

State firms' bond plans passed

THE Finance Ministry has approved several state enterprises' plans to issue bonds worth altogether 5,281.09 million baht in the last four months of this fiscal year (June-September), an informed source in the ministry said.

The bonds to be issued will be in two categories: one for implementing those state enterprises' projects and helping offset their losses, and another to acquire supplementary funds.

In the first category are:

■ The State Railways of Thailand, to issue 400 million baht worth of bonds this month and 450.319 million baht worth in August and September.

■ The Telephone Organisation of Thailand, 600 million baht worth next month and 610 million baht worth in August and September.

■ The Industrial Estate Authority of Thailand, 67.416 million baht worth next month.

■ The Provincial Electricity Authority, 478.61 million baht worth next month and 411.002 million baht worth in August and September.

■ The Metropolitan Waterworks Authority, 245.8 million baht worth in August and September.

Ministry to maintain state firms contributions

THE Finance Ministry has refused to yield to the requests by certain government enterprises such as the Electricity Generating Authority of Thailand to reduce the percentage of net profits required by the ministry.

A ministry source told reporters that it was the Finance Ministry's policy to require every Government enterprise to contribute between 8% and 30% of its net profits to the ministry.

The source said a few state enterprises had devised investment plans and submitted them to the ministry together with requests for deferment of the profit contribution so it can be used for internal expansion.

"The Finance Ministry has already refused the requests, saying profit contribution and investment expansion are separate issues," the source said.

"If they want to expand, they should borrow from domestic sources be-

cause the ministry has laid down guidelines that it will approve borrowing if the investment yield is at least 12%, which is still profitable for borrowing for expansion."

The source said that if any state enterprise considered the project yield to be less than 12%, it should abandon the project.

"It is normal that everybody would like to have investment capital costs equalling zero by retaining profits instead of borrowing. This is a good idea, but the Finance Ministry would suffer a drop in revenue and it is not fair to other government agencies."

He said that even the private sector, such as banks, have to pay part of their net profits as dividends and did not retain all the profits for internal expansion. The Government, as a shareholder in the state enterprises, should also get such a dividend.

The source said the

ministry had targetted 8,300 million baht in state enterprise profit contributions this budget year, a target it expects to either reach or exceed as last year's target of 6,300 million baht was well exceeded with 8,600 million baht in contributions.

"This year's target is pretty conservative, therefore the collection should not pose any problem," said the source, adding that the 1988 target of 8,500 million baht should also pose no problem.

Talking about the contribution of state-owned banks, the source said Finance Minister Suthee Singaneh had laid down a policy that they also had to contribute part of their net profits to the ministry.

At the moment, the ministry is working out how much Krung Thai Bank and the Government Savings Bank will have to contribute.

Enterprises must seek approval

THE National State Enterprises Committee has insisted that any state enterprise which would like to offer any scheme of fringe benefits to their employees must get approval from the Finance Ministry first, an informed source said.

The source said the committee insisted on this at its meeting last week to conform to a Cabinet directive made in 1978.

"In practice, many state enterprises have not complied with that directive. They have devised benefit schemes such as scholarships for employees' children, petrol allowances, free telephones, etc, which have never been submitted to the ministry for approval. The ministry can ask the court to nullify these schemes because only schemes with its approval are regarded as legal," he noted.

The ministry has not resorted to court action before because it will affect many state enterprises. But with the committee's insistence, the ministry will now have to take court action to nullify the illegal benefit schemes, the source said.

Troubled state enterprises ^{6/15} 'pay too much'

MOST state enterprises that are losing money have too many employees and pay them too much, Deputy Prime Minister Sonthi Boonyachai said yesterday.

Adm Sonthi, who is chairman of the Committee to Improve State Enterprises, said the solution is to lay off excess employees or improve management.

Asked why the committee hadn't accomplished more since being set up, Adm Sonthi said that it has often had difficulty collecting information.

He also said the committee had to take into account the welfare of state enterprise employees before making decisions.

He pledged, however, that the committee would draw up a master plan for the improvement of state enterprises soon.

"We are pushing them to submit their improvement plans as soon as possible so that we will be able to conclude the master plan," he said.

The committee, which met yesterday at Government House, discussed the improvement plan submitted by the Thai Maritime Company.

He said that only one of the four proposals in the plan — to invite investment in the company from within and outside



SONTHI... 'lay off excess employees'

the country — had been found feasible.

The committee, Admiral Sonthi said, had ordered the company to map out a new plan using this as a guideline and to resubmit it for consideration.

Prapat plans ^{6/15} advisory team

DEPUTY Finance Minister Prapat Phosuthon is considering the establishment of an advisory board to help him supervise government agencies under his control.

Mr Prapat said the advisory board would comprise leading businessmen, senior officials and lawyers.

He said the board would provide advice to help him efficiently

supervise the Customs Department, the Treasury Department, the Bank of Agriculture and Agricultural Cooperatives and the Government Housing Bank.

Mr Prapat said the board would also monitor complaints from officials and businessmen who had been treated unjustly by these departments' officials.

"I also want this board to restructure the Customs Department," he noted.

Regarding the scandal in the Customs Department whereby a group of 14 officers have been accused of being involved in the illegal import of a Toyota sedan, Mr Prapat said: "The evidence compiled by the Customs Department is so far insufficient to make charges against the officials, so what we have is merely an accusation by the Customs Department."

Jute mill's holdings to be privatised

THE Finance Ministry will privatise its 90% holdings in the North East Jute Mill Co through the second trading board in the stock market, an informed source said.

The source said the Finance Ministry has employed a professional appraisal firm to assess the book value and share prices of the jute mill, so that it can set the price in privatising its holdings.

The appraisal is expected to be finished in the next two weeks, then the Finance Ministry will appoint a number of financial companies to act as its underwriters, the source said.

The Finance Ministry reportedly may split the company's shares from the present par value of 1,000 baht each to 100 baht, as the present par value is considered too high to attract private investors.

The source expects the shares of the jute mill to be attractive since the company's net profit last year could reach 40 million baht.

Govt plans listing of jute mill shares

THE government plans to privatize North East Jute Mill Co Ltd by listing 90 per cent of the company's shares on the second trading board at the Securities Exchange of Thailand, a senior official said.

Supachai Pisitvanich, deputy comptroller general, said over the weekend that a working group considered at a recent meeting to privatize 90 per cent of the Finance Ministry's equity share in the company.

The Cabinet late last year approved the ministry's proposal to sell North East Jute Mill Co, which had not made any profit since 1984. But the firm posted a profit of 30-40 million baht last year.

The company was set up initially as an instrument for controlling the price as well as quality of jute bags and prevent monopoly in this sector. It was argued that the situation had changed since there was competition in this sector.

Supachai said he would consult underwriters about the privatization of North East Jute Mill Co's shares under the SET second trading board due to start operation in the next few months.

The official expressed confidence that the public would be interested in purchasing the company's shares. It has a registered capital of 100 million baht.

The par value of the company's shares is 1,000 baht each but might be split under public offering to a par value of 100 baht. The ministry is studying an appropriate new par value but expects that it would fetch higher bid prices in a public offering.

Meanwhile, an informed source said that the National Committee on State Enterprises will meet on June 10 to consider whether to liquidate the financially-ailing Thai Maritime Navigation Co or to sell the unit to the private sector.

Another source disclosed that the Defence Ministry has recently entered into an agreement for the United Thai Shipping Corp to transport foreign military equipment for the next two years under the existing freight rate.

UNITHAI and TMN earlier competed for the rights to handle transportation of foreign military equipment for the Defence Ministry.

Rehiring of some Erawan staff urged

THE Finance Ministry was urged yesterday to negotiate with Amarin Development Co to accept at least one third of the Erawan Hotel staff when it takes over the business next month.

House Labour Affairs Committee spokesman Chamras Makaanaso said the re-employment rate would equal the share the state-owned Syndicate of Thai Hotels and Tourist Enterprise would hold when it enters the venture with Amarin.

Mr Chamras said the

hotel labour union had petitioned the panel after the new management decided to lay off its 460 staff.

Under the takeover scheme, Erawan current employees would be fully compensated by the new management according to the law, but the union has requested that all hotel staff be re-employed with the same terms and conditions.

They also requested the workers be paid in half while the management renovates the hotel.

Swiss line offer may save TMNC

6/10
THE financially-ailing Thai Maritime Navigation Company (TMNC) has a good chance of reviving its position if the Communications Ministry decides to allow a joint venture between it and a Zurich-based shipping company.

Deputy Communications Minister Sanan Khachornprasart said yesterday the ministry would meet with the Swiss company's representatives before making a final decision today.

Lt Col Sanan said the ministry had been instructed by Prime Minister Prem Tinsulanonda to evaluate the Swiss company's proposal for a joint venture with TMNC which was submitted through Deputy Prime Minister Chatichai Choonhavan earlier this year.

He said the ministry had studied the proposal and found it showed good possibilities of turning TMNC's position around.

"As things stand, there is also the possibility that if the negotiations work out well, the ministry will be able to make a decision today," he said.

Lt Col Sanan said the Swiss company hoped to acquire a 49% share of TMNC under the condition it would take charge of TMNC's administration under the supervision of the TMNC board of directors.

The company also said that before it invested in fleet development and expansion, the Government should assure that it would give TMNC its full support. This includes using TMNC for all government cargoes such as weapons and products sold on a government-to-government basis.

"The Cabinet has already instructed all government agencies to use only TMNC's transport service, but so far no government agencies have complied with the order," he explained.

Lt Col Sanan said that if the Government could meet the conditions set by the Swiss shipping company, then it would be ready to remedy TMNC's financial losses which now stand at about 200 million baht.

"As far as the ministry is concerned, TMNC's financial loss of about 200 million baht is not beyond repair compared with other state agencies, and we believe the Swiss shipping company's plan to revive TMNC will work."

He said the company has expertise in the industry and strong financial support to help develop TMNC's fleet or to expand it.

"With the company's support, the Finance Ministry will no longer be required to provide full government guarantees to help acquire new vessels for TMNC under its development programme," he said.

He said TMNC was being developed as part of the Premier's urgent policy to develop the country's merchant marine fleet to international standard.

THE Communications Ministry needs at least a week to finalise a Swiss-based shipping company's proposal to enter a joint venture with Thai Maritime Navigation Co, Deputy Communications Minister Lt-Col Sanan Khachornprasart said yesterday.

He added that he had earlier hoped that the ministry could reach a decision during its negotiation yesterday with the Swiss firm.

He said more time was needed because the ministry intended to clarify as many details of the joint-venture proposal as possible, but he admitted that the

No decision yet on plan for TMNC

proposal was considered very promising.

Mr Sanan expressed confidence that the joint-venture proposal would succeed in turning around the loss-ridden state-owned shipping company whose debt now stands at over 200 million baht.

The proposal's evaluation coincides with the Finance Ministry's recommendation to the National Committee on State Enterprises either to put an end to TMNC or for the Government to give its full support. The recommendation for the Government to give TMNC full support coincided with the Swiss

company's requirement for the Thai Government to assure that all government agencies' inbound and outbound cargoes must be transported by TMNC.

The Swiss shipping firm's condition is only a demand for the rights TMNC is only enjoying on paper because in practice, no government agency has ever used TMNC's services.

According to the proposal, the Swiss firm hopes to hold 49% share in TMNC and will help solve TMNC's 200-million-baht debt owed to financial institutes and the Petroleum Authority of Thailand.

TMNC joint venture hopes begin to fade

THE Swiss-based International Maritime Management (IMM) proposal to revive the financially-ailing Thai Maritime Navigation Co (TMNC) may prove to be undesirable as the Communications Ministry considers it to be lower than expectations.

According to a high-ranking source in the ministry, the proposal does not put IMM as a joint partner as earlier expected but as a "hire management team" which does not have to shoulder TMNC's existing debts and future operational liabilities.

The source said the ministry had been talking with IMM since last week and although Deputy Communications Minister Lt-Col Sanan Khachornprasart expressed belief that the IMM proposal was highly feasible, other officials concerned were less optimistic.

He said one of the officials concerned noted that the IMM

proposal was taking too much advantage of TMNC and was very similar to that of Deutsche Afrikan Lines (DAL) which the ministry had rejected.

"There are quite a number of similarities in the two proposals, some of DAL's offers were to a certain extent considered superior," he said.

PROPOSAL

According to the IMM proposal, the firm will not invest to help clear TMNC's existing debts or acquiring new vessels but will only help find financial support from financial institutions for TMNC.

IMM will charge TMNC a management fee and other fees that may occur and has made it a condition that all the Thai Government's inbound and outbound cargoes must use TMNC's services.

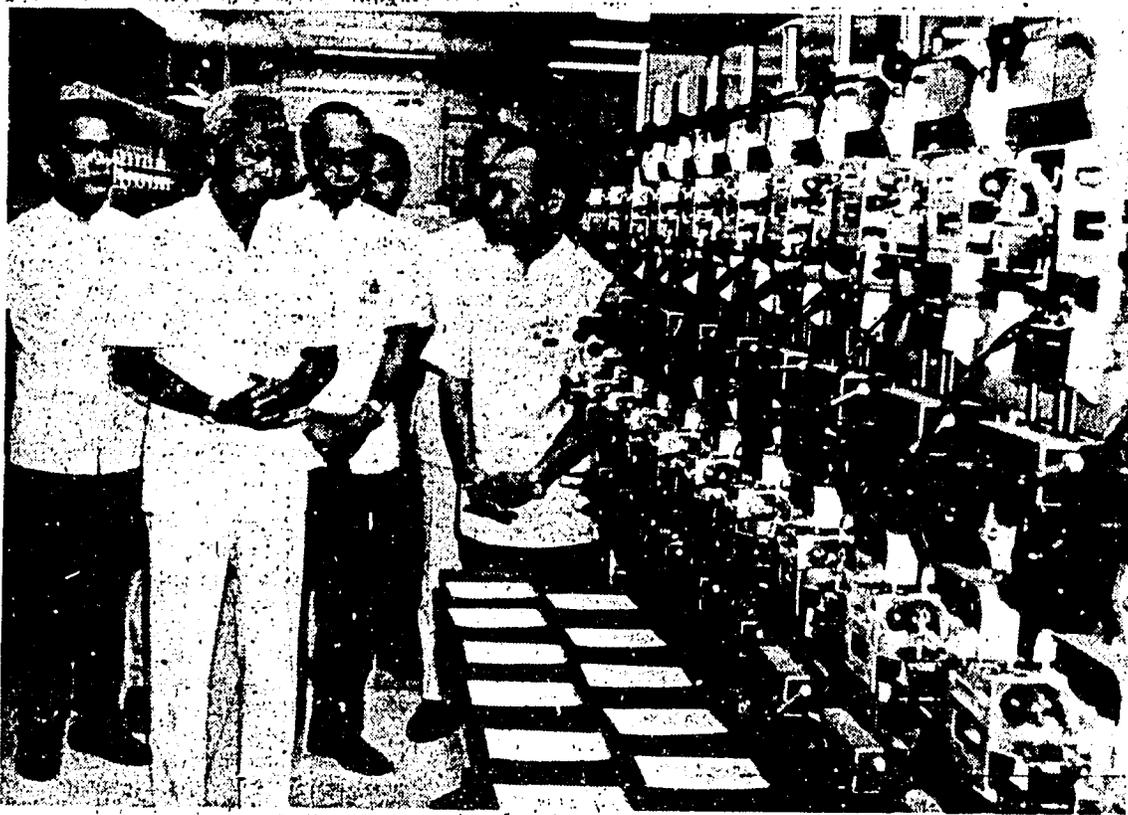
The source noted that

if IMM was not going to make a major investment or share responsibilities with TMNC, there would be no need for TMNC to enter a "joint venture" with IMM as there are many Thai shipping companies interested in joining hands with TMNC.

"TMNC is state-owned. If the Government really wants to promote the Thai shipping industry, it should allow Thai shipping firms to set up a new company to go into a joint venture with TMNC instead of a foreign company," he said.

He noted that Thai private shipping companies have the expertise but lack the chance and have never received government support.

He added TMNC's rights to carry all the Government's inbound and outbound cargoes could also be subcontracted to the Thai shipping firms participating in the joint venture with TMNC.



Prem hears MEA ^{6/13} chief's complaints

Metropolitan Electricity Authority Governor Anant Aitrat complained to Prime Minister Prem Tinsulanonda yesterday that government offices and state enterprises owe the Authority more than 200 million baht in unpaid electricity bills.

He also complained to Gen Prem, who was visiting the MEA head office (above) at Wat Liab, about difficulties in borrowing money for expansion projects to meet the country's growing electricity needs.

Mr Anant said that the MEA, which was set up in 1958, now has over 10,000 employees and supplies electricity to more than one million households, businesses and industries.

The Authority expects its number of customers to grow by five per cent each year, he said.

From 1992-96, he said, the MEA plans to invest about 9,000 million baht to meet the growing demand for electricity.

The MEA gives 35 per cent of its profit to the Government and keeps the rest for expansion projects, he said.

MWA says it pays its bills on time ^{6/20}

THE Metropolitan Waterworks Authority has been paying money owed to the Metropolitan Electricity Authority in regular instalments and will be able to clear all its debts by the end of 1990, MWA Public Relations director Vivat Phongburanakij said yesterday.

He said the MWA is now paying its new electricity bills on time each month.

Reacting to a report that the MEA told Prime Minister Prem Tinsulanonda recently that the waterworks owed MEA 570 million baht, Mr Vivat said his agency in fact owed only 419 million baht.

Between 1982 and 1984 the monthly bill was 77 million baht, he said.

Since then, thanks to its improved financial standing, the water authority has been repaying its debt in instalments.

"We are now paying the MEA be-

tween 28 and 44.2 million baht for our current electricity consumption and another 16.2 million as instalment on the old debts," he said.

Up to now, the MWA had paid 316 million baht for the old electricity bills, he said.

Mr Vivat said the agency last year paid 180 million baht for electricity compared with 155 million the previous year. The amount is expected to rise to 195 million this year.

The MEA had sent a letter expressing satisfaction with the waterworks payments on March 30 this year, he said.

His agency's improved financial standing should ensure the MEA continued to receive its payments, he said.

The MEA should be more concerned over debts totalling 552 million baht owed by other government agencies, he said.

SE'S OFTEN
DON'T PAY
THEIR BILLS

Group makes bid to take over distilleries

THE Provincial Mekhong Whisky Agents' Association has offered the Government an additional 10,000 million baht in benefit in exchange for permission to take over the operation of all state-owned distilleries or to act as agents of all types of liquor produced by these distilleries, an industry source said at the weekend.

In a renewed effort to amend all state-owned distillery-leasing contracts arranged by the Industry Ministry, the association, whose members are former provincial agents of Mekhong and Kwang Thong whiskies, last Monday submitted a new proposal to Prime Minister Gen Prem Tinsulanonda.

The association stated in a letter signed by president Suthisakdi Kositwattanapanich that its members (some are also former liquor producers) have grouped themselves together to be able to produce and distribute all kinds of liquor efficiently and smoothly, causing no trouble to consumers and paying taxes and royalties to the Government in full.

It stressed that the Government would stand to earn about 10,000 million baht in benefit more than that suggested by the Industry Ministry.

In its proposal, the association offered the Government a benefit for every bottle sold totalling at

least 4,835 million baht a year or package deal regardless of liquor output totalling 5,000 million baht a year in return for permission to take over the operation of all state-owned distilleries or to act as agents of all brands of liquor produced by these distilleries.

"In this proposal, the Government stands to earn about 575 million baht more a year or about 10,000 million baht more in total on the expiry date of the contract in 1999," the source said.

It also offered to pay the Government a benefit 50% more than the current earnings from the operation of the Excise Department's Ayutthaya and Kamphaeng Phet distilleries in exchange for permission to take over both distilleries.

In the case of the Excise Department's Nonthaburi distillery, it offered to pay the Government a lump sum of about 104 million baht a year in exchange for permission to operate this distillery.

The association was quoted as saying that it was against the Industry Ministry's effort to amend all state-owned distillery-leasing agreements with Sura Maharas Co in view of the fact that the amendment would disadvantage the Government because of expectedly lower earnings from taxes and royalties as well as other relevant benefits.

In the contract amendment arranged by the ministry, it was suggested that the duration of all state-owned distillery-leasing contracts with Sura Maharas and its affiliates be renewed to expire in 1999, coinciding with that of the Sura Thip Group, and that the payment of taxes and royalties to the Government should be a package deal.

It also suggested that liquors with similar colour and flavour should be taxed at the same rate and all brands of liquor should be allowed to sell nationwide.

The ministry added that the Excise Department's Nonthaburi distillery should be closed down and the Government's earnings from this distillery be maintained by transferring the responsibility to Bangyikhan Distillery.

All the suggestions were rejected by the Cabinet, after which the Industry and Finance ministries were ordered to jointly look into the matter again before resubmitting their findings for further consideration.

The Industry Ministry assured that when the leasing contract amendment was approved, the Government would earn another 5,122 million baht from the operation of Bangyikhan Distillery out of a total of 199,404 million baht the Government would receive from all distilleries.

STATE OWNS DISTILLERIES

TTM drops plan to construct 6th plant 1/6

THE state-owned Thailand Tobacco Monopoly has suspended indefinitely its plan to invest 4,000 million baht to construct a sixth cigarette factory in Chiang Mai, a highly-placed source on the TTM board told the Bangkok Post yesterday.

According to the source, the suspension is a due to the unfavourable market situation caused by lower cigarette consumption resulting from an increase in anti-smoking campaigns.

The source said TTM, which comes under the authority of the Finance Ministry, will instead work to improve the efficiency of its existing five plants, all of which are located in Bangkok, so as to reduce production costs.

TTM planned for some time to build a sixth factory, requiring an investment of about 4,000 million baht, in Chiang Mai which was to produce 10,000 million cigarettes a year. Currently, TTM's five plants make about 30,000 million cigarettes a year.

However, the project was never approved by the National Economic and Social Development Board nor the Finance Ministry.

Regarding sales of cigarettes this year, the source said consumption was unlikely to increase from last year's level as previously projected, due mainly to intensified anti-smoking campaigns.

In the past, cigarette sales increased by 2-3% annually.

The source said he expected the organisation's profits to remain at last year's level of about 1,000 million baht.

The source went on to say that TTM was in the process of analysing the market situation to find out whether the ongoing anti-smoking campaigns would have any adverse effect on its sales.

Once the results of the survey are known, TTM can adapt its marketing strategy to cope with the

situation, the source said.

He pointed out that the anti-smoking campaigns are quite effective in the cities, however, since the majority of these people prefer smoking foreign cigarettes smuggled into the country, the campaigns don't seriously affect TTM, whose clients are mostly in the provinces.

DECISION

Regarding the report that the Finance Ministry plans to adjust the excise tax on locally produced cigarettes, the source said TTM was uncertain over the issue. He said that if the ministry really decides to raise its excise tax, TTM could not adjust its cigarette prices accordingly under the prevailing circumstances.

"We may have to shoulder the higher costs, and that may mean lower profits for us," the source added.

TOBACCO

Government agrees to electricity rates

Annual saving for consumers up to B1,000m

THE government yesterday decided to reduce electricity rates by 2.7 per cent which will result in an annual saving of 1,000 million for consumers, effective June 1. At the same time, it also set a policy for development of lignite as a potential source of energy for power plants, ending a long rivalry between two state-owned units.

This was announced yesterday following a meeting of the National Energy Policy Committee chaired by Prime Minister Prem Tinsulanonda. The meeting spent more than three hours in deliberating the issue.

Deputy Secretary General of the National Economic and Social Development Board, Dr Phisit Pakkasem, said that it had taken more than a year for the National Energy Administration to complete a study on electricity rate restructuring.

The electricity rate reduction followed last year's cuts in the price of fuel oil and natural gas which have brought down the cost of producing electricity by 2,200 million baht a year.

The government deemed it suitable to pass on the benefits to consumers, said Dr Phisit. He explained that the guidelines for restructuring the power rates were based on four major factors.

The first is for the restructuring to reflect the actual cost of electricity production and distribution in the future. The second is to maintain financial stability for the three electricity agencies which will have reasonable rates of return on investment from new projects. They can have more counterpart funds from their earnings for investment and reduce the external debt burden.

The third point is to raise productivity by encouraging various sectors of the industry

to consume more electricity efficiently while there will be a more suitable categorization of consumers in line with the country's economic development.

The fourth is to ensure fairness among consumers such as the industrial sector, low-income households and others, said Dr Phisit.

He said that no group of consumers should have advantages over others and none of them should subsidize any particular group.

The decision will be presented to the Cabinet for approval today. About 98 per cent of users will benefit from the reduction. About one per cent will not pay lower rates because they are small business premises which also serve as residences.

He said clients of the Metropolitan Electricity Authority will have a total saving of 486 million baht a year compared with 411 million baht for the Provincial Electricity Authority clients. "The timing is also good because the prices of energy are going up and electricity charges are being fairly based," he said.

There are four new categories of consumers — medium-sized mining industries, specialized industries, specialized businesses such as tourism business, and non-profit organizations, and government units.

Those who will benefit from the lower rates, Dr Phisit said, are households with monthly consumption of 36-400 units. They have a reduction of two stang per unit and surcharge was abolished for amounts exceeding 1,500 baht. For small businesses whose consumption is close to households, they will no longer pay the surcharge for consumption exceeding 1,500 baht monthly. The power rates will be the same for consumption up to 500 units.

Large and medium-sized industries will have lower rates

with increased demand charge and a four per cent discount on overall consumption. A surcharge on consumption exceeding 15 per cent or equivalent to a monthly consumption of 10,000 baht per month was scrapped.

Entertainment places will no longer pay a 20 per cent surcharge set by the Cabinet in 1975. Rural consumers will still have support from the government. The wholesale rate charged by the Electricity Generating Authority of Thailand was cut from 1.31 baht to 1.26 baht per unit for MEA, and from 1.15 baht per unit to 1.03 baht for PEA. The rates will be revised annually.

Dr Phisit said that the adjustments in the wholesale rates of EGAT will enable MEA and PEA to have a similar rate of return on investment at seven per cent as envisaged under the Sixth Plan. The rate is also close to the interest rate yielded by government bonds.

He said that without the adjustments, EGAT would have about nine per cent rate of return on investment from the lower prices of natural gas.

On the lignite development plan, Dr Phisit said that four guidelines have been set. The first is for the Department of Mineral Resources to have responsibility for preliminary survey and exploration, issuing of concessions and exclusive prospecting licences, and fixing of royalties.

The second is for the National Energy Administration to study and map out development plans for the projects which have been given mining concessions. It will conduct research on lignite promotion and set the standards for lignite.

The third point is for EGAT to be responsible for survey and production of lignite, which is used as a fuel to generate power, to integrate the various aspects of production. The last point is for the National Energy Policy Committee to act as the

coordinator and propose future lignite development plans.

The decision thus ended the long-standing rivalry between the DMR and NEA to control the commercial development of lignite in northern provinces.

Cabinet to decide on power price cuts today

ELECTRICITY prices will fall by an average of 2.7 per cent from June 1 under a package approved by the National Energy Policy Committee yesterday.

The panel approved the cuts proposed by the Electricity Pricing Subcommittee and the matter will be put to the Cabinet for final approval today.

The reduction comes as a result of decreases in oil and gas prices in April and October last year which enabled the Electricity Generating Authority of Thailand to save 2,200 million baht a year in production costs.

Speaking after yesterday's meeting, National Economic and Social Development Board deputy secretary-general Pisith Phakkasem said a 2.7 per cent cut would benefit the people to the tune of 1,000 million baht a year.

Dr Pisith said that under the new structure:

- Households using 36-400 units per month will enjoy an average decrease of 2 satang per unit. The fee for using more than 1,500 baht of power per month will be lifted.

- Prices for small businesses will be in close proximity to those of households.

- Large industry will be urged to turn from other forms of energy to electricity and their overall electricity bills will get a 4 per cent

discount. A 15 per cent surcharge if bills exceed 10,000 baht per month will be lifted.

- A 20 per cent surcharge on entertainment places imposed under a Cabinet resolution in 1975 will be lifted.

- Consumers in rural areas will still enjoy subsidies for electricity prices.

Dr Pisith said EGAT will also sell cheaper electricity to the metropolitan and provincial electricity authorities.

The MEA will pay 1.26 baht per unit instead of 1.31 baht, and the PEA 1.03 baht per unit instead of 1.15 baht. However, the rates are subject to annual review.

As a result of the new structure, the three electricity agencies are expected to make annual profits of 7 per cent instead of 9 per cent.

Of the estimated 1,000 million baht annual benefit for the people, 486 million baht will go to MEA subscribers, 411 million baht to PEA subscribers and 114 million baht to EGAT subscribers.

The NCEP also considered ways of using lignite for energy and agreed to assign the Mineral Resources Department to conduct a preliminary survey on resources, and the National Energy Administration to study the suitability of lignite.

The EGAT was also assigned to study the use of lignite for producing electricity.

Cheaper ^{6/10} power rate approved

THE National Energy Policy Committee's proposed electricity price cuts were approved by the Cabinet yesterday.

Under the pricing structure, effective from June 1:

- Households using 36-400 units per month enjoy a decrease of 2 satang per unit.

- The rate for small businesses using less than 500 units a month remains unchanged. The rates for small businesses using more than 500 units a month are a little higher, but close to those of households.

- Large businesses and industries get a 4 per cent discount. A 15 per cent surcharge if bills exceed 10,000 baht per month is lifted.

- A 20 per cent surcharge on entertainment places imposed under a Cabinet resolution in 1975 is lifted.

Parliament

THE present parliamentary session which began on April 1 is expected to end on June 30 as the Cabinet has acknowledged a draft Royal decree to end the current ordinary session then.

Firms say power price changes unfair

A NUMBER of large business establishments and large industrial plants have lodged a complaint with the Association of Thai Industries over the recent adjustment in the electricity price structure.

An ATI source told the *Bangkok Post* that these companies complained that the price adjustment would cause them to pay about 3-7% more for electricity each month.

They said under the new electricity structure, large business establishments and industrial plants using the three wiring system and consuming between 11-33 kilowatts of electricity should pay lower electricity bills.

However, even though the per unit rates have gone down, after carefully calculating the overall progressive rates, based on the actual consumption of electricity, the actual amount to be paid would be higher than in the past, the source said.

REDUCTION

The Cabinet on Tuesday approved the reduction in electricity rates which is retroactive from June 1.

Under the reduction, households using 36-400 units per month enjoy a 0.02 baht cut per unit; small businesses using more than 500 units a month will pay a little more; and large businesses and industries get a 4% discount, while the 15% surcharge on bills exceeding 10,000 baht per month has been lifted.

The source quoted the letter filed by the group as saying that office building owners normally charge their clients the household rate for electricity consumption. But since the building, which is classified as a large business establishment, is charged a different rate, the owner has to shoulder higher expenditures resulting from the new structure.

The letter stated that an office building which used to pay about 445,280 baht for electricity a month, would now have to pay about 465,800 baht, an increase of more than 20,000 baht based on the new electricity structure.

According to the source, the letter pointed out that the new structure goes against government policy to promote local industries as higher electricity bills would push up production costs.

The source went on to say that ATI would conduct a survey among its members on the issue, and if the complaints turns out to be correct, it would then submit a petition to the Government to consider measures to solve the problem.

PTT's profits set to decline

THE Petroleum Authority of Thailand (PTT) is expected to suffer a "significant drop" in net profit for the fiscal year ending September as earnings from natural gas and petroleum product sales are expected to fall.

PTT Governor Tongchat Hongladaromp said the latest financial results indicated that the national oil company's net profit for the current fiscal year would be "significantly" lower than last year.

Dr Tongchat refused to be more specific about the figures, but PTT's financial statement for the last fiscal year showed a net profit of 1,644 million baht, a 30% drop from the previous year.

He blamed the expected lower profit on lower margins from the sale of indigenous natural gas, mainly to the Electricity Generating Authority of Thailand and industrial users, and refined petroleum products.

Margins from gas sales were lower because of PTT's announced price cut in a bid to encourage customers to maintain usage as gas prices became less competitive. The profit from oil products also dwindled due to the increase in crude oil prices in the world market.

Foreign exchange losses of 406 million baht contributed to last year's reduced profit.

PTT's turnover last fiscal year was 38,678 million baht, 3,887 million baht lower than the previous year.

PTT oil sales increase 10.8%

PETROLEUM Authority of Thailand sales to the public in the 1987 half-year ended last March increased 10.8% over the corresponding period of the previous year.

The PTT attributed higher sales in the non-government sector to higher market demand, sales promotions and a higher degree of public acceptance.

Chalking up the highest increase was premium petrol at

53.7% to 81.83 million litres; regular petrol 18.87% to 168.45 million litres; high-speed diesel 2.34% to 510.38 million litres; LPG 30.81% to 94.47 million litres and lubricant oil 24.22% to 4.36 million litres.

Kerosene sales fell 26.08% to 2.75 million litres and fuel oil was down 64.83% to 3.88 million litres because of sales controls and alternative fuels, said the PTT.

Kasame to speak on energy at chamber

KASAME Chatikavanij will be at the microphone again as the guest speaker at the American Chamber of Commerce in Thailand's luncheon meeting on Wednesday at the Hilton Bangkok Hotel.

Mr Kasame, chairman and managing director of semi-state-owned Thai Oil Co and concurrently holding several other posts in the energy sector, will speak on the subject he is keen on — "Energy Picture of Thai-

land."

His other positions are chairman of state-owned Bangchak Petroleum Co, board director of the state-run Petroleum Authority of Thailand, chairman of the Electricity Generating Authority of Thailand's Development Committee and board director of EGAT, chairman of the board of the Regents, Prince of Songkhla University, Senator and member of the Juridical Council.

PTT to export fuel oil to Japan

THE ^{6/20} state-run Petroleum Authority of Thailand (PTT) will export its first shipment of low-sulphur fuel oil to Japan at the end of the month.

The delivery of 10

million litres of fuel oil is part of a one-year supply agreement between PTT and Mitsui & Co which calls for the export of about 1.4 million barrels.

PTT said Mitsui is arranging a tanker to take delivery of the fuel oil at the state-owned Bangchak Petroleum Co's oil refinery where it is processed.

The price of fuel oil sold to Mitsui is based on the world oil price, but PTT will pay an extra \$1.06 a barrel to BCP for additional processing costs.

A spokesman for the national oil company said the country stands to earn 18 million baht in the form of oil fund savings (the Government subsidises locally distributed fuel oil), additional income tax and royalties from Unocal Thailand's gas production, which is increased as gas substitutes fuel oil.

Furthermore, the sale will help improve the country's balance of payment by about 21 million baht.

Cabinet defers asphalt purchase decision

THE Cabinet yesterday decided to defer its decision on a proposal by the Communications Ministry to liberalise the purchase of asphalt by the Highways Department.

Cabinet sources said the postponement was suggested by Deputy Prime Minister and Democrat Party leader Bhichai Rattakul to give Cabinet ministers time to study the proposal which was presented to yesterday's Cabinet meeting.

Under the proposal, Communications Minister Banharn Silpa-archa requested that the Cabinet re-enforce a ruling on June 9, 1981 to allow government agencies to purchase asphalt from any merchant and to remove the state-owned Express Transport Organisation from being the sole delivery agent of asphalt to the Highways Department as stipulated in another ruling that year.

Mr Banharn also asked the Cabinet to scrap a ruling last year which allows Thipco Emulsion Co Ltd to solely supply cold-mixed asphalt to the Highways Department.

Mr Banharn said his proposal was not discussed by the Cabinet yesterday because the issue had not been put on the meeting agenda in advance and because it was raised for debate late in the meeting.

The sources said Mr Bhichai requested when the proposal was tabled that ministers be given seven days to read Mr Banharn's proposal.

Prime Minister Prem Tinsulanonda then ruled that the issue would return for Cabinet consideration next week.

Official faces pay cut in ETO scandal

6.13 THE chief of the Express Transport Organisation's Contract Division has had his pay cut by 10 per cent for three months for signing an ETO contract to buy asphalt from Thipco Emulsion Company.

ETO director Pongpol Adireksarn, who ordered the pay-cut, said Noppon Boonyapunnanonada had co-signed the contract at the instructions of then-administrator Surasak Chawee-wong.

He said the contract, signed in 1985 by Mr Surasak when Samak Sundaravej was communications minister, made Thipco Emulsion Co the sole supplier of cold-mixed asphalt to the Highways Department for 15 years.

The Counter Corruption Commission has ordered the Communications Ministry to investigate the deal.

Communications Minister Banharn Silpa-archa has asked the Cabinet to enforce a June 9, 1981, ruling that allows government agencies to buy asphalt from any merchant and to remove the ETO as sole delivery agent of asphalt to the Highways Department.

Banharn calls for bid reconsideration

6.17 COMMUNICATIONS Minister Banharn Silpa-archa recently ordered Highways Department director-general Bathira Wongvichien to reconsider the bids for road surfacing to avoid alleged collusion.

In a directive to the director-general, Mr Banharn quoted a newspaper report on June 3 as saying that the road surfacing winning bids were too high which might have resulted from the bidders acting in collusion.

Mr Banharn has ordered the Highways Department to implement the following:

● If the "chip seal" surfacing technique bid was pushed up as reported by the press, then the department must call new bids.

● The prices quoted for the "chip seal" and "slurry seal" techniques should be comparable per metre. If the "slurry

seal" technique was more expensive, the department must also call a new bidding.

● For the new bidding, contractors will be allowed to quote prices for one both methods of surfacing. The department must select the technique which offers the lowest bid.

● For the maintenance work using "cold mix" or "hot mix" techniques, the bidding should follow the previous procedure.

● After the winning contractor is declared, the department must supervise the surfacing or maintenance work according to specifications laid down in the contract.

Mr Banharn noted that since the budget year is coming to a close, the department must carry out the order promptly and inform him of the results.

Cabinet asked to revoke asphalt decisions

6.17 THE Ministry of Communications has asked the Cabinet to revoke two earlier Cabinet decisions appointing the Express Transport Organisation the sole purchaser and supplier of asphalt to all government units.

Communications Minister Banharn Silpa-archa said yesterday that the Cabinet decisions created a monopoly for the ETO and prevent the other government units, such as the Highways Department which needs large quantities of asphalt each year, to obtain the material from other sources.

The ministry, he said, has proposed new regulations which will allow departments and government agencies to purchase asphalt directly from factories.

To prevent corruption, he said that several committees would be set up to screen the procurement process.

He also asked the Cabinet to scrap the contract with Thipco Emulsion Co.

Mr Pongpol said the CCC is still investigating Mr Surasak, the ETO's former director.

The ETO has asked the Crime Suppression Division to take legal action against Mr Surasak for alleged misuse of agency money.

He said the CCC has ordered the Communications Ministry to revoke the ETO contract with Thipco Emulsion Co, and the ETO has been ordered by Mr Banharn to look into the matter.

In complying with the ministry's order, the ETO sent a letter to the Public Prosecution Department asking whether the contract, which is good until the year 2000, can be terminated.

B29,000m road plan gains approval

THE Committee on the Development of Bangkok Metropolis and its Perimeter yesterday approved in principle a 29,000-million-baht investment plan to improve the transport system.

The panel said the plan, adopted in the Sixth National Economic and Social Development Plan, should be regarded as a priority but further studies would be needed before it would be put to the Economic Ministers for approval.

PRIVATE FIRM

Also approved in principle was a plan to give a contract to a private firm to build a 19-kilometre elevated road along Klong Saen Saeb and Mahanak.

The Land Transportation Traffic Arrangement Committee was assigned to consider details of the proposal to ensure that the project conformed to standards and was compatible with existing road networks.

The panel, chaired by Deputy Prime Minister Bhichai Rattakul, also approved in principle an Expressway and Rapid Transit Authority of Thailand proposal to allow private sector investment in stages 2 and 3 of the expressway.

6/10

INVESTMENT PLAN FOR THE IMPROVEMENT OF TRANSPORTATION SYSTEM IN BANGKOK METROPOLIS AND UNDER THE SIXTH PLAN (1987-1991)

	Investment budget		Implementation	
	The whole projects	Under the Sixth Plan	1987	1988
Total investment	61,115	29,068	1,343	6,594
1. Principal and main roads	35,857	16,989	1,157	3,368
1.1 Expressways	22,460	9,082	40	1,086
1.2 Highways	4,968	4,433	846	1,498
1.3 Principal roads	2,939	1,346	208	331
1.4 Bridges	5,460	2,137	63	443
2. Secondary roads linking soils	4,013	2,815	186	670
2.1 Minor roads	3,689	2,471	119	589
2.2 Roads linking soils	344	344	67	71
3. Mass transit system	21,000	9,000		2,500
3.1 Improvement of Bangkok Transportation Co	3,000	3,000		750
3.2 Electric train system	15,000	3,000		1,000
3.3 Elevated railway & suburban railway	3,000	3,000		750
4. Others	245	245		56

3-baht fare on new buses

6/11

THE Bangkok Mass Transit Authority will charge commuters three baht on new buses from November, Deputy Communications Minister Suraphan Chinawat said yesterday.

The increase, approved by the Cabinet last week, will apply to the BMTA's 1,000 new buses, including 100 air-conditioned ones, that will be gradually put into service during the next 18 months.

The first 80 buses will serve in populated areas, including 10 on the Rangsit-Sanam Luang route, in November.

Mr Suraphan said the BMTA, with a projected 3,000-million-baht budget recently approved by the National Economic and Social Development Board, expects to break even within 18 months and trim its losses to 28 million at the end of next month.

The BMTA has accrued average monthly losses of 46 million baht in recent years.

Monthly bus tickets

6/6

THE Bangkok Mass Transit Authority plans to introduce discount bus tickets valid for a month.

BMTA deputy managing director Tavorn Chantrathai said details were still being worked out but the new tickets are expected to go on sale within a month.

Although the BMTA will lose revenue, earnings from the discount tickets — which will mean passengers will pay for their travel in advance — will be put into a special fund to solve cash flow problems.

The state-owned bus agency currently loses about one million baht a day.

Police unit to rein in minibuses

6/18

THE Bangkok Mass Transit Authority is to set up a police unit to make minibus crews observe traffic laws, Deputy Communications Minister Suraphan Chinawat said yesterday.

Mr Suraphan said the unit would be established this week and manned by volunteers from among the BMTA's 800 inspectors.

The volunteers would be trained by the police to tackle traffic violations, such as dangerous driving, running buses out of concession routes, excessive exhaust fumes and corruption among conductors.

The unit would also make sure Bangkok's estimated 2,000 minibuses are adhering to BMTA regulations by the end of this month.

Under the new system, said Mr Suraphan, minibus operators would not have to pay tea money to unauthorised persons but would pay the BMTA between 100 to 125 baht a day to operate concession routes.

THAI orders two more Boeing jets

THAI Airways International has placed an order worth about US\$250 million with the Boeing Commercial Airplane Company for the purchase of two new B747-400 jetliners plus an option on two more.

According to Boeing, the two B747-400s are scheduled for delivery to THAI in October and November 1989. The purchase of the aircraft will give THAI 10 B747s.

THAI is expected to receive its seventh and eighth B747s, which belong to the 300 series and have extended upper decks, by December this year.

Under the agreement, which is subject to gov-

ernment approval, the two optioned aircrafts have been scheduled for delivery in 1990 and 1991.

Despite the set delivery dates for the first two B747-400s, THAI has yet to select a suitable engine for the aircraft as only the Pratt & Whitney PW4000 is currently available because the new General Electric engine designed for the 400 has yet to be certified.

The entire THAI fleet is equipped with General Electric engines so the carrier is not expected to choose the Pratt & Whitney engine as this would affect its cost reduction concept which relies on the use of similar en-

gines.

The B747-300 and B747-400, which is considered the largest, most modern and longest-range jetliner, will be used on THAI's long-haul routes such as Bangkok-Europe and Bangkok-North America.

The B747-400, which is capable of flying 8,000 statute miles without refuelling, incorporates new technology which makes it the most fuel-efficient aircraft in commercial operation with about 10% less fuel consumption per seat than the current 747-300 and about 18% less than the older 747-200s.

The B747-400 also features a two-crew flight

deck incorporating digital systems developed from Boeing's twin-jets. New interior designs offer flexible seating for operators and more pleasant surroundings for passengers.

Boeing's first B747-400 will roll out of its assembly factory in Everett, Washington in early 1988. Following lengthy flight certification trials, the aircraft will be available for delivery to Swissair in late 1988.

At present, the US-based aircraft manufacturer has received 797 firm orders for B747s, of which 87 are for the 400 model.

Meanwhile, an informed source said the THAI order was initially an earlier option for two B747-300s, "but the airline decided to upgrade its order for the 300 model to the 400 as the latter aircraft was more suited to the airline's future marketing strategies on long haul routes".

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New country manager

Air Chief Marshal Prayad Dityasarin, president of Thai International, recently hosted a reception to introduce new THAI country manager for Thailand Suthep Suesantiwongse.

Attending the event held at the Shangri-La Hotel were over 200 guests from airlines and travel agents.

Pictures shows (from left) Pitti Sukakul, managing director of President Tours Co; Chatrachai Bunya-anant, vice president of THAI; Yawalsakana Pangsapa, president of the Association of Thai Travel Agents; ACM Prayad; Kusa Panyarachoon, president of World Travel Service Co; and Mr Suthep.

Deep-sea port at Songkhla facing delay

6/2
THE Songkhla Deep-sea Port Project is faced with the unexpected problem of an underwater rock bed which could delay its completion by two months, Harbour Department engineer Fueng Panichkij said.

The hard rock layer means that the original method of pile driving cannot be used and the port's contractor, Razer Engineering Agency from Taiwan, has set an extra budget of 10 million baht to deal with the problem, Mr Fueng said.

He said that the port is now about 40% completed. According to the schedule the project should be 45% finished, but only 637 piles have been driven in place out of 1,115 due to the rock bed.

The project's budget has been set at 636,570,676 baht, of which 63% is financed by a loan from Asian Development Bank and the rest provided by the Government.

Construction was scheduled to last 33 months beginning in March. Payments to the contractor are made in 33 installments and so far 23 installments worth 160 million have been paid.

As a result of the expected delay, the con-

tractor is now working day and night to minimize deviation from schedule.

The port project was initiated by Prime Minister Prem Tinsulanonda to be used as a loading point for raw materials, mainly rubber.

It is expected that once the project is completed, more trade and industry will be drawn to Songkhla and nearby provinces. The port will be able to receive three ships each of up to 20,000 tons in size simultaneously. There is also a warehouse with a total space of 6,720 square metres as well as a jetty to protect the port from waves and sediment.

GHB lendings to rise sharply

WITH the housing industry currently at its peak, credit extension by the Government Housing Bank this year is expected to reach 3,000 million baht, the highest target ever set by the GHB, managing director Kitti Patpongpi-bul said.

He said there were more than 10,000 new houses registered during the first quarter of this year, with the number estimated to top 40,000 by the end of the year.

Regarding interest rates the bank charges its clients, Mr Kitti said the GHB is not yet able to cut its rates because it still has

to set high reserves for possible losses from foreign exchange.

"Most of the bank's loans are in foreign currencies, including Japanese yen and Swiss francs, which have appreciated greatly, causing the bank to shoulder higher costs," he pointed out.

The bank has set a reserve of about 200 million baht this year for possible foreign exchange losses.

However, he said the bank planned to refinance its syndicated loans amounting to 5,000 million yen by the end of this year, which will help the bank to reduce its interest rate burden from 8.6% to 4.9%.

Port Authority awards another contract to Pass

6/13

THE Port Authority of Thailand has awarded a contract worth 542.522 million yen to the Pass Consortium Group for supervising the construction work of the Laem Chabang deep-sea port.

Pass Consortium was earlier awarded a contract worth 101.109 million baht for the detailed

design work of the port.

The agreement was signed by PAT Managing Director Phongsak Wong-samut and top Pass executives at the authority's headquarters earlier this week.

PAT is still in the process of selecting a suitable contractor and has short-listed 13 companies after

calling for international bids. Those short-listed firms have been asked to submit their proposals to PAT by June 28 so the PAT selection committee can take about two months evaluating the proposals and negotiating with the bid winner.

PAT noted that if all went as planned, the authority would be able to sign a contract for the construction of Laem Chabang deep-sea port by the end of this year.

SUPPORT

Meanwhile, in an effort to cope with its increased workload, PAT will computerise its container freight handling operations with technical support from the Economic and Social Commission for Asia and the Pacific (ESCAP), a PAT official said yesterday.

Next month, PAT will call for bids for the supply of a super minicomputer system worth around 10 million baht.

The system will be used to handle container operations and freight in PAT's warehouses and to calculate cargo flows through Bangkok Port.

The system will be installed and put into use sometime early next year, probably in February, he said.

The source said that after the hardware had been procured, PAT would get technical assistance from ESCAP for the development of the software to handle shipping business.

ESCAP's technical cooperation will be given free of charge provided that the software developed by its people will then be made available to other developing countries with ports of about the same size as Bangkok Port. These include Fiji and Burma.

The source said the project had already received approval from the National Computer Committee.

New stevedore rights fees expected

8/12

THE Communications Ministry has told the Port Authority of Thailand to review its recent decision on stevedore rights fees and has proposed a new rate for Klong Toey Port to boost revenue.

Deputy Communications Minister Sanan Kachornprasart said stevedore rights fees would be collected in the 520 day period after the PAT signs a contract with Yugoslavia for the purchase and installation of six cranes at the port.

Lt-Col Sanan said the PAT had not collected the fees for over 10 years and had lost 2,000 million baht as a consequence.

After the new cranes are installed the PAT will take over all stevedore operations.

At present the loading and unloading of containers at the port is carried out by three groups with fixed quotas. These are 129,117 containers per year for the PAT, 510,694 by ship owners and 87,196 by private companies.

Only the private companies pay 15 per cent of their revenue to the PAT, earning the agency 142 million baht annually and the Government 11.18 million baht in business and income taxes.

Late last month the PAT board chaired by Adm Thada Ditbanchong considered introducing

stevedore rights fees and decided to leave the quotas unchanged. However the PAT will start collecting 15 per cent fees from ship owners as with private companies.

This will help the PAT increase its revenue to 213.64 million baht while the Government will still get 11.18 million baht.

Lt-Col Sanan said the ministry wants the PAT to retain the same stevedore quota, to reduce the ship owners' quota to 100,869 containers, and increase the quota for private companies to 490,721 containers.

Both the ship owners and private companies would also be subject to 20 per cent stevedore rights fees.

If this happens the PAT will increase its revenue to 228 million baht annually while the Government will get up to 131 million baht in business and income taxes, he said.

The ministry has told the PAT board to review its decision and instead adopt this proposal.

The PAT board will meet tomorrow to discuss the matter and the new fee formula is expected to be implemented this month.

When the agency announces its new regulations concerning the fees, private firms will have to submit bids to the PAT, he said.

1,000 phone lines for bank

6/12

TELEPHONE contact with the head office of Bangkok Bank is more convenient than previously after the Telephone Organisation of Thailand established a telephone exchange at the office, the bank's information and social activities section chief, Payong Kajalai, said yesterday.

He said the exchange had enabled customers wanting to contact the bank to dial code "230" before the numbers of all telephone lines between 1000-1999.

He said this meant the bank had 1,000 direct lines for use by customers.

Mr Payong said that after a two-week test, customers said they were satisfied with the system as it was more convenient.

He said the head office previously had 250 direct lines and a central line, 234 3333, for contact with customers.

With the establishment of the exchange and permission by TOT to use the 230 code before the bank's telephone numbers, heavy telephone traffic would be eased, he added.

35-0050 (8 lines)

AY JUNE 17, 1987

TOT urged to lower rates in poorer areas

THE Telephone Organisation of Thailand (TOT) was urged yesterday to modify its long distance telephone rates by lowering the cost for poorer areas in order to expand services and encourage economic activity.

The East-West Centre, the World Bank and TOT held a joint workshop seminar yesterday on "The National Study of the Social and Economic Impact of Rural Telephones in Thailand" at the Erawan Hotel.

The above proposal follows a study which found that a big percentage of respondents had never used a telephone simply because facilities were not available, especially in rural areas.

The workshop decided that as TOT planned to install at least 20,000 public telephones in the next five years, it should bear two factors in mind.

The first factor uncovered by the study was that telephone services providing significant benefits per unit cost were in provinces surrounding Bangkok and

areas where there was a high level of economic activity.

The second factor was that, if telephone installation was to be considered a social contribution, the rates should be lowered so users in remote provinces paid less than those in provinces close to Bangkok. The reduced rates could be expected to help boost economic activities in the remote provinces.

The study combined stratified sampling with area sampling and simple random sampling using 2,500 respondents from 12 provinces.

East-West Centre's assistant director/research associate, Dr Godwin Chu, told the seminar that the study had been broken into four major sample groups — home telephone subscribers, office telephone subscribers, those with a telephone both at home and in the office and non-subscribers.

Among the 2,500 respondents, 1,399 were non-subscribers and 402 of these had never used a telephone before.

The other non-subscribers had either used a telephone in their neighbourhood, had travelled a considerable distance to make a call or had used a radio telephone.

"In towns and rural communities a surprisingly large percentage of the respondents had never made a telephone call in their lives," Dr Chu said.

"In rural tambons where no telephone facilities are available, some 45% of the respondents had never made a call. Even in municipal tambons where telephones are available, about 25% of the respondents had never used one."

He said that as Thailand moved further ahead in its economic and social development, expansion of telecommunication facilities could be expected to bring benefits to the society, but the expansion seemed to be an urgent matter since a sizeable number of rural inhabitants had never made a telephone call in their lives.

TELEPHONE ORGANIZATION

FINANCE
INVESTMENT
AND
STOCK MARKET

Foreign investors: Problems remain

by Joseph Waring

A COMBINATION of a number of more favourable government policies, the steady economic development and the appreciation of the yen have led to a substantial increase in foreign investment in Thailand this year. In the first four months 130 projects received Board of Investment promotional privileges compared to just 73 during the same period in 1986.

According to many foreign investors, the investment climate in Thailand is the best in the Southeast Asian region. However, most agree that there are still a number of aspects which the Government needs to improve to further enhance Thailand's potential to attract overseas investors.

In an attempt to identify the major problems discouraging foreign investment in Thailand, the *Business Post* talked with executives from the Japanese, American and British Chambers of Commerce.

The three chambers agreed that a major investment impediment is the inconsistent, occasionally inflexible and consequently unfair enforcement of government policy by various agencies, most specifically the Revenue and Customs departments.

An official from the Japanese chamber said that considering the dynamic economic development in Thailand, the Government must have a consistent and stable policy to ensure clear and fair taxation, among other things, if the country wants to induce the flow of more foreign capital into the country.

He said that while there have been improvements in the regulatory environment here, the complexity and slow execution of administrative procedures, such as the return on business and import taxes and duties on raw materials for goods produced for export and BoI consideration of investment promotions, need to be simplified and made faster.

Foreign investment in Thailand has been increasing substantially due to a number of more favourable factors. However, according to three foreign chambers of commerce in Bangkok, there are still problems inhibiting investment here.

RESTRICTIONS

According to a report compiled by the Japanese Chamber of Commerce, hard and fast rules and restrictions on such things as issuing visas and work permits and strict and hasty enforcement of equity percentages and content portions, contrary to their intention, are apt to have an adverse effect on the smooth transfer of technology in the long run. The report said these measures should be implemented with flexibility in fully conforming with actual conditions.

British Chamber of Commerce president David Tarrant said that although there have been improvements in the overall investment climate in Thailand, the red tape that foreign investors must wade through is a major stumbling block discouraging investment.

Mr Tarrant, managing director/chief executive of Inchcape (Thailand) Ltd, said that "the enforcement of the letter of the law without flexibility in many matters that are inconsequential does, in fact, lead to red tape and many times leads to unfairness and arbitrariness which discourages investors".

He said there is certainly more buoyancy in the economy which is in better shape than most people expected, and it is growing faster than all other ASEAN member countries which are Thailand's main competitors for foreign investment.

However, he said that as a result of changing times and shifts in national priorities and interests, Thailand is burdened with out-of-date laws and a myriad of regulations, rules, policies and bureaucratic proce-

dures which a new investor coming into Thailand finds absolutely mind-boggling.

"When new investors see things like the Alien Business Law, NEC 281 and the Civil Commercial Code conflicting with the Revenue Code, they really have a problem finding their way through those regulations and coming to a clear investment decision," he pointed out.

American Chamber of Commerce vice president T.J. White said the monolithic tax structure and customs procedures companies must face when doing business here is a major disincentive for American investors.

Mr White, regional manager of Phelps Dodge International Corp, said that while American investors are quite happy with the present investment climate here, which is getting better, there are still several major disincentives keeping Thailand from really booming.

Doing business in Thailand today, he said, is very different than during the 1960s when the climate was relaxed and companies understood the "system". Now there exists a "monolithic wall" which investors must deal with. And with all ASEAN



Tarrant



White

member nations offering investors about the same things, he said, the Government has been questioning many of the laws that were implemented during the boom period which are now holding back many potential investors.

He said the present tax structure with its narrow tax base is cumbersome and not always enforced consistently. Although not uncompetitive at 35%, the problem he pointed out lay in the interpretation of the tax law and with the professionalism and accounting standards of the Revenue Department.

Structural problems, he said, have led to very indiscriminate tax enforcement with some companies paying more than the 35% rate, while others end up paying very little.

In addition, auditing practices and court actions on tax cases tend to be very slow and companies often must pay large penalties when simple mistakes are made.

He said another major disincentive is the bureaucracy of custom procedures which tend to arbitrarily assess values of imports.

These problems are not only applicable for foreign investors, but hold true for local businessmen as well, Mr White and Mr Tarrant noted.

They said the Government needs a broader tax base as currently the weighting of the tax paying burden is very narrow.

Mr Tarrant quoted figures from a World Bank survey derived from the Revenue Department's own figures that show that less than 1% of all corporate tax payers pay 77% of all the juristic taxes, and 50% of all juristic persons declared losses for income tax purposes, while the total reported losses of the corporate sector almost equalled the total profit of the tax paying companies.

REVISION

The tax and custom problems, Mr White said, can only be solved if the Government broadens the tax base in order to make the Government less dependent on a few large tax payers. Besides a revision, he said mechanisms such as more professional Revenue Department staff and customs officials are needed to improve the system.

The problem is that the Thai system is reacting slowly, and what is really needed is for the Government to convert its rhetoric into action, he stressed.

He said if these problems are addressed and cured, Thailand will definitely take off since it has many advantages over other countries in the region.

On the positive side, Mr Tarrant said the Government has worked to stimulate domestic consumption and the promotion of exports through the development of free trade zones, export processing zones and special export incentives within the GATT rulings which make it attractive to get quality investors in Thailand.

Furthermore, he added that there is much greater understanding and trust between the private business world and the public world of Government, and added that the Government has at least addressed a number of specific issues raised by foreign chambers of commerce. These

include non-trading offices, teaching restrictions in non-Thai schools, suspension of many price controls and the promotion of investment in export zones.

However, he said export controls, some licencing problems, commissions and other impediments, which are bound by red tape, inhibiting the export of Thai goods and services must be simplified or eliminated in order to facilitate the further expansion of exports.

The official from the the Japanese chamber said that even though Japanese direct investment here is currently increasing rapidly, it is important for the Government to establish flexible investment incentive measures to further improve the business environment.

He said the Government needs to relax conditions on issuing visas and work permits as well as tax clearance as these are always slow to process. Once Thai capital is involved in a project, there is a tendency for visas to become more difficult to obtain.

He said restrictions on the amount of Japanese equity in joint ventures at times causes projects to have insufficient capital because Thai partners are sometimes difficult to locate. He recommended that for the first three-five years the percentage of foreign capital should not be restricted in order to give projects a chance to get off the ground.

Infrastructure problems, such as black-outs, uneven flow of electricity and lack of water at times lead to losses in productivity and need to be addressed by the agencies concerned in order to make doing business in Thailand more attractive.

Mr White said problems with visas and tax clearances as well as telecommunications and transportation are minor hassles that businessmen must face when dealing in foreign countries, adding that the hassle factor in Thailand was not high compared to other countries in the region.

Regarding the lack of intellectual property rights protection in Thailand, both Mr White and Mr Tarrant said the problem was definitely inhibiting product introduction here.

Mr Tarrant added that this controversial issue was a major turn off for foreign companies investing in those areas, but noted that the proposed amendment to the Copyright Act was a step in the right direction. However, as normal, it excluded pharmaceuticals and agricultural products and computer software.

Another area of concern, Mr Tarrant said, was long range plans and funding to preserve and protect the environment and the nation's delicate ecological balance. He said if over expansion was allowed in various areas it would have an impact on many things including, eventually, tourism.

And even though tourism has been the leading foreign exchange earner for some years and has finally received the attention it deserves, he said there was still more the Government could do to further encourage this industry. This included the setting up of duty free stores and drastically reducing taxes on imports on luxury items such as film and cameras. He said this would really build Thailand up as a direct competitor with Singapore and draw the regional tourism away from there.

While revenue and customs are the areas where most investors generally have problems, he said the Government was addressing these problem issues and there was a positive response coming. He said he and his fellow chamber members understood the sensitivity of these issues and how politically difficult they were to resolve.

"Time is always a problem, but we're at last beginning to see improvements in these problem areas," he said.

He said his chamber has seen a clear desire on the Government's part to study and seek solutions to some of the investment problems through various committees, while the dialogue between Government departments and chamber representatives had improved enormously.

Moreover, he said many issues were receiving a satisfactory response from the Bank of Thailand and BoI, which wasn't the situation three years ago, and added that some improvements have been made in customs, the Commercial Registration Department and immigration.

Thailand attractive ^{6/16} for investors

Tokyo (AP) — A total of 23 Japanese firms sounded out the semi-governmental Japan External Trade Organisation last year about possible investment in Thailand because of the country's cheap, good quality labour and a stable political situation, JETRO said yesterday.

JETRO official Masaru Inoue said 12 other Japanese firms showed interest in Malaysia, nine in Indonesia, five in the Philippines and four in Singapore after JETRO announced an overseas investment cooperation plan last year.

The plan is aimed at helping Japanese firms build plants in member nations of the Association of Southeast Asian nations, and at helping ASEAN attract Japanese firms and technology to member countries, he said.

Of the 23 firms interested in Thailand, six made feasibility studies with the help of JETRO and two decided to build plants to make packaging equipment and moldings for plastic products, Inoue said. He did not identify

the companies.

Japanese firms, particularly small and medium-size companies, are trying to build plants abroad as the yen's rise against the US dollar has made Japanese products more expensive abroad and thus harder to export, the official said.

He said Japanese firms are interested in the fields of auto parts, iron structures, electronic parts, furniture, pottery and chopsticks.

Inoue said that so far in fiscal 1987, which began in April, JETRO has received queries from 15 Japanese firms about possible investment in ASEAN nations.

Narong proposes more incentives for listed firms

^{6/17}
FORMER Securities Exchange of Thailand president Narong Chulajata has urged the Government to increase incentives to attract companies with good operational performances to apply to be listed on the SET.

Mr Narong, currently president of Jalaprathan Cement Co and president of the Listed and Authorised Companies Club, said the present bullish trend in the stock market was due to supplies of listed securities being less than demand.

Though there are about 90 listed and authorised firms, most of their shares are in the

hands of major shareholders, with only a limited number being actually transacted in the stock market.

If the Government believes that the development of the capital market is a key factor for the country's economic development, the Government should give more tax privileges to listed and authorised companies in order to attract efficient companies to join the SET, thus increasing stock supplies, Mr Narong said.

He also said some SET regulations should be revised to protect investors' benefits.

SET to boost share supply ^{6/12} by next month

THE Securities Exchange of Thailand (SET) has stepped up efforts to prevent possible manipulation and insider trading, while trying to increase the supply of shares by 3,000 million baht within the next month.

SET assistant vice president Suthichai Chivanich said president Maruey Phadoongsidhi had already ordered his subordinates to warn small investors to be careful about speculating on share trading on the stock market.

Mr Suthichai said the trading situation was still controllable, but SET officials were working hard to ensure there was no manipulation and insider trading occurring in the market.

"We are taking what we think are suitable measures to prevent such malpractices and we are also trying to advise investors to be careful when investing in shares," he said, adding that, ironically, the

stock market authorities could not prevent them from buying shares.

"Share prices are rising as there is a limited supply of shares on the market and most listed companies are posting better operational results which helps create demand for such shares," he said.

Mr Suthichai said the stock market had been working for more than six weeks to try to increase the supply of shares available on the market.

"We are confident there will be at least 12 securities worth around 3,000 million baht listed on the main and second boards within the next month.

"We have proposed new shares for listing on both boards to the Finance Ministry which is very fast in approving listings."

He said SET would also facilitate listed firms issuing new shares to increase the supply on the market.

Maruey says exchange will act on ITF ^{6/13} manipulation

THE Securities Exchange of Thailand yesterday confirmed that action will definitely be taken against the alleged manipulators of International Trust & Finance Co (ITF) shares.

SET president Dr Maruey Phadoongsidhi give the assurance at a press conference after he and other SET officials had kept silent for a month after claiming that SET had found sufficient evidence to prove that ITF share prices were manipulated.

Dr Maruey said SET had concluded its investigation and believed that there was sufficient evidence to take action against the suspected manipulators.

"But whether to take action is up to the SET board of directors, chaired by Dr Aran Thammano, and the board will take some time considering the investigation report," he noted.

If the board agrees that the evidence is sufficient to prove that there was manipulation, it will forward the case to a task force committee, comprising representatives of the Police Department, the Finance Ministry and SET, which will consider punishments for the manipulators, including possible criminal charges.

PRECEDENT

"Though it will take some time," Dr Maruey said, "I assure you that it will not fade away. Whoever is wrong in this case, he will be punished according to law."

Dr Maruey said SET must make this case a precedent. "If it fades away with no final outcome, SET's reputation will be adversely affected as investors will no longer trust it. As far as I know, the Finance Ministry has appointed some of its officials to join the task force committee."

He also said six more companies had applied to be listed on the stock market — three on the normal board and three on the second board to be established next month.

He said the first three were Ayudhya Insurance Co (40 million baht worth of shares), Srithai Warehouse Co (80 million baht) and Sinpinyo IV mutual fund (300 million baht).

He added that the other three were Paddaeng Industry Co

(registered capital of 800 million baht), state-owned North East Jute Mill Co (100 million baht) and First Bangkok City Bank (2,000 million baht).

Although there are only about 6-1/2 months left for this year, Dr Maruey said SET had met its target set for raising the number of listed firms and supply of share for trading on the stock market.

Meanwhile, SET assistant vice president Suthichai Chitvanich said about 20 listed and authorised firms issued new shares worth altogether 3,730.7 million baht in the first five months of this year.

Of these shares, 1,937.6 million baht worth were sold to existing shareholders and the balance to the public.

SET targets rural investors

6/15
THE Securities Exchange of Thailand, in an attempt to promote stock investments in the provinces, has entered agreements with several commercial banks to enable provincial investors to transfer their money.

SET president Maruey Phadoongsidhi said at the weekend that the transfer could be made through com-

mmercial banks' branches nationwide.

The SET will also encourage finance and securities companies to appoint representatives or stock agents in the provinces as soon as possible.

He said the agents appointed by finance and securities companies would have to be trained by the SET and have official prior approval from the Bank of Thailand.

Each company can appoint only one agent for each province, he said, with permission for the agents renewed annually. Any agent found violating SET's regulations will have his permission terminated immediately.

New bonds

THE Government will this week issue a new batch of government bonds worth 2,000 million baht, a senior central banker said.

The Bank of Thailand's Banking Department director, Vijit Supinit, said the bonds would be 10-year investment bonds offering an annual interest rate of 7.5%.



Maruey

Most stock transactions done on cash basis

6/17
MOST trading in the stock market is conducted in cash, a senior central banker said.

Bank of Thailand chief spokesman Siri Kancharoendee told the *Business Post* the central bank was very interested in the bullishness of the stock market and had been closely monitoring financial companies which are also brokerage firms and their margin loan extensions to investors to prevent them from over-extending the loans.

"But we found that the extensions of margin loans by brokerage firms were quite low as most of the transactions were dealt in cash," he said.

He believed that the stock investors may acquire loans from commercial banks' overdraft facilities.

Dr Siri also said that the current bullishness of the stock market was mainly due to heavy trading by foreign investors.

"This is because the rate of return from investments in the Thai stock market is high compared with stock markets in other countries," he said.

The Securities Exchange of Thailand is currently very popular with foreign investors, and it has become one of the major markets for investments in the world.

"I can say that any foreign investor who did not know the Thai stock market is not a real investor," he said.

Meanwhile, the trading turnover in the mar-

ket yesterday soared to 598.21 million baht, including the turnover of 17.04 million baht in trading on the second board.

Nonetheless, the SET index fell by 1.48 points to 278.95.

Companies with a stock turnover in excess of 20 million baht yesterday included Saha Union (90.41 million baht), National Finance (77.596 million baht), Ruam Serm Kit (61.57 million baht), Bangkok Bank (51.55 million baht), General Finance (41.43 million baht), TISCO (40.94 million baht), Union Textile (30.57 million baht), Jalaprathan Cement (28.95 million baht) and Phatra Thanakit (21.999 million baht).

SET inaugurates 2nd trading board

THE Securities Exchange of Thailand (SET) yesterday inaugurated its second trading board with turnover for the first day reaching about 17.8 million baht.

Three stocks were listed on the second board, one a newcomer to the stock market and the other two former first board members.

The newcomer is First Bangkok City Bank, while the other two are National Finance & Securities preferred shares and Strongpack, both of which had been authorized stocks before the operation of the second board.

FBCB's shares opened at 9.50 baht and a total of 1.52 million shares were transacted for 14.002 million baht, while the closing price was 8.75 baht.

The other 3.82-million-baht worth of shares traded were in NFS's preferred shares.

The operation of the second board was recently approved by the Finance Ministry in a bid to help increase the supply of products on the stock market.

Shares to be authorized for trading on the second board are those which do not yet qualify for the main board which requires listed companies to be operating profitably for at least three years.

Shares to be authorized for the second board can be new shares, shares of companies which have good prospects, or state enterprise shares.

A SET official said Finance Minister Suthes Singsanch approved the trading of First Bangkok City Bank shares on the second board on Friday evening.

According to the official, about 10 more companies will be allowed to have their shares traded on the second board this year, thereby increasing the supply of shares by as much as 3,000 million baht.

Another two companies which have ex-

pressed interest in being listed on the second board are Padaeng Industry Co (800 million baht) and state-owned North East Jute Mill Co (100 million baht).

The higher supply will certainly help ease the strong demand for shares on the stock market, the official added.

TURNOVER

According to the SET announcement, the First Bangkok City Bank shares which got authorization comprise 2,061-million-baht worth of ordinary shares at a five baht par value and 6.9-million-baht worth of preferred shares at the same par value.

That means the bank has 2,068 million baht in registered capital.

The stock market has set 1,000 shares as a bought lot for First Bang-

kok City Bank shares.

Normal board transactions yesterday registered a turnover of 525.61 million baht, with the SET index rebounding 0.52 points over Friday's figure to 280.43.

The seven most active shares were Saha Union (110.74 million baht), National Finance (67.82 million baht), Ruam Serr Kit (67.29 million baht), Union Textile (35.24 million baht), Bangkok Bank (34.97 million baht), TISCO (26.82 million baht) and General Finance (26.46 million baht).

The five stocks with the biggest price increases were Siam Tyre (10%), Bangkok Investment (9.96%), National Finance preferred share (9.87%), Goodyear (9.66%) and Union Plastic (9.46%).

Brokers prepare for 6/10 Krung Thai Fund bid

STOCK brokers are now preparing their offers to take part in the bidding to buy 4.9 million shares owned by the Krung Thai Fund, managing director of Phatra Thanakij Finance and Securities Viroj Nuankhair said yesterday.

Mr Viroj, who is also president of the Association of Members of the Securities Exchange of Thailand (AMSET), said that the association's members were very interested in the Krung Thai Fund's plan to sell 4.9 million shares worth an estimated 700 million baht.

He said that there is still quite a large amount of shares held by the fund

— worth approximately 300 million baht — which are mostly shares of companies delisted from the stock market.

"I still cannot predict how much profit can be made after the bidding," Mr Viroj noted.

AMSET's president went on to say that he expects stock brokers to form three syndications to participate in this bidding.

As for his own company, he said he had already instructed the company's officials to study the issue.

Firm invites bids for 6/13 Krung Thai Fund shares

THAI Securities Co (TSC) is inviting the public to bid for the first lot of Krung Thai Fund shares worth about 688 million baht.

TSC said the public could submit bids under the following terms:

TSC will act as the centre for bid collection from interested parties wanting to form a collective bid which will be submitted to Krung Thai Bank.

TSC will not participate in the bidding or acquire any shares in the fund on its own behalf to maintain an impartial position. The company will act as broker and earn a commission from the transaction if it, on behalf of its customers, wins the bid.

Each bidder is re-

quired to submit a list of shares, their prices and the number which he wishes to acquire by 2 p.m. on June 16. All bids will be kept in strict confidence.

If there are two or more customers bidding for the same stock, TSC will select a bidder on the basis of the bidding price per share, with the highest bidder getting preference.

The company will inform all bidders at 4 p.m. on June 16 whether sufficient bids have been collected to proceed with the official bidding on June 19.

COSTS

If TSC decides to proceed with the official bid, each selected bidder will be required to place 20% of the costs of their bids with TSC by 11 a.m. on June 17.

TSC will confirm bidders' deposits on June

18 and proceed with the official bid.

TSC will submit the official bid along with a 30-million-baht bond to Krung Thai Bank between 9 and 10 a.m. on June 19.

The company will charge a 1% commission of the official bidding price if it wins the bid.

Krung Thai Bank will announce the winner of the bid of the Securities Exchange of Thailand in the late morning of June 19.

If TSC wins the bid, the bidders are required to pay the balance and brokerage commission to the company by 10 a.m. on June 24.

TSC will immediately distribute the shares to the bidders after it gets them from Krung Thai Bank. Share transfer expenses, if any, will be on the bidders' accounts.

If TSC does not win the bid, it will refund the deposits on June 24.

Krung Thai Fund bids cancelled 6/20

THE state-owned Krung Thai Bank yesterday cancelled the bidding for the purchase of 4.9 million shares in the portfolio of Krung Thai Fund as the offers made by the two bidders were considered too low.

A new bid is scheduled on July 6, KTB vice chairman Puchong Pengari said.

Mr Puchong, who is also Comptroller General of the Comptroller-General's Department, said the first syndication, comprising Bangkok First Investment & Trust, Gold Hill, General Finance, Phatra Thanakit and National Finance & Securities, offered 670.31 million baht, while the second group, comprising Union Asia Finance, Asia Credit, Asia Securities, Thai Financial and Capital Development, offered 648.48 million baht.

Mr Puchong said the

offers were lower than the estimated price set by the Fund, so the committee controlling the bidding had to cancel the bid, and a new round was called.

Meanwhile, Dr Chaiyudh Pilantha-ovart, president of Union Asia Finance, said the offer made by his syndication was proper and high enough, adding that the offer made by his syndication may be lower in the next round of bidding.

"If the Krung Thai Fund refused to accept the offers and claimed they were too low, it should call a bidding on individual stocks, instead of on a large lot comprising more than 4.9 million shares," he pointed out.

An informed source said the Krung Thai Fund expected to earn around 680-700 million baht from the bidding.

TFB names 29 firms to underwrite shares

TFB names 29 underwriters

THAI Farmers Bank Ltd yesterday signed agreements to appoint 29 finance and securities firms to underwrite the sale of shares issued to raise its paid-up capital by 1,000 million baht.

Of the total 10 million shares, two millions will be offered to existing shareholders at 100 baht par and eight millions for public offering at 330 baht each. TFB Chairman Bancha Lamsam said this was a record in share offering worth 2,840 million baht. It will be able to lend up to 50 billion baht following the increase.

Seen signing the agreement are, from left, President of Thai Investment and Securities Sivaporn Dardarananda, TFB Bancha Lamsam and President of Phatra Thanakit Co Ltd, Viroj Nualkhae at the bank's headquarters.

6/9
THAI Farmers Bank yesterday appointed 29 financial companies to underwrite its eight million newly-issued shares for sale to the general public.

The shares are part of a total 10 million shares issued to increase the bank's registered capital by 1,000 million baht to 3,000 million baht.

The remaining two million shares will be sold to its existing shareholders at par of 100 baht each, while the shares to be sold to the public will be priced at 330 baht each.

Bancha Lamsam, the bank's chairman, said during the signing ceremony that the sale of the new shares will help the bank's capital fund expand by

2,840 million baht which will enable the bank to increase its credit extension to 50,000 million baht.

DISTRIBUTION

Mr Bancha asked the underwriters to distribute the new shares to small investors, particularly those in rural areas, so that they can acquire securities which have a stable rate of return.

He predicted that the bank will make a pre-tax profit of 1,185 million baht and pay dividends at no less

than 7% a year.

The 29 underwriters are Phatra Thanakit, TISCO, Bangkok First Investment & Trust, National Finance & Securities, Dhana Siam, Ruam Serm Kit, Asia Credit, Kiatnakin Finance, AITCO, Cathay Trust, IFCC, General Finance, Citicorp, Thaimex, Thai Financial Trust, Nava Finance, Fook Club, Bangkok Investment, BCC, Pacific Finance, Poonpipat, Mitr Thai Euro-partners, Ocean, Union, CMIC Finance, Thai Financial Syndicate, SICCO, Asia, and MCC.

Bank to raise capital

6/11
SIAM City Bank is to increase its registered capital by 500 million baht to 2,040 million baht, a source said yesterday.

The executive board, chaired by Chalerm Chiewsakul, decided new shares to be issued would be sold to shareholders at 6.50 baht each in August.

"The bank's original plan was to raise the capital by January next year, but the board felt the time was right earlier," he said.

Meanwhile, another source said the Bank of Thailand has recommended the Siam City Bank classify loans amounting to 200 million baht as bad debts.

IFCT sells debentures worth 300m baht

6/6
THE Industrial Finance Corporation of Thailand (IFCT) has sold 300-million-baht worth of debentures to 10 financial institutions after the sale began two weeks ago.

According to an IFCT source, the original intention was to issue 100,000 debentures worth 100 million baht with a three-year maturity period and 7.25% annual interest payable biannually.

The period open for debenture subscription was to be from May 18-June 18, but as the first lot of debentures was sold out very quickly to commercial banks and insurance companies, the IFCT decided to increase the volume of the first batch of debentures to 300 million baht and this has now been sold out.

The source said the IFCT board had approved the sale of another 550 million baht which would be released partially depending on the market situation.

So far, IFCT has had eight sales of debentures totalling 1,030 million baht, of which 700-million-baht worth has still not matured.

Thailand's first floating rate issue hits the market

by Rakesh Saxena

STARTING next week, Thai investors will have access, for the first time, to floating rate notes (FRNs).

While such notes are extremely popular with money managers in the established financial centres, their first introduction to the local market is a result of the combined effort of a number of parties.

As a result of an agreement signed earlier and implemented yesterday, Uawithya Equipment Company qualified as the first corporate to raise finance through a commercial paper issue of this nature.

The FRNs will be guaranteed by the Bangkok Bank of Commerce (BBC) whose senior executive vice president, Krirkkiat Jalichandra, is accredited with initiating, planning and formalising the issue. Thai Financial Syndicate (TFS) is the manager for the issue and, as reported earlier in the *Business Post*, Citicorp Investment Bank has acted as the technical adviser.

The total issue is for 50 million baht.

The FRNs will be offered in denominations of two million baht

per note and will carry quarterly interest settlements at a rate of 1% over the average time deposit rate of the major Thai commercial banks. Reliable sources indicated that the total pricing impact for this kind of issue, for the company concerned, can only be evaluated after guarantee fees and placement costs are taken into consideration.

"We had to account for numerous market factors in arranging the issue," explained Mr Krirkkiat.

VITAL

Investor appetite was one criterion. Reduction of borrowing costs for Uawithya was another. The placement ability of TFS was also a favourable factor. Citicorp's issue and buy-back pricing advice was vital. Finally, the benchmark (the time deposit rate) had to be acceptable to the market at large.

Behind the scenes, renowned legal expert Dej Udom Krairit has been working feverishly to streamline the procedural and taxation formalities.

"When putting a pioneering deal of this nature together, the full and complete coopera-



Krirkkiat

tion of all concerned parties is absolutely vital," said Mr Krirkkiat. He further expected this commercial paper issue to "set the trend in pricing and structuring for other similar deals in future."

Already, the *Business Post* learnt that another two commercial paper deals — involving the same price basis — are near completion with TFS playing a role in both of them. TFS president Vichai Assarat told the *Business Post* that he "regards innovation in the commercial paper market as important for the development of the capital markets in Thailand."

"The spread over the benchmark (1% over the time deposit rate) may

fluctuate in line with market conditions and managers need to be very sensitive on that score," warned Mr Vichai.

In the case of the Uawithya deal, TFS has privately placed most of the paper and intends to retain an inventory solely for the purpose of testing investor sentiment. Besides, said Mr Vichai, "we will offer constant buy-back prices for any paper we sell, without that the market's ability to absorb fresh issues will soon be exhausted."

This transaction illustrates that yet another funding avenue is now available for corporates who desire to adjust borrowing costs. Furthermore, a corporate can swap his floating rate exposure and establish fixed funding costs. In other instances, caps or ceilings can be bought on the benchmark, thus locking-in funding costs.

Mr Krirkkiat emphasised his bank "will gradually gear itself so that it can offer the best monetary instruments and the best hedge vehicles to customers, both borrowers and investors." His comments indicated a definite commitment to refurbish the image and widen the client base of the Bangkok Bank of Commerce.

28 บางกอกโพสต์

Insurance firms buy bonds worth B2,691m

THE Insurance Office (IO) recently reported that insurance companies in 1985 invested 2,691 million baht in government bonds which provide investors with a stable and secure rate of return and are liquid enough for periodical cash requirements.

An IO report attributed the high level of investment to its past policy which specified that insurance firms invest in stable stocks and at the same time provide the Government with funds for national development.

Investment in bonds issued by the Government and state enterprises may not, however, exceed 40% of a firm's assets.

INVESTED

The insurance industry as a whole invested 14,276 million baht in 1985, a 19.41% increase over the previous year. Of the total, 2,691.31 million baht was invested in government bonds, up 188.74% from the previous year.

The breakdown of insurance companies' investments in bonds in 1985 was: 1,279.45 million baht in government bonds (47.54%), 453.21 million baht in State Railways of Thailand bonds, 398.42 million baht in Telephone Organisation of Thailand bonds, 141.76 million baht in Metropolitan Water Works Authority bonds, 120.20 million baht in Metropolitan Electricity Authority bonds and 116.27 million baht in Petroleum Authority of Thailand bonds.

The report said that insurance companies have dispersed their investments over a wide range of businesses to reduce the risks involved.

IFC offers loan for petro plan in Rayong

INTERNATIONAL Finance Corp, a unit of the World Bank, has offered a \$20-million loan to the semi-state-owned National Petrochemical Corp's \$290.8-million upstream petrochemical complex in Rayong.

IFC officials are in Bangkok negotiating with NPC executives on the terms of the so-called "subordinated" loan.

NPC president Dr Sippanondha Ketudat said yesterday the offer demonstrates an international organisation's confidence in the olefins complex.

The borrowing will be an additional credit line NPC gets. Last January, NPC signed agreements with six Thai commercial banks for credit facilities worth 5,960 million baht. One contract is a guarantee facility for a 3,900-million-baht Japanese supplier's credits.

IFC has a 0.675% share in NPC with the state-run Petroleum Authority of Thailand having a 40% stake and the four firms involved in the downstream projects, and the Crown Property Bureau hold the remainder.

Dr Sippanondha said construction of olefins complex is on schedule to meet the onstream date of October 20, 1989. The project in-

volves the annual production of 315,000 tons of ethylene and 105,000 tons of propylene, the feedstock for four integrated downstream petrochemical industries.

He outlined the progress:

- Site preparation over 350 rai in Mab Ta Phud, Rayong, completed.

- Construction of 32-million-baht office and other buildings started this month and due for completion in May next year.

CONTROL ROOM

- Construction of a 21-million-baht computer control room to start in September for completion in May next year.

- Import schedules of equipment and machinery, involving 40-50 shipments from Japan, South Korea, Europe and the US with a total value of \$135 million, have been confirmed.

- The first shipment of imported high-quality pipeline, 485 tons in weight, has just arrived at Sattahip and is due to be delivered to the site tomorrow.

- Piling tests conducted and driving of about 1,000 piles is scheduled to start next month for completion in October.

6/8 Central bank exec gets ITF post

SAMPHAN Limtrakool, the deputy director of the Bank of Thailand's Banking Department, has been appointed the president of International Trust and Finance while targets have been mapped out to snore up the operation of the company.

Central Bank Governor Kamchorn Sathirakul last week approved a temporary transfer of Samphan replacing Sa-Ngob Punnarugsa who failed to be re-elected by the ITF shareholders in April.

Meanwhile, four goals have been set to rehabilitate the company operations with an aim to achieve break-even point within two years.

The first concerns managing the company's funding to increase liquidity and flexibility. The company will try to sell 300 remaining empty offices at its building on Silom Road as soon as possible. This is expected to fetch an additional revenue of 200 million baht.

The second concerns maximizing earnings from its six branches and achieving mobilization of new deposits of at least 30 million baht per month with matching amounts of credit

extended.

The third concerns improving the speed and means of getting loan repayment to at least 18-20 million baht annually. The last area is increasing efficiency by cutting cost by 10 per cent per month.

Samphan, who was granted a temporary transfer from the central bank for one year, told *The Nation* over the weekend that he hoped to achieve successful results at ITF.

The company has a negative image to shed and will seek self-sufficiency in mobilizing funds. The auditing system must be strictly controlled to prevent unnecessary losses, he asserted.

The new president of ITF said the company would not need to increase its capital at this time despite interest expressed by new investors to participate in the management.

Samphan remarked that a fund mobilization target of five million baht per branch would fuel new credit to be handled solely by the head office. The company will set aside 20 per cent of deposit as reserve.

Additional revenue of 200 million baht from the sale of ITF's office condominium will also help build the financial strength of the company, he added.

His plan includes an attempt to reduce staff overtime in order to achieve a monthly 10-per-cent expense cut.

The four aims, if successfully implemented, would help the company reach a break-even point within two years.

"It is somewhat luck with the favourable trend in securities trading. ITF can expand this business and raise its ranking from among the least active brokers to a more active one," he commented.

ITF is owned by the Fund for Rehabilitation and Development of Financial Institutions and the Overseas Trust Bank of Hong Kong.

It posted a doubtful loan loss totalling 580.8 million baht and shoulders court cases in claims for loan repayments to the tune of 438 million baht as of December 31, 1986.

Coordinator appointed 6/8

THE Supervisory Board in working to solve the problems of financial companies in the official life boat scheme has appointed Nibhat Phukkanasut, deputy director general of the Fiscal Policy Office, coordinator between the Bank of Thailand, the Finance Ministry and the Krung Thai Bank.

The appointment is aimed at assisting the Krung Thai Bank, which was assigned by the Cabinet to take control of the life boat, solve the problems of the financial firms.

Suthee is the next Opposition target

6/9
FINANCE Minister Suthee Singaneh is next in line for an Opposition attack in the form of an urgent motion accusing state bank officials of corruption.

The motion, sponsored by United Democratic Party MPs Prem Malakul, Somsak Charnduaykij, Sihanart Ruecha, and Piniij Chantharasurin, accuses officials of using bank funds to guarantee the stability of some ailing commercial banks and finance institutions.

The MPs said that in doing so, the officials lined their own pockets and received personal benefits for overlooking regulations on the use of state funds.

Urging Parliament to ask the Government to investigate, the MPs



SUTHEE...facing motion.

said the racket was harming the country's economic stability.

The allegations follow last week's debate

against PM's Office Minister Chirayu Isarangkura na Ayuthaya, who was alleged to have \$3.7 million in a Los Angeles bank account.

While the charge has been largely discredited, Parliament is awaiting the findings of an extraordinary panel on Thursday.

Sources said the First Interstate Bank, where the money was supposed to have been deposited, has told the panel there was no account under the name "Chirayut Isarangoon".

The Opposition has been sponsoring individual urgent motions against the Government on various topics and charges since its failure to submit a no-confidence motion against the Cabinet.

11 set for merger of ailing companies

6/9 • New firm to have B1,000m capital

THE Finance Ministry has completed a plan to merge five finance and securities companies and a credit foncier and establish a new company called "Thananan Finance and Securities Co."

Thananan Finance and Securities Co will have a registered capital of 1,000 million baht and assets totalling 10,000 million baht.

The six companies to be merged are Sakol Real Estate Finance Co, Commercial Trust Co, Thai Finance Co, Sakul Thai Trust Co, Financial Trust Co, and Credit Foncier Sakolsiam Co.

The operating licences of all six firms will be revoked and replaced with one new licence but the new company will only be involved in finance and securities business and not credit foncier.

It is expected that the head-office of Thananan Co Ltd will be located at the existing office of Commercial Trust. Offices of five other companies will be turned into branches.

The merger plan has been completed and awaits a ministerial announcement to allow finance and securities firms to merge. This could take place as early as July 1.

Chairman of the proposed new company is expected to be headed by Nibhat Bhukkanasut, who is the deputy director of the Fiscal Policy Office. Nibhat is also chairman of Sakol Real Estate Co.

Acting President of the new

company is expected to be Pong Savetsila who is the metropolitan credit manager of Krung Thai Bank. Pong is concurrently chairman of Commercial Trust. He is expected to remain with Thananan Finance and Securities Co for one year to oversee the implementation of the merger plan.

The new company is expected to have 5-7 directors and senior executives of each of the six companies on the executive board.

The merger plan has been reported to Finance Minister Suthee Singhasaneh. It is expected to be used as a pilot plan to shore up other ailing finance and securities companies under the life-boat scheme, worked out in April, 1984.

Thananan Finance and Securities Co is expected to be permitted to engage in hire purchase, commer-

cial loan, housing loan, consumer loan and securities businesses.

The new company is expected to face problems as 60-70 per cent of its assets are in the non-earning category with 10-20 major debtors. But the merger will simplify the attempt to bring the bad debtors to the negotiation table.

Krung Thai Bank is expected to oversee the operations of Thananan Finance and Securities Co and nurture it during the transition period. Pong will act as the coordinator and he is expected to transfer businesses, which Krung Thai Bank might not be in a position to get involved, to the new company.

It will be sometime before the company takes off as it must be registered with the consent of all the people concerned.

Suthee set to blunt attack over bank woes

6/11

PROP

FINANCE Minister Suthee Singaneh yesterday called a meeting with top central bank executives to brief them before an expected confrontation with the Opposition which has demanded an explanation on the bank's "life boat" policy to prop up financially-ailing financial institutions.

Bank of Thailand Governor's Office director Siri Karncharoendee said yesterday the finance minister would explain to the Opposition why the central bank had to intervene in the affairs of

financially-unstable finance companies by giving them soft loans, partially taking over their equity or carrying out mergers so as to enhance their financial position as, for instance, in the

case of Sakol Real Estate and Finance Company.

A ministry source said apart from Mr Suthee, Deputy Finance Minister Supachai Panichpakdi would also explain assistance given to certain financially-troubled commercial banks in the form of soft loans or fund injections to increase their working capital.

As far as soft loans are concerned, the source maintained the Bank of Thailand does not give out hard cash to ailing banks.

During the 1983 finance company crisis, central bank intervention saved 9,000 million baht in deposits, about 6,000 million baht of the former Asia Trust Bank (now the Sayam Bank) and another 4,000 million baht in foreign debts.

The source said assistance given to ailing banks had been as follows: 3,300 million baht in soft loans and 75 million baht in working capital to the Siam City Bank; 3,300 million baht in soft loans and 500 million baht in working capital to the First Bangkok City Bank and 4,200 million baht in soft loans and 1,500 million baht in working capital to the Sayam Bank.

In addition, 1,040 million baht in asset financing was used to prop up the banks, said the source, adding that about 11,200 million baht in soft loans and working capital were paid out to ailing finance companies and financial institutions.

Dr Supachai yesterday said central bank intervention was worth the risks involved as it had prevented the economy from plunging into deeper trouble.

He maintained the loans extended to ailing banks and finance firms would not be lost because the central bank did not actually give cash to them; which is different from the salvaging method employed in the United States, Hong Kong or the Philippines where cash is injected to rescue financially-ailing firms or banks.

Govt defeats motion halt bank takeovers

AN urgent Opposition motion urging the the Government to halt central bank takeovers of commercial banks and rescues of ailing banks and trusts was rejected in Parliament yesterday.

The Government outvoted the Opposition by 117-54 after a daylong debate in which Muan Chon leader Chalerm Yubamroong accused PM's secretary-general Prasong Soonsiri of using his influence to pressure the state-owned Sayam Bank to lend a businessman 80-million-baht.

Government MPs said Sen-Ldr Prasong had followed procedure in making the request, which was subsequently rejected by the bank.

The motion was sponsored by Community Action leader Boonchu Rojanastien, United Democratic leader Boontheng Thongsawasdi, Prachakorn Thai's Samak Sundaravej, Ruam Thai's Narong Wongwan and the Progressives' Uthai Pimchaichon.

Opening the attack, Mr Boontheng said the Bank of Thailand, with Finance Ministry approval, intervened and aggravated the problems of the Sayam, First Bangkok City (Maha Nakhon) and Siam City Bank (Nakhon Luang Thai) and 25 trusts.

Central bank and ministry officials took over the banks and trusts and diverted government revenue to help them, said Mr Boontheng. The central bank also arranged loans with interest as low as 1 per cent, and some even 0.1 per cent, for the ailing concerns.

"I am glad the Prime Minister is here to listen to the motion since he had the reputation of being concerned with the welfare of the people until a millionaire commended him," Mr Boontheng said in a dig at Gen

Prem Tinsulanonda, who shortly afterwards left for Government House.

CAP leader Boonchu said the central bank was entrusted with the task of monitoring banks and trusts, and its officials should know every step they take since they have to fill in hundreds of forms.

The fact these concerns were ailing highlighted the central bank's failure to check practices such as extending large loans to the relatives of bank officials.

Mr Boonchu said the ministry should have seen the signs. He cited

"I am glad the Prime Minister is here to listen to the motion since he had the reputation of being concerned with the welfare of the people until a millionaire commended him."

Boontheng Thongsawasdi

the draining of the Sayam Bank's assets of 10,000 million baht before the Government had to inject 8,000 million baht to rescue it.

Amid reports that a top Maha Nakhon executive was about to flee the country, the Government maintained the bank was secure — and the executive fled the country, said Mr Boonchu, referring to the bank's former managing director Khanron Techapaibul.

As a result, the Government was forced to lower its share value from 100 baht to 5 baht to finance the

losses. The central bank arranged soft loans of 5,000 million for the bank and was putting in 500 million baht a year just to keep the bank operating.

Mr Boonchu said the Government was also aware of the failings of the management of the Nakhon Luang Thai Bank, from which Mr Boonchu was forced out as the board chairman, but tried to help it.

The country's 120 trusts, with combined assets of 80,000 million baht, were also in poor condition yet the Government did nothing until it was too late. The Government then set up the "4 April" (1984) measure to transfer the shares of 25 trusts and step in to run the trusts as well as the three ailing banks.

Official help was granted on the basis of personal favours with some 90 central bank officials, who did not always have direct experience in banking, sent to run them.

These officials, he said, were paid salaries at the banks and trusts ranging from 20,000 baht to 80,000 baht in addition to 7,500 baht per diem a month plus company cars.

Mr Boonchu said the officials then brought their own people in and came to control the concerns they were working in. He said what happened was no less than a takeover of the private sector.

The Prime Minister, he said, did not seem to understand what was going on, and he issued executive decrees giving the central bank more power to move bank administrators and order capital reductions.

"How is it that the people who failed to monitor the failure of commercial finance institutions were sent to control and run them?" Mr Boonchu asked.

"When others did wrong the Government moved against them but when their own people did wrong

they did nothing. These officials are liable to criminal charges," he said.

These institutions hold about 12,000 million baht in public savings, he said, and the people as well as the country could be put at risk.

Mr Boonchu also said there were illegally high interest charges and secret accounts, one called "lisa", to benefit the officials sent to the banks.

Prachakorn Thai leader Samak said the central bank governor had a free hand until the previous finance minister demanded loyalty.

"How is it that the people who failed to monitor the failure of commercial finance institutions were sent to control and run them?"

Boonchu Rojanastien

Central bank monitoring official in any other country would be fired for their negligence, said Mr Samak in Thailand, they get promotion and pay rises.

Dubious practices were rife at the central bank, and the commercial banks were allowed to get away with anything.

Mr Samak said the Krung The Bank sold 25% of its shares but fixed the accounts to the extent that profit of 15 million baht one year turned to a loss of 500 million baht and 1,000 million baht the next year.

Muan Chon leader Chalerm said central bank officials knew Mah Nakhon was in bad shape but the



sat idle because they wanted to go there and earn more money. Pol Capt Chalerm said the wife of Finance Minister Suthee Singaneh is an account inspector at Maha Nakhon.

The Muan Chon leader then presented the letter by Sqn-Ldr Prasong, saying the person who went with the letter to the Siam bank also carried 500,000 baht in cash.

"Does secretary Prasong get any benefits if the loans go through? The honesty of the Prime Minister has been used up by those around him. He should check this out," said Pol Capt Chalerm.

Liberal Party MP for Ayutthaya Col Narong Kittikachorn said the central bank appointed one of its officials, Miss Varee Hawanond, to the Sayam Bank where she was given 90,000 baht a month and the use of three cars.

He said the Government Housing Bank received an insurance discount which went into a welfare account controlled by the managing director, who took money for overseas trips during which his wife bought a picture frame and charged it to the account.

Chart Thai MP for Petchaboon Panja Kesornthong said the Government had to intervene because it knew the managers were incapable.

Phitsanulok MP Pratuang Vicharnpréecha said the MP who presented Sqn-Ldr Prasong's letter did not submit all the letters he had on the case.

The Chart Thai MP said Sqn-Ldr Prasong made the loan request in accordance with his duty because the company had written to the Prime Minister seeking support for the loan, which it could not secure.

The MP who made the allegations was doing little more than mudslinging because he knew people loved to see the dirty linen of others.

Mr Pratuang then accused an MP he did not identify of acting as a middleman for a company by writing to the Commerce Ministry to seek a quota for a certain product.

Pol Capt Chalerm rose to say he did not accuse the PM's secretary of corruption but simply suggested the practice be looked into. As a former PM's deputy secretary, he said he knew that the proper course of action was to refer such requests to the central bank, and not make direct approaches to a state-run bank whose officials feared senior government figures.

As for the quota charge, Pol Capt Chalerm challenged Mr Pratuang to produce his letter. "I'll resign from the house if there is such a letter," he said.

Finance Minister Suthee said the central bank was very much independent of the ministry and he was surprised to hear otherwise.

The three banks and 25 trusts were victims of an economic slump, he said, and they were run by youthful executives with little knowledge and experience in banking who "just declare themselves financial experts", Minister Suthee said.

The central bank had always been strict but it was only in 1985 that it was given the power to intervene. Dr Suthee said the Government could not spread the news that

banks were ailing for fear of sparking a run which would aggravate matters further.

The Government's priority, he said was 76,000 million baht in public savings and the 70,000 million baht in loans to businesses. It thus decided to provide soft loans and intervene in the hope of getting the business back on its feet, and six trusts have already started to run on their own.

It was necessary to adjust the internal administration of the banks and trusts and send central officials in. The officials had been ordered not to draw extra pay, he said, and those who did would face action.

Dr Suthee said the "lisa" account came into being because of a regulation barring such reductions. A special account had to be opened, he said, and the picture frame was a present for an overseas bank.

The minister said his wife, who is an inspector at the Maha Nakhon Bank, had studied banking and had been in the position for 10 years.

Referring to the misuse of funds at the Government Housing Bank, he said the funds had been restored.

Deputy Finance Minister Supachai Panitchpakdi said the country operates under a free trade system and the central bank could not normally interfere too much with commercial banks other than to see they meet the set requirements such as having sufficient funds.

Finance ^{6/19} under fire

Finance Minister Suthee Singaneh, Prime Minister's Office Minister Meechai Ruchupan and Prime Minister Prem Tinsulanonda listened at the start of the debate on the performance of the Finance Ministry.

Full report: Page 3

Gen Prem later went to Parliament and attended a debate for about an hour in which he heard Community Action Party leader Boonchu Rojanasathien lash the Finance Ministry and Bank of Thailand.

Mr Boonchu was accusing fiscal officials of allowing a few banks and several finance companies to run into deep trouble before coming to their aid.

Observers said it was the longest time the Prime Minister had spent in a parliamentary meeting lately. Gen Prem, he said, paid keen attention to Mr Boonchu's debate.

Usually, he said, Gen Prem stays in the chamber for a short while and leaves immediately when the House goes into the agenda. Alternatively, he skips the whole meeting.

PM's secretary-general Prasong Soonsiri said Gen Prem had never thought of evading House meetings, but he sometimes had to skip meetings to make pre-arranged visits.

Banking laws that aren't en

6/20/ THE Opposition was justified in certain points in its attack on the Government's handling of banking problems, and in many cases, the central bank's actions were really not acceptable to the public.

Among the obvious faults, in my opinion, is the central bank's failure to take legal action against executives of troubled commercial banks and financial companies.

A case in point is the Asia Trust Bank, now renamed Sayam Bank, which found itself in deep trouble.

The Bank of Thailand claimed it tried to urge that bank's executives, mostly Tarnvanichkul family members, to correct the situation, but the orders were ignored.

At that time, the Commercial Banking Act was yet to be amended, and the central bank had no power to intervene. It had to wait until the bank was beyond rescue to seek the Finance Minister's approval to carry out a takeover.

Before the takeover, the central bank had more-than-enough evidence to take legal action against the bank's executives, including chairman Wallob Tarnvanichkul and his son Tinnakorn, who was then president. Yet nothing was done and allowed Wallob, better known as Johnny Ma, to leave the country freely.

The Bank of Thailand decided to file charges against him several weeks later but took no action against Tinnakorn and even let him remain an executive of the bank.

Several months later, the Bank of Thailand filed charges with the police against Tinnakorn, who by that time had joined his father somewhere in Taiwan.

I, and I believe, many readers, do not understand why the Bank of Thailand did not act against the two Tarnvanichkuls when they were in Thailand?

Up to now, the Bank of Thailand has not clarified why it did so.

History was repeated in the case of Kamron "Coro" Techapaibul, former president of the First Bangkok City Bank. The central bank took action against him only after he had left

6/20/

Credits and Debits by Pattapong Chantranontwong

Thailand.

This case was different, since the Bank of Thailand had the power under the amended Commercial Banking Act to ban any bank executive from leaving the country for 15 days even in the absence of legal charges.

But the central bank did nothing!

I used to protest against the Bank of Thailand for its ignorance in various occasions, and I will continue protesting.

I ALSO disagree with the Bank of Thailand's policy of injecting money, through the extension of soft loans, to troubled banks and financial firms.

Although the Bank of Thailand has argued that the soft loans extended to each financial concern were just figures and what the troubled firms actually got was the difference of interest rates between the soft loans and the government bonds purchased with the soft loans.

In practice, when the central bank approved the extension of soft loans to any bank or financial firm, that bank or financial company had to subscribe government bonds from the central bank's portfolio at the same amount, and place the bonds with the central bank as

collateral.

That is, it will not get the soft loan as the money seed.

However, the soft loans carry a low interest rate, say around 1% a year, while the government bonds will carry about 7-8%. That is the troubled bank will earn income from the rate difference at about 6-7 baht for every 100 baht of soft loans in its books.

In effect, if the central bank extends about 3,000 million baht in soft loans to a bank, it will give that bank about 180-210 million baht a year.

I disagree with the idea because I think it's not fair to other businesses.

Commercial banks or financial companies are business concerns just as other operations are, and when they suffer losses, the executives and shareholders should carry the can, and not the public.

If an ordinary business firm is in financial trouble, has the Government ever rushed to its rescue?

Although a bank or financial company's business is taking deposits from the public and lending them as loans, and if it collapsed, it would adversely affect the depositors, I still disagree with the policy of injecting soft loans while the executives get away with their mismanagement.

If the Bank of Thailand was tough enough, and took strong action against those executives as a precedent, others may be more careful in running their banks.

Although the penalties on bankers and financiers guilty of mismanagement are very heavy, they are meaningless if the authorities do not enforce the laws.

KTB makes plans to rescue firm

6/20

KRUNG Thai Bank is working out a solution to the debt problem of Sukhumvit Condominium Co, owner of the Tuek Thong (Golden) Condominium, KTB executive vice president Roengchai Marakanond said yesterday.

He said the bank had come up with two alternatives, the first one being to negotiate with other creditors — Lamthong Finance, Erawan Trust and Panich Finance — to convert their debts into equities in Sukhumvit Condominium.

He said if this could not be done owing to some legal snags, another alternative was to convert debts into equities in a new company to be set up and run by KTB, the major creditor.

"What is to be done is forming a holding company under the name of Krung Thai Land & House in cooperation with Krung Thai Bank," he said.

Savings interest stays tax-free

THE Finance Ministry confirmed yesterday that it would not levy income taxes on interest earned from commercial bank savings deposits.

Permanent Secretary for Finance Panas Simasathien said one of the Finance Ministry's major policies was to encourage the public to save more, and the tax holiday on interest from savings deposits was one of the policy's measures.

If the Finance Ministry levied a tax on savings deposits interest, it would affect the public's savings, he said.

Dr Panas's confirmation of the Finance Ministry's intention not to impose taxes on savings accounts was made after it was reported that the Finance Ministry might impose interest tax on all kinds of deposits.

This was because several commercial banks had helped their clients evade interest tax

by recording their deposits as savings while, at the same time, paying them a higher interest rate on the condition they would not withdraw their money for at least a year.

The practice reportedly affected the Government's revenue collection as its interest tax collection in the first eight months of the fiscal year was about 50% lower than targeted.

He was confident total collection this year would not fall short.

Regarding the commercial banks' practice of helping clients evade interest tax, Dr Panas said he believed only a few committed such practices.

"But they did nothing wrong because the rates they offered, though higher than other banks, were still under the official ceiling set by the Bank of Thailand," Dr Panas said.

Bank set for 'tight' situation

THAI Farmers Bank is preparing a strategy to cope with a possible tight money situation, a senior executive said.

Senior vice president Thep Roontanapirom said he had ordered the bank's credit officials to compile accounts of clients using overdraft facilities so the bank knew exactly how much it had extended.

"It is very important to know the actual extension of our overdraft facilities," he said. "At present, the liquidity in the banking system has declined to about 35,000 million baht and is expected to go lower.

"The money situation will become tight if the liquidity drops by another 10,000-20,000 million baht," said Mr Thep, who has just been transferred from the International Banking Department to take charge of the Business Department.

Mr Thep said he was also streamlining the bank's credit extension process so the bank could extend credit to old clients with good credit ratings within seven days and to new clients within a month.

Bank says operations going on as normal

STATE-owned Sayam Bank said yesterday that it was still operating its banking business as normal despite the Finance Ministry policy to merge it with Krung Thai Bank.

President Ruen Intanok said he had not ordered the bank to stop providing credit to clients.

"In the case of old clients, the credit lines extended to them by the bank remain unchanged, and the bank has never reduced their credit lines," Mr Ruen said.

In the case of new clients, he said the bank would consider their applications under the regulations of the bank.

"If their projects are good and qualified, the bank will surely approve their requests."

EFFICIENCY

Regarding other banking services, Mr Ruen said he had not ordered the bank to stop providing, rather he had told the bank's staff to improve their efficiency to provide a better service to the bank's clients.

It was reported earlier that the bank, under the instruction of Mr Ruen, had rejected a proposal from the Expressway and Rapid Transit Authority of Thailand (ETA) for a loan for its employee housing programme.

Mr Ruen said the report was inaccurate as the bank had not rejected the ETA proposal.

"The fact is the bank approved the ETA's welfare project. And when it submitted the second project seeking more loans, the bank also approved it," Mr Ruen said.

**GOVERNMENT / INDUSTRY
REGULATIONS
AND
INTER-RELATIONS**

Govt urged to assist small industries

6/10

THE Government has been urged to give more real support to small-scale industries during the Sixth National Development Plan period 1987-91 to reduce their production costs and make their products more competitive on the world market.

In a study on "Small-Scale Industries" conducted by the Industrial Finance Corp of Thailand recently, entrepreneurs in both large and small industries were quoted as reporting that the Government was not currently giving enough support to small-scale industries as in other countries.

They said foreign governments truly supported their industries, resulting in lower production costs, while foreign industrialists had more marketing expertise than Thais.

They added that in Thailand, small-scale industries were in a very disadvantageous position because big industries had stronger bargaining power and more political influence than small ones.

They also noted that financial institutions in general were reluctant to extend credits to small industries which they regard as carrying high risks.

Small-scale industrialists are also subject to double taxation, having to pay tax at every phase of production. In investors' opinion, small industries are not so attractive as anyone with just a small amount of investment can set up business freely.

The study recommended the following measures for the Government to strengthen small-scale industries:

■ Promote the establishment of a "Small-Scale Industries Association" as adviser to small industries, a centre of information vital to them, a forum where they can ex-

change ideas and viewpoints, guarantor for their borrowings and loans coordinators among them, and a source of soft loans.

■ Promote the sub-contracting production system which can help speed up the nation's industrial development. In this system, sub-contractor firms, normally small ones, supply parts and/or raw materials to parent firms, usually big industries which can benefit by: adopting sub-contractors' up-to-date technology to improve their production; reducing the entire system's investment costs in fixed assets resulting in lower production cost per unit; doing with plans to allocate financing for production assets leaving more time for them to look after the other aspects of their businesses; reducing labour management costs as they do not need to control every phase of production by themselves; improving the quality of their products as sub-contractors can carry out quality control more closely.

● Improve the laws concerned, including those on taxes, and pass laws to protect small industries.

● Set up a "Small-Scale Industries' Rehabilitation Fund" with the money being contributed by financial institutions and the Government to help small industries in financial troubles.

● Set up a "Training in Small-Scale Industries Institution" to spread knowledge about small-scale industries.

Bol grants privilege to 15 textile projects

Six 6/10

projects
win Bol
approval

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6/17
THE Board of Investment (BoI) yesterday approved promotional privileges for 15 textile projects out of a total 31 applications.

The remaining 16 applications will be considered next Tuesday by the BoI subcommittee chaired by Secretary-General Chira Panupong.

It is expected that all applications will be approved if they meet all requirements.

According to a BoI source, if all 31 applications are approved, the textile industry will have an additional 813,056 spindles for yarn spinning and 8,396 machines for fabric weaving.

The privileges granted yesterday cover 570,000 spindles and 2,550 fabric weaving machines.

The yarn spinning projects approved were Thai Melon Textile Co (113,264 spindles), Canada-based Dominion Textile in partnership with Bangkok Weaving Mills Co (48,000 spindles), Manee Laovoravit (40,000 spindles), Sucharat Rangnoktai (5,000 spindles), IndoThai Synthetic Co (10,296 spindles), Singto Tangsucharitpan (24,600 spindles) and Nan Yang Weaving Industry Co (30,000 spindles).

Only one fabric weaving project was approved, Century Textile

Co (50 machines).

Factories which were granted privileges for both spinning and weaving were Jiam Patana Knitting (109,184 spindles and 1,000 weaving machines), Kangworn Weaving Co (45,144 spindles and 500 weaving machines), Ronachai Tamrongvoraporn (53,480 spindles and 100 weaving machines), Saha Union Textile Co (19,728 spindles and 100 weaving machines), Thai Industry Promotion Factory Co (30,000 spindles and 500 weaving machines), Thai Durable Textile Co (20,180 spindles and 250 weaving machines) and K Cotton & Gauge Co (30,240 spindles and 100 weaving machines).

The source said all successful applicants must meet BoI's conditions which include setting up a bonded warehouse and all output, whether yarn or fabric, must be totally for export either direct or via a trading firm.

A major requirement also stipulated a bank guarantee of 200 baht per spindle and 5,000 baht per weaving machine. After two years, if no satisfactory performance is shown, then the full amount in the bank guarantee will be confiscated.

Bol nod for five projects

6/17
THE Board of Investment yesterday approved promotional privileges for five projects with a combined investment of 401 million baht and employment opportunities for 535 people.

The details of the projects are:

■ Far East Textile Industry Co will invest 73 million baht to produce 540,000 kg of dyed cloth per year for 100% export. The wholly Thai-owned project will employ 64 persons and is expected to bring in 72 million baht in foreign exchange per year.

■ Thai Cloth Dyeing & Printing Co (1980) will invest 109 million baht to produce 30 million yards of dyed cloth per year for 100% export. The project is 83% Thai and 7% Taiwanese. It will employ 178 persons and bring 108 million baht in foreign exchange per year.

■ Yukkee Cloth Dyeing Co will invest 112 million baht to produce 24 million yards of dyed cloth per year for 100% export. The project is 55% Thai and 45% Taiwanese. It will employ 197 persons and bring in 154 million baht in foreign exchange per year.

■ Safcol (Thailand) Co will invest 50 million baht to produce 225 million cans (two-piece type) per year. The project is 52% Thai and 48% Australian and British and will employ 21 persons.

■ Royal Can Industry Co will invest 57 million baht to produce 90 million cans (two-piece type) per year. The project is 76% Thai and 24% Taiwanese. It will employ 75 persons and generate 13 million baht in foreign exchange per year.

THE Board of Investment (BoI) yesterday approved promotional privileges to six projects with combined investments of 490.9 million baht and employment opportunities for 2,231 persons.

The projects belong to:

■ Oriental Footwear Co, to invest 67.5 million baht to produce 1.2 million pairs of sports shoes a year for 80% export. The 14% Thai-owned and 86% Taiwanese-owned project will employ 394 persons and bring in 125 million baht in foreign exchange a year.

■ Shinawat Cloth Printing Industry Co, to invest 36.9 million baht to produce 840,000 yards of printed silk cloth a year. The wholly Thai-owned project will employ 289 persons.

■ Praves Boonsinsuk, to invest 240 million baht to produce 20 million yards of printed cloth a year for 80% export. The wholly Thai-owned project will employ 397 persons.

■ Nam Chonsaipan, to invest 31.5 million baht to produce 900 tons of valve-type plastic bags a year for 100% export. The wholly Thai-owned project will employ 54 persons and bring in 32 million baht in foreign exchange a year.

■ Pasit Assamongkol, to invest 55 million baht to produce 480,000 kg of artificial flowers and plants a year for 100% export. The project, 51%-owned by Thais and 49%-owned by Hong Kong investors, will employ 992 persons and bring in 63 million baht in foreign exchange a year.

■ Bangpo Hospital Co, to invest 60 million baht to build an 80-bed hospital. The wholly Thai-owned project will employ 105 persons.

Bol rejects privileges for 4 firms

6/20
THE Board of Investment rejected applications by four investors seeking promotional privileges for manufacturing public telephone exchange switching equipment, a BoI source said.

The four applications involve a total investment of 1,166.3 million baht and would create job opportunities for 1,938 people.

● The Ericsson Co Ltd, a Thai-Swedish joint venture, plans to invest 85.5 million baht to manufacture public telephone exchange switching equipment for 100,000 lines a year.

● ITT Corporation Ltd, a Thai-US joint venture, plans to invest 141.3 million baht to manufacture public telephone exchange switching equipment for 105,800 lines and microwave radio equipment for 6,000 lines a year.

● CIT Alcatel Co Ltd, a Franco-Thai joint venture, plans to invest 459 million baht to manufacture public telephone exchange switching equipment for 100,000 lines.

● AT&T Co Ltd, a Thai-US joint venture, plans to invest 480 million baht to manufacture public telephone exchange switching equipment for 150,000 lines, cellular telephone equipment for 5,000 sets and private telephone exchange switching equipment for 16,000 lines.

Ministry to enforce 54% local content rule on July 1

THE Industry Ministry will, as of July 1, fully enforce its requirement for all 12 auto assemblers in Thailand to use a minimum of 54% local content for locally-assembled passenger cars.

According to a source in the Industry Ministry, the ministry will no longer extend the deadline to enforce the new requirement which was supposed to be enforced as of January 1.

The ministry decided to extend the deadline until the end of June after 10 out of 12 assemblers were unable to meet the January deadline and requested more time.

"Only assemblers of BMWs and Hondas were able to meet the requirement. With the six month extension other assemblers should be able to meet the 54% local content requirement," the source said.

SALES

The 54% local content requirement will only be enforced in the assembling of passenger cars while the requirement for pick-up trucks will remain unchanged at between 40-50%.

Meanwhile, the Automobile Industry Development Committee expects sales of passenger cars this year to increase by 10% or 21,000-23,000 units, compared to last year.

The source said despite an average rise of about 35-37% in car prices due to the rise in the yen and deutchemark, car sales in the first six months of this year have been satisfactory due to a better economic situation.

However, top auto industrialists attributed the exceptional increase in car sales to panic buying in order to beat future price rises, noting that car sales will most likely drop in the second half of the year.

In regard to AIDC's policy concerning the increase in local content, the source said that further increases in the local content requirement would automatically increase the cost of passenger cars.

According to a joint survey conducted by the Industry Ministry and assemblers, it was found that a 1% increase in the local content requirement would push up the price of cars by an average of 1,760 baht each.

As the AIDC increased the local content percentage requirement over the past few years, auto assemblers have constantly warned AIDC that the percentage would soon reach its optimum level.

"They (assemblers) would like the local content requirement to stay at 54% which they con-

sider as the optimum level. AIDC will need between six to 12 months to consider if the local content requirement should stop at that level," the source said.

He said AIDC will have to observe developments in the industry after all assemblers begin to comply with the 54% level in order to review the whole situation, noting that the matter is complicated as the Government through the Industry Ministry has a policy to promote and improve the standard of local content production.

To achieve its goal AIDC is forced to require assemblers to use higher percentages of local content, he explained.

Meanwhile an informed source in the auto industry stated that many problems in the industry could be avoided if AIDC is consistent in its requirements and regulations.

"Though the ministry will have to obey the Government's policy, it should be aware that many factors have changed over the years and any policy enforced should be for the benefit of the public and not the Government or one particular group of people," he said.

The AIDC has for the past few years been most well-known for its protections given to local content, manufacturers.

Ministry supports compressor production

THE Industry Ministry has recommended to the Board of Investment that it introduce the manufacture of rotary-type compressors for air-conditioners on its promotional list because of increased domestic demand, a senior ministry official told the *Business Post* at the weekend.

The official said the ministry decided to make the recommendation of compressor production, in particular the rotary type, after a study of the domestic situation showed there was a demand for these types of compressors and, as they are not being produced locally, the number of imports is on the increase.

He said 84,980 air-conditioner compressors were registered as being imported in 1986 and this number was expected to rise to 100,000 units in 1990, mainly made up of imports of the rotary-type compressors.

The production of rotary-type compressors would have to meet local content requirements at the rate of 60% for the first year of production and rising to 80% when production reached the fourth year.

Moreover, the ministry noted that the provision of Bof privileges for the production of compressors for air-conditioners would not run counter to the 1980 ministerial regulation banning the establishment and expansion of compressor factories because this only affected the production of compressors for refrigerators, freezers and water cooler units.

The effective period of the regulation expires at the end of this year.

ITD drafts four bills to increase efficiency

6/12

THE Internal Trade Department is drafting four bills to amend existing laws so as to increase the department's efficiency as well as provide more favour to consumers and more justice to producers.

ITD director-general Prayoon Thalerngsri said the bills are amendments to the Price Fixing and Anti-Monopoly Act, the Chamber of Commerce and Trade Association Act, the Warehouse Act and the Agricultural Market Arrangement Act.

The first bill is expected to be submitted to Commerce Minister Montri Pongpanich for consideration next month,

while the other three bills will be submitted to Parliament late this year.

According to Mr Prayoon, the first bill is divided into two parts — price fixing and anti-monopoly. For price fixing, he said the bill would give more power to the central committee to fix selling and buying prices of products, as well as to map out regulations and implementation plans regarding production and distribution.

He said there are several loopholes in the existing law which has been enforced since 1979.

At present, all decisions rest with the cen-

tral committee, while the ITD director-general, who is the committee's secretary, has no power at all. This causes delays in certain cases when immediate actions are required, such as when prices are increased or decreased unreasonably, or producers form a cartel to dump products on the market, he said.

POWER

Mr Prayoon said the amendment bill would give more power to the ITD chief to immediately tackle urgent problems. However, if producers are not satisfied with decisions taken by the ITD chief, they can submit a petition to the central committee, he noted.

The second weakness, he said, involves the penalty clause in the existing law. The department considers that in certain cases, which are not too severe, violators should face only fines and not imprisonment as currently specified. He said that any penalty should come under the consideration of the ITD chief.

Thirdly, several unclear and ambiguous clauses in the existing law need to be clarified to enable all parties concerned to continue their work without interrup-

tion. In the past, interpretations had to be made in these unclear clauses, thus causing delays in decisions and operations, he added.

As for the anti-monopoly part, Mr Prayoon said clear definitions are needed to pinpoint what type of actions are considered monopolistic, noting that the ITD chief is empowered to make the final decision on the issue.

However, he pointed out that monopoly cases are exempt from the act when local producers form a group for international trading purposes without causing any adverse impact on local trading or farmers. Nevertheless, such exemptions have to be approved by the central committee.

For the second bill, the Chamber of Commerce and Trade Association Act, Mr Prayoon said changes would have to comply with the bill on the Board of Industries, being drafted jointly by the Association of Thai Industries and the Industry Ministry.

Regarding the amendment to the Warehouse Act, he said there is no law on warehouse businesses except for the Revolutionary Order. He noted that the amendment bill would encourage construction of agricultural warehouses so as to help farmers.

He went on to say that the last bill, the amendment to the Agricultural Market Arrangement Act, would clearly outline the responsibilities of the central market's operators and standards of buying and selling.

The department chief said the amendment together with the regulations in the central market would enable operators to seek low interest loans from commercial banks. With the exception of fishery business law, there is no direct law governing the marketing of agricultural products.

No decision in talks on major steel plan

6/20
THE first round of talks between the Industry Ministry and major steel producers on the long-discussed integrated steel project ended inconclusively yesterday.

The meeting, attended by Deputy Industry Minister Korn Dhabbarangsi and representatives of Siam Iron & Steel Co, Bangkok Steel Industry Co, Siam Steel Syndicate Co, Siam Steel Co, Nakhorn Thai Steel Mill Co and chairman of the Association of Thai Industries' Iron and Steel Club and held by the ministry, was aimed to sound out the producers' opinions on the possibility of the country launching the massive investment project.

Mr Korn said the meeting agreed that the size of the project should be scaled down to "backward integration" to suit the current economic condition.

Back integration involves starting the project somewhere upstream not at the raw material stage.

He said it could not yet be decided how the country should develop the project — whether to set up a cold or hot rolling mill — because the investment cost involved has not been identified.

But the country still has a chance to set up either type of mill as Japanese and Korean steel producers are now faced with high production cost problems.

Mr Korn also said the current steel consumption of about 1 million tons a year justified investment in either cold or hot rolling mill.

He said the investment cost of a mill with an annual capacity of 1 million tons, estimated at as high as 20,000 million baht, was excessive and beyond the producers' capability to handle.

But the trouble-plagued steel mills in Japan and Korea have offered to relocate their plants in Thailand, making it possible for Thailand to have a steel mill because the old facilities would help reduce the investment cost for setting up a steel mill.

BANGKOK POST

PROBLEM

Finance firms 'need more aid'

6/20
THE Government does not make equally strong efforts in solving the problems of finance companies and commercial banks, according to Sa-ngob Punnarugsa, president of Sa-ngob & Wanna Co.

Mr Sa-ngob, a former International Trust & Finance Co (ITF) president, was speaking at a seminar on "Business Failure and Turnaround Strategies" organised by Thammasat University's Commerce and Accountancy Faculty and Thai-language *Thansettakit* weekly at the university.

He said finance companies and commercial banks had to make contributions to the Fund for Rehabilitation and Development of Financial Institutes at the same rate, 0.1% of their total deposits, which he termed an "indirect tax or insurance premium."

He noted, whenever a commercial bank had any problem and was faced with collapse, the Government would step in immediately to help it. "The Government will never let a bank go under," he added.

But when a finance company was in trouble, he said, that Government would be less keen on helping it.

He also said the Government should be less keen on extending soft loans to commercial banks in trouble because in doing so, the Government would suffer interest rate differential losses.

He added that as this issue had become a political one, he did not want to touch on it any further.

Regarding the ITF's construction of a condominium, Mr Sa-ngob said he was still against it because "ITF's liquidity decreased sharply and immediately, up to the tune of hundred millions of baht."

He also claimed that during his presidency at ITF, he had done many things beneficial to ITF's depositors and the general public.

MOF ordered to put its books in order

6/10

THE Cabinet yesterday ordered the Marketing Organisation for Farmers to speed up the accounting of fiscal year 1984 as proposed by the Auditor-General's Office, Deputy Agriculture Minister Suthep Thueksuban said yesterday.

The ministry was told by the Cabinet to order the MOF to clear up its financial expenditure after the auditor-general complained of unfinished accounting procedures.

The Auditor-General's Office asked the MOF to

clear unsettled accounts at banks in the provinces and expenditure documents of the 1984 fiscal year by the end of this fiscal year in September, settle incomplete debit accounts and put remaining cargo stocks and assets in proper control lists for certifying.

The MOF will also be told to finalise its accounts and make details of financial expenditure and related financial activities from fiscal 1984 up to now for the Auditor-General's Office.

Mr Suthep said the ministry informed the Cabinet yesterday about the intervention in the maize market where the MOF was allocated a 200 million baht loan from the Farmers' Welfare Fund to buy maize from farmers suffering from low prices.

He said the MOF had bought 72,517 tons of maize worth 145 million baht which was counter-traded for 37,676 tons of 16-16-8 formula fertiliser worth 154 million baht.

The Cabinet also agreed in principle to the ministry's request to set up a crop extension centre in Sukhothai worth 92.3 million baht.

Dusit Thani asks TAT for Khao Yai Resort rights

20/19

THE Dusit Thani Hotel Group is seeking to operate the Tourism Authority of Thailand's Khao Yai Resort.

According to a high-ranking official, managing director of the group Mrs Chanut Piyaoui recently proposed that the company operate the Khao Yai Resort on an individual basis.

The source said the interest shown by the Dusit Thani Hotel Group was surprising since the group had earlier said it was interested in investing in the project, yet offered no tender during TAT's two biddings last year.

The firm's condition on running the resort without a partner is against regulations laid by the board of directors of TAT.

But since no interest was shown in the project during the past two biddings, TAT is now considering the group's proposal.

TAT, the source said, would rather have the project be owned by a private investor, TAT and the Royal Forest Department.

However, if TAT decides to let Dusit Thani Group run the resort alone, it must seek approval from the board of directors.

The concession for a private firm to operate Khao Yai Resort came after TAT's corporate plan to privatise some of its resorts and a study by the National Institute of Development Administration (NIDA).

The NIDA study pointed out that although the resort was still profitable, declining profits and a shortage of development funds would soon cause TAT to face losses.

Khao Yai Resort is in the area of Khao Yai National Park, which is under the responsibility of the Royal Forest Department.

TAT received the right to operate the resort from a special Cabinet approval more than 10 years ago without the specific size of land mentioned in the approval.

The uncertainty of the size of land on the national park resulted in private investors being unable to draw up detailed projects, consequently, no proposals were offered during the two bidding announced last year.

The Dusit Thani itself plans to further expand as Mrs Chanut said earlier that the group was looking for an opportunity to invest in a few more projects over the next few years.

The plan to boost investment follows the group's outstanding success in hotel business at its properties, which includes the Dusit Thani in Bangkok, the Dusit Inn in Chiang Mai and the Dusit Laguna in Phuket.

Fate of NEC project remains uncertain ^{6/8}

THE fate of a massive investment by the National Fertilizer Corp Ltd remains uncertain due to the lack of progress in the project to build a chemical fertilizer complex. Moreover, Finance Minister Suthee Singhasaneh said at the weekend that the land at Mab Ta Put should be used to complement the development of Laem Chabang.

The minister told *The Nation* that the project is still impeded by two major factors — the sharp Japanese yen's appreciation and worldwide low prices for fertilizer.

The corporation plans to build the complex at Mab Ta Put on the Eastern Seaboard but the final contract signing with contractor Chiyoda Chemical Engineering and Construction has been delayed.

The minister heads the supervisory committee formed to closely guide and monitor the project. Recently Chiyoda asked NFC to seek through the Thai government a grant of US\$80 million from the Japanese government to offset the high yen value.

When the project was decided, the exchange rate was at 240 yen per dollar, making the project feasible when there was also a soft loan from the Overseas Economic Cooperation Fund of Japan.

The high yen value since has made the project more difficult. Chiyoda asked for a fixed rate of exchange for the yen as it will also provide financing. NFC wanted a range of 200-220 yen while Chiyoda proposed 160 yen, slightly less than the 140-145 at which the yen floats now.

Dr Suthee said that the supervisory committee has not scheduled the next meeting because the problems were clear. NFC has turned to importing fertilizer for distribution to farmers.

He disclosed that the ministry was studying to see how the site of the NFC complex should be used for other purposes to complement the development of Laem Chabang.

The government has delayed the development of Mab Ta Put, where a deep-sea port was planned, due to fiscal constraints. Instead, there will be development at Laem Chabang, such as the construction of a sea port and an industrial estate to serve as export processing zone.

The silence on the part of the supervisory committee indicates that the multi-million baht project will face further delay. The NFC Board of Directors submitted a plan to alleviate the high-yen problem to the committee two weeks ago but there was no progress on the issue.

Unless Chiyoda accepts an exchange rate at 200 per dollar as sought by NFC, the project will offer an infeasible rate of return on investment at lower than 10 per cent.

Tapioca groups to ask Govt to relax electricity charge ^{6/15}

FOUR associations in the tapioca production industry will for the first time jointly ask the Government to relax the Electricity Generating Authority of Thailand's minimum demand charge on electricity for tapioca products producers.

According to an industry source, the four associations are the Thai Tapioca Trade Association, Thai Tapioca Flour Industries Trade Association, the North-eastern Tapioca Trade Association and the Eastern Tapioca Trade Association.

He said top executives from the four associations were expected to meet this Thursday to discuss the matter in more detail so they can determine the most appropriate procedure in making their request.

Under the plan, the four associations hope the Government will be able to relax the minimum electricity charge from one month a year to four months, particularly as most tapioca products production usually only lasts six-seven months a year.

He said the four associations had each made individual requests to the Government on different occasions, but had not received any positive response.

"They hope the joint request will strengthen their stand," he said.

The source cited a recent case when TTTA president Sukit Wanglee led association members in a meeting with Deputy Prime Minister Bhichai Rattakul in his capacity as National Electricity Energy Policy Commission chairman.

During the meeting, the TTTA also asked the Government to provide assistance to the tapioca pellet industry which has been affected by EGAT's lifting of exemptions on demand charges altogether.

The tapioca pellet industry, with an annual capacity of about 10 million tons, was exempt from EGAT charges between 1985 and 1986, but in 1987 the exemption was lifted.

The source said those in the tapioca products industry would like to enjoy the same privileges as the sugar refinery industry which is exempt from paying the minimum demand charges.

Mr Bhichai urged the association to wait for the new electricity bill structure.

Govt limits import of engines

THE Commerce Ministry yesterday announced that all imports of motorcycle engines with a capacity less than 250 cc will have to get prior approval from the ministry.

The announcement follows the Cabinet's approval of the requirement at its weekly meeting last Tuesday.

The requirement, which became effective yesterday, was signed by Commerce Minister Montri Pongpanich on June 4.

The ministerial announcement stated that the requirement for prior approval is aimed at protecting the local production of motorcycle engines after the Government, through the Board of Investment, has provided promotional privileges to this industry.

Dairy farm body seeks approval to raise production

Dairy group seeks help on milk row

6/9
THE Dairy Farming Promotion Organisation (DFPO) is seeking Government approval to invest about 20 million baht to expand the production capacity of its UHT milk by 20% from the current 105 tons per day.

DFPO managing director Chalermchai Lekchom said he was lobbying the National Economic and Social Development Board, Agricultural Ministry and the Cabinet to approve the budget.

The 20 million baht will be used to buy two milk packaging machines from Tetra Pak of Sweden, he said.

"Our sales agent, Inter-Magnum Co, is complaining that its market share is shrinking by 1% per month because output cannot be expanded even though a lot of effort has been spent on promotion and marketing to create demand," he said.

Another problem is that its production of pasteurised milk has lagged behind demand as its six machines can only produce 10 to 15 tons per day despite orders for about 25 tons per day.

However, he said this was a matter for the DFPO's board to

decide whether to buy or lease new machines to expand production or simply maintain the present level of supply, bearing in mind that once the 20 million baht has been spent on expanding the UHT production capacity, less funds will be available to expand pasteurised milk production.

DEMAND

Meanwhile, Inter-Magnum Co managing director Kanok Abhiradee said the demand for milk had increased by 12%-15% due to a successful promotion campaign. He said he expected this trend to continue into next year.

Price competition between milk producers has stimulated higher demand and lower prices as four years ago consumers paid 63-64 baht for a

dozen pack of 250cc milk cartons, while today they pay only 61 baht/dozen.

The fierce competition has not hurt producers because market supply is still less than demand. For example, Thai-Danish Dairy Farms' production of 250cc UHT milk cartons lags 10% behind demand even though its factory is running 24 hours/day, he said.

Mr Kanok added that once production capacity was expanded, his company could begin to penetrate provincial markets more fully than before.

Apart from students, teenagers in general have increased their milk consumption by an impressive rate due to health and fitness concerns.

Another product marketed by Inter-Magnum is Lait-Lait toffee which has been well accepted by children, he concluded.

THE Dairy Farming Promotion Organisation (DFPO) has asked the Agricultural Ministry to solve the problem caused by the Foremost (Thailand) Co setting up provincial buying centres for raw milk which have taken away DFPO's original suppliers.

According to DFPO director Chalermchai Lekchom, the action by

Foremost has seriously affected DFPO's target earnings which will jeopardise its commitment to repay loans from Denmark worth 258 million baht.

The loans were used to buy machinery and set up raw milk collecting centres in Nakhon Ratchasima, Saraburi and Lopburi, Mr Chalermchai said.

He said Foremost should set up its buying centres away from the areas developed by DFPO investment. "For example, Foremost could set up a buying centre in Ayutthaya, but it won't because it would involve a high initial investment and long term results which it may not want to wait for," he said.

"As for the allegation that some farmer groups have taken side with Foremost, I believe it is because the company has misled them, and some government officials from the Cooperatives Promotion Department (CPD) have also privately supported Foremost," he said.

DIFFICULTY

"Before this difficulty arose, Foremost's executives came to my office a few times to confirm that they had no intention of competing for raw milk from our original suppliers. But the action has indicated otherwise.

"As for the relationship between DFPO and CPD, there is clearly a lack of mutual communication which must be rectified. I, therefore, proposed that the Board of DFPO or the Government must make a policy decision concerning the matter as soon as possible," he insisted.

"It was the Government in the first place that laid down the policy for us to promote dairy farming among farmers as well as guarantee prices," Mr Chalermchai noted.

Ministries to ask for review of soybean policy

THE Commerce and Agriculture Ministries will both ask the Cabinet to review its decision changing the soybean import system which was made to favour the United States.

Commerce Minister Montri Pongpanich said the import system was changed just to favour imports from the United States, but farmers have not benefitted from the change.

On September 16, 1986 the Cabinet decided to change the soybean import system from a quota system to be a tariff system.

The change was proposed from the Foreign Ministry following a request from the United States. The Foreign Ministry claimed that the change would help

prevent Thailand from losing privileges under the Generalised System of Preferences.

The US request for a change in the soybean import system was part of a package, which also comprised a demand for amendments to copyright and trademark laws.

Mr Montri said that since the change did not provide any benefit to Thai farmers, he will ask the Cabinet to review its decision.

The Agriculture Ministry, also making a similar request to the

Cabinet, recently held a meeting to discuss soybean marketing and production problems where participants expressed strong opposition to the Cabinet's decision.

The meeting also asked Deputy Agriculture Minister Suthep Thueksuban to submit their request to the meeting of the Council of Economic Ministers today.

Since Thailand's production of soybean is not sufficient to meet the local demand, a quota system was de-

signed to encourage farmers to boost their soybean production.

Under the quota system, importers of soybean had to purchase local produce at the ratio of 3:2.

The system successfully boosted soybean prices which in turn encouraged farmers to increase their production.

The Cabinet's decision to change over to the tariff system, which goes into effect this September, will allow importers to import an unlimited amount of soybean, but a 6% tariff will be charged.



Montri

Soybean policy revision urged

MP Songsuk Pakkasem (Chiang Mai, Radda-dorn Party) will today urge the Government to revise its decision last September on the soybean import policy and push for the continuation of the quota system for the next four-five years.

In his motion to the House of Representatives, Mr Songsuk said the Cabinet decision on September 16 will have an adverse affect on farmers and the country's economy.

He cited the study of the Ministry of Agriculture and Agricultural Cooperatives' Working Committee chaired by Deputy Agriculture Minister Suthep Thueksuban which called for a revision of the soybean policy decided on by the Cabinet last September.

He said the working committee had studied the quota system and found it beneficial to the country's economy, especially farmers.

He said the committee had asked the Cabinet to revise its decision twice.

The Cabinet, pressured by the US Government to liberalise the trading of soybean and

its products, decided last September to revise the policy on soybean imports within a year by replacing the quota system with a tariff system. At the same time, it set up a working committee to study the issue.

Under the quota system, the Commerce Ministry required soybean importers to purchase local produce before import permission was given at the ratio of 3:2.

In addition, Mr Songsuk said he would also ask the Government to negotiate the soybean import policy with the United States as the Foreign Ministry had exchanged the adoption of the quota system for privileges under the Generalised System of Preferences.

Meanwhile, Commerce Minister Montri Pongpanich said yesterday that there was no local shortage of soybean oil.

He made the remark following yesterday's meeting of soybean oil producers, canned food processors, soybean importers and farmers at the Commerce Ministry to discuss problems concerning the reported local shortage.

He said the meeting estimated the local supply of soybean oil from June to August would be about 10,999 tons, while the demand would be 11,008 tons.

The small difference in the demand and supply figures showed there was no real shortage and oil producers said they would meet local demand if the other side could produce actual demand figures and contracted to purchase that amount, Mr Montri said.

He said soybean oil producers would sign a supply contract next Tuesday with canned food processors.

The purchasing price has been agreed at 21.80 baht/ki'o for refined oil, based on 8 baht/kilo of soybean seeds, he said.

Concerning the September 16 decision, he said he had assigned the permanent secretary of commerce to study the affect on farmers.

If the change to the tariff system affects farmers, he would ask the Cabinet to revise its earlier decision, he added.

Cabinet defers sug export firm decisi

THE Cabinet yesterday put off its decision on the Industry Ministry's proposal to set up a new sugar export body after strong opposition from certain Cabinet members.

The meeting instead asked the Cabinet secretary, Anant Anantakul, and the Industry Ministry to jointly reconsider the proposal and resubmit it to the Cabinet next Tuesday.

An informed Cabinet source said the proposal to set up a fifth sugar export trading company came at the request of seven sugar refineries affiliated with Wang Kanai Sugar Refinery Company which come under the Sugar Industry Trade Association (SITA).

The source said the decision was deferred because of strong opposition from certain Cabinet members who said the establishment of the new company was counter to the Cabinet's ruling in June 1984 which stipulates that no

more sugar export companies would be allowed to set up.

Also, the four existing export companies — Thailand Sugar Corp, Thai Sugar Trading Corp, Thai Cane and Sugar Corp and Siam Sugar Export Co — were said to be sufficient to handle the country's sugar exports. The fourth sugar export firm was proposed by former Industry Minister Ob Vasuratna and approved by Cabinet.

According to the source, Industry Minister Pramual Sabhavas, who submitted the proposal for Cabinet consideration, decided later to withdraw the issue from the agenda following strong opposition from certain Cabinet members.

However, Prime Minister Prem Tinsulanonda, who chaired the meeting, rejected Mr Pramual's move as he wanted to retain the proposal in the agenda.

Gen Prem then asked Mr Anant and the Industry Ministry to jointly reconsider the matter and resubmit the proposal for consideration at the next meeting.

The source said the Industry Ministry proposal called on the Cabinet to review its ruling to pave the way for the seven sugar refineries attached to SITA to set up their own sugar export company.

The ministry requires the SITA members to meet certain conditions in return for permission to set up the export

body. The conditions are that they would have to deliver raw sugar to Thai Cane and Sugar Corp (TCSC) for export, to contribute to the industry's US\$78 million debt repayment and to comply with TCSC regulations.

The source said SITA recently asked the ministry to allow it to set up a new sugar export company, saying the combined production capacity of its members was more than 100,000 tons of sugar annually which was in line with the previous Cabinet's ruling.

As for marketing, the refineries would be able to reduce their expenses if they had their own export facility as they were currently forced to use the export facilities of the existing export companies.

Furthermore, the ministry said in its proposal that the establishment of a new export body would be in line with the Government's policy to promote free trade, investment and job creation.

The ministry said that if a new export company was allowed to set up, it would not have to worry about export controls because there were enough measures to control possible sugar smuggling — including the Cane and Sugar Act 1984, the regulations of several government agencies and the close supervision of the cane planters.

"As other sugar refineries have their own sugar export companies, SITA should be eligible to have one for the sake of equality and fairness within the same profession," the proposal was quoted as stating.

Cabinet to review sugar export firm

THE Cabinet is expected to reconsider the Industry Ministry's proposal to set up the country's fifth sugar export company today after the Cane and Sugar Board (CSB) reported that the existence of a new export firm should depend on the Cabinet's decision.

A senior ministry official said that the CSB, chaired by Permanent Secretary for Industry Dr

Prabhis Chakkapak, yesterday considered the matter in response to a Cabinet's decision last Tuesday.

Secretary general to the Cabinet Anantakul was ordered to look into the matter with the Industry Ministry before forwarding it to the Cabinet again.

The CSB reportedly raised a CSB regulation considered in October 1983.

His proposal later faced strong opposition from certain ministers including Minister of the Prime Minister Office Dr Chirayu Isarangkura na Ayuthaya, a former industry minister and an architect of the country's sugar industry system.

They argued that there were adequate sugar trading firms now in operation to handle sugar exports.

They also reportedly said if the Cabinet's ruling was revised, then that policy should apply to all, not only to the Wang Kanai Group.

Mr Pramual later decided to withdraw his proposal, but Prime Minister Prem Tinsulanonda objected and instructed Mr Anant to look into the matter.

The seven refineries requested permission to set up a new export outlet in order to eliminate their dependence on the existing four sugar export companies — Thailand Sugar Corp, Thai Sugar Trading Corp, Thai Cane and Sugar Corp and Siam Sugar Export Corp.

Industry Minister Pramual Sabhavas reportedly told the Cabinet that the formation of a new export company was in line with the Government's policy to promote free trade, investment and employment.

Cabinet urged to review sugar export decision

6/13
SUGAR millers have urged the Government to review the recent Cabinet ruling concerning the temporary solution to the country's sugar export problems, saying the solution will severely jeopardise the management of the whole sugar industry in the long run.

The move came in a letter jointly signed by 42 millers nationwide, which was submitted to Prime Minister Gen Prem Tinsulanonda yesterday.

The millers said in their letter that the Cabinet decision on Tuesday should be reviewed and reconsidered in the light of their earlier letter dated May 26 in which they recommended the way towards a compromise between sugarcane farmers and sugar millers.

The letter was quoted as telling the Government that it should, at least, delay the introduction of the Cabinet ruling so that further discussions could be held between the parties con-

cerned in order to lay down a new policy and guidelines governing the profit-sharing arrangements between the planters and millers, and the country's sugar exports in general.

The millers noted in their letter that since the 70:30::farmers:millers net profit-sharing system was introduced four years ago, the millers had been at a disadvantage and often earned less than their 30% due amount.

The letter said the system had resulted in heavy losses for the millers and some had been forced to relinquish their operations to their creditor banks.

The millers also opposed the Cabinet ruling concerning the delivery of

200,000 tons of raw sugar by millers to Thai Cane and Sugar Corp (TCSC) for export on a temporary basis.

TCSC, a joint operation of the planters, millers and Government, was set up to handle 600,000 tons of sugar exports per annum over the past five years.

The millers said the decision was incorrect and illogical and would seriously harm the whole sugar industry.

In addition, during the period the profit-sharing system has been in effect, the sugar exports handled by TCSC have cost the system 25 million baht annually in unnecessary expenses and it has also caused delays on decisions affecting advance sales.

The millers suggested that the Government should abandon the temporary solution and, instead, lay down a long-term policy using the Cane and Sugar Act 1984 as a basis to implement the profit-sharing system and the country's sugar export policy governing the exports, production and marketing.

Moreover, a committee comprising the planters, millers and government officials concerned should be set up to fix a standard price for sugar exports, thus eliminating the need for TCSC. The export price under the previous practice was a major factor in working out the sugarcane price during the implementation of the profit-sharing system four years ago.

Is 5th sugar export firm needed?

I BELIEVE that Cabinet members must have been taken by surprise during their meeting on Tuesday when Industry Minister Pramual Sabhavasud sought an approval to set up another sugar export

firm on the request of seven sugar refineries affiliated with Wang Kanai Sugar Refinery Co.

According to my spies at the Industry Ministry, among those who were most surprised were Mr Pramual's two deputies who were reportedly completely unaware of the proposal.

My spies said Mr Pramual was very optimistic that his proposal would gain an easy passage as it was submitted at a time when thousands of sugarcane planters in Kanchanaburi threatened to stage a protest in Bangkok if the Cabinet did not yield to their demand to temporarily allow Thai Cane and Sugar Corp (TCSC) to continue exporting 200,000 tons of raw sugar.

But things did not turn out as Mr Pramual expected as several Cabinet members were strongly against the proposal. Among those questioning Mr Pramual the most on the issue was Minister of the Prime Minister's Office Dr Chirayu Isarangkura ne Ayutthaya, who was once Industry Minister and has a thorough knowledge of the sugar industry.

These Cabinet members very much doubted the necessity of setting up a fifth sugar export firm, in addition to the four already in operation.

To remind you, the proposed formation of the fourth sugar export firm, Siam Sugar Export Co — after TCSC, Thailand Sugar Corp, Thai Sugar Trading Corp — by former Industry Minister Ob

The Saturday Column

by Kawaljit Singh

4/13

Vasuratna years ago had developed into a controversy.

The then Cabinet members also strongly opposed this proposal, claiming that the existing three firms — the first a tripartite firm owned by the Government, sugar millers and sugarcane planters and the other two belonging to two sugar mills' associations — were considered enough to handle the country's sugar exports.

However, for unknown reasons, the Cabinet allowed the fourth sugar export to be set up and strongly ruled that no more similar permission would be given.

My spies noted that with strong opposition from several Cabinet members, Mr Pramual planned to withdraw his proposal from the agenda. Again, it's not that easy for my dear Pa Prem, who chaired the meeting and who might also be surprised by the proposal, put a brake to Mr Pramual's move.

Instead, Pa Prem instructed Cabinet Secretary Anant Anantakul and the Industry Ministry to jointly review the issue and resubmit it to the Cabinet for consideration next Tuesday.

Although Pa Prem's action was seen as "saving" Mr Pramual's face, my spies said the big question hanging over the issue was whether it was really necessary to have a fifth sugar export firm.

Moreover, why did Mr Pramual seek Cabinet approval on the issue

when the most urgent task facing the Government, particularly the Industry Ministry, is the extension of the 70:30 revenue-sharing system?

As I mentioned earlier, the five-year-old system, set up to stabilise the local sugar industry, will expire sometime this year and both sugarcane planters and sugar millers are still locked in negotiations on different figures of production costs and revenue-sharing ratios as both parties want to get maximum benefits.

Another stumbling block to the ongoing negotiations between sugarcane planters and sugar millers is the export of 600,000 tons of raw sugar under Quota B by TCSC: sugar millers want to handle this export themselves, but sugarcane planters want TCSC to continue exporting this volume.

Another major problem is the repayment of the US\$78-million syndicated loan borrowed from eight local commercial banks by the local sugar industry. Again to remind you, this loan was borrowed about five years ago when the system was set up so as to stabilise the local sugar industry.

However, when the first principal sum of about \$23 million was due in September 1985, the industry could not repay it and has not been able to do so until today because the industry has been hard hit by depressed world sugar prices.

Although the banks involved have agreed to roll over the principals and interests, no conclusion has been reached yet on a new agreement.

Though the Cabinet has approved the Cane and Sugar Board's proposal for sugar millers to temporarily supply it with 200,000 tons of raw sugar for export — out of the 600,000 tons in quota a year under the present agreement — that was tantamount to yielding to sugarcane planters' demand, which averted their planned protest in Bangkok, sugar millers were reportedly unhappy with the decision and planned to petition the Cabinet to review this decision.

I do not know whether Mr Pramual would agree with me that the sugar industry is faced with many urgent issues that need immediate attention of and solution by his ministry.

Don't you think so, my dear minister?

□ □ □ □

I AM happy to see welcome news reports that many foreign investors are keeping a sharp eye on Thailand as their investment place, with several of them having made their decision on the issue.

Part of the credits — perhaps all — should go to the Board of Investment and other government agencies concerned in promoting the country's investment abroad.

Although such reports are exciting and invigo-

rating because more investments mean more employment and, indirectly, more exports, there is another side of the coin to be taken into account as well, particularly in the current situation of growing protectionism in the West.

Several Asian countries including Taiwan have moved their production facilities to Thailand which is now their base of exports to Western countries, mainly the US.

I understand that one of the reasons for their relocating here is that they expect to be able to make of the GSP status given to exports from Thailand to the US and a few other countries as they can no longer enjoy such a status because their countries no longer need a special tariff treatment to compete in importers' markets.

I wouldn't have any objection to these foreign investors if they are here to produce and export something which we cannot make effectively pricewise because it would enable us to have more export items and to maximise the utilisation of the GSP status given by Western countries.

I am quite sure that there are still hundreds of items which we cannot produce at competitive prices and if these new investors can help us on this, it would further help stimulate the local industry, increase employment and boost exports.

On the other hand, if these investors are here to make those products which we are already producing and take the export opportunity from Thailand, I think we should reconsider our foreign investment promotion policy. I strongly believe that we should not allow foreigners to reap profits at our expense.

Govt body gives nod to proposals on countertrade

THE National Countertrade Sub-committee yesterday approved a number of countertrade proposals including two from a Belgian firm to set up an ammunition factory and to exchange military radios for Thai agricultural products.

The approval paves the way for further negotiations between Thai government agencies concerned and their foreign counterparts.

Business Economics Department Director-General Somphol Kiatphaiboon, also the sub-committee's secretary, said the decision was made at yesterday's meeting of the sub-committee, chaired by Commerce Minister Montri Pongpanich.

The meeting, held at the Commerce Ministry, was also attended by officials of government agencies concerned, including Deputy Foreign Minister Prapass Limpabandhu, Deputy Finance Minister Dr Supachai Panitchpakdi, Deputy Communications Minister Lt-Col Sanan Kha-chornprasart, the Bank of Thailand and the Agriculture and Defence ministries.

Mr Somphol said the Belgian firm's proposals, submitted by J.C. Tylee of Trading Services

Co two months ago, were fully supported by the Belgian Government.

He said the Belgian firm proposed to set up an ammunition factory worth some 1,600 million baht here, part of whose production would be bought back by it for export to third countries. It also proposed to sell HF/SSB military radios worth about 360 million baht, he added.

Mr Somphol said the Belgian firm would exchange its products for whatever industrial or agricultural products to be proposed by the Thai side.

He also said many rounds of talks were held during the past two months at various levels, including ambassador, military attaches and company representatives.

He noted that as the Belgian firm's proposals directly involved the Defence Ministry, it would be passed on to the ministry for further consideration.

Mr Somphol added that the meeting also approved Cargill Co's proposal to sell 8,000 barrels of high-speed diesel oil a day to the Petroleum Authority of Thailand (PTT) for one year; in return, the firm would buy green beans, tobacco

leaves, gunny bags, maize, garments, fluorite and barite from Thailand.

He said the meeting agreed that such a purchase would have to be in line with PTT's regulations on oil imports and comply with the Commercial Registration Department's oil import plans. The approval would enable PTT to start negotiations with Cargill on the issue.

He also noted that this approval was based on the ground that it wanted to speed up agricultural exports no matter where Cargill would sell the products, even in Thailand's traditional markets.

Mr Somphol said the meeting would also ask the Defence Ministry to consider a South Korean proposal to exchange military equipment with Thai agricultural products.

The Korean firm involved also proposed to exchange chemical fertilisers with Thai tapioca products, but this proposal was rejected by the Agriculture Ministry which stated that there were already sufficient fertiliser stocks at present, he added.

Another decision made by the sub-committee were for Mr Somphol, as the sub-committee's secretary, to cross-check

information with the Association of Thai Industries regarding the state-owned Telephone Organisation of Thailand's proposal to buy Brazilian generators through Metro Machinery Co, to fulfil Thailand's countertrade commitment with this South American country.

The TOT proposal was strongly opposed to by ATI which asked the Government to review its plan on the ground that such a purchase would affect the local industry which can already produce some generator parts.

Mr Somphol said further that the Highways Department and the Communications Authority of Thailand also proposed to the sub-committee that they be permitted to buy through countertrade equipment and machinery for their uses.

The Highways Department plans to call a bidding to buy 454 units of 65 CFM screw type, including a concrete breaker equipment, worth 68.1 million baht, while CAT plans to call a bidding for the construction of a communications station and installation of related facilities worth 163 million baht.

Van Hool warns of threat to Thai textile shipments 6/18

A Van Hool Corp official yesterday urged the Government to reconsider its proposal to lease 300 articulated buses to Bangkok Mass Transit Authority at a cost of 3,316 million baht, saying failure to give the contract to the company might affect Thailand's textile exports to the European Community.

The Belgian firm's assistant managing direc-

tor Jef School made the statement during his meeting with Deputy Communications Minister Suraphan Chinawatr yesterday.

He was quoted as saying that the Cabinet rejection of the company's proposal on May 12 caused damage to Van Hool which had worked on the proposal for almost five years.

Mr Suraphan quoted Mr School as saying that his company may file a lawsuit against the Government to seek compensation for the damage. The Belgian, however, said his company wants to settle the matter through negotiations.

Belgian Deputy Minister of Foreign Trade, Mr Etienne Knoops, who will lead a 40-member delegation for a visit here on June 21-24, is expected to raise the Van Hool proposal with Commerce Minister Montri Pongpanich and Foreign Minister Siddhi Savetsila, according to the company official.

Mr Suraphan, meanwhile, said the matter was beyond the ministry's responsibility.

He added the Communications Ministry would reconsider the issue with the National Economic and Social Development Board only if it was requested by Commerce and Foreign ministries.

Ministries plan meetings on soybean problems ^{4/12}

Soybean meeting opts for quotas ^{4/14}

THE Commerce and Agriculture Ministries will meet separately to discuss the problems concerning the shortage of soybean meal and oil and the move to replace the existing quota system with a tariff system.

An informed source said the first meeting was scheduled for today at the Agriculture Ministry and would involve a working committee considering the problem of full cycling of soybean. The meeting will be chaired by Deputy Agriculture Minister Suthep Thueksuban.

The committee comprises 20 representatives from various government agencies and the private sector involved with soybean.

The source said the meeting was expected to consider three major issues including the Cabinet decision on September 16, 1986 regarding the soybean import policy.

Under the Cabinet decision, the Commerce Ministry will within a year replace the quota system on the import of soybean and its meal with a tariff system. This is in compliance with the US Government call for Thailand to open its market for US crops.

The meeting will also discuss suitable systems for importing soybean products including meal and oil.

The third issue for discussion is the possibility of the Public

Warehouse Organisation importing soybean products by itself for further distribution, or for the organisation to jointly set up a central import company with the private sector and planters.

Another meeting, scheduled for June 16, will be called by Commerce Minister Montri Pongpanich to discuss the local shortage of soybean meal and oil with representatives from the soybean crushing and refining mills.

The meeting is expected to sound out opinions among the operators regarding the US call for Thailand to adopt the tariff system instead of the existing quota system.

A MEETING on soybean imports among producers, buyers and officials has initially agreed on a quota rather than a tax system, Deputy Agriculture Minister Suthep Thueksuban said yesterday.

He said the ministry's promotion on soybean growing was a success as the price now is seven baht a kilogramme and the growing area rose from 900,000 to 1.4 million rai.

Mr Suthep said the Government had required soybean importers to buy the same amount of the local produce.

Production per rai also rose from 150 to 300 kg. This was due to the Government spending 30 million baht to provide good seedlings on a barter basis and counsel to farmers.

Mr Suthep said even though total production had increased to 350,000 tons from 150,000 tons a year, it still lagged behind domestic demand of 600,000 tons. The rest had to be imported.

The Government, he said, aimed to catch up with soybean production, but had to allow imports in the meantime.

Thailand had agreed with the US to replace the import quota system with the tax system this September.

Mr Suthep said the price of imported soybean of 5-6 baht a kilo was so low that it did not encourage local growing of the produce. Tax on imports was set at 5-6 per cent.

Several alternatives were given at the meeting of ministry officials, producers, animal feed manufacturers, soybean oil makers and importers but none were accepted.

s edited by Theh Chonghadikij for The Po

r and Owner; Office: 3rd floor, U-Chu

Pulp body asks Govt for support

6/11
 THE Thai Pulp and Industry Association will ask the Government to support the planting of fast growing trees to be used as raw material in making pulp because a pulp shortage is expected if demand continues to expand.

Association president Mr Chamnarn Sunthornwattana said yesterday that there are two pulp making factories in Thailand — Phoenix Pulp & Paper Company Ltd with

a capacity of 27,000 tons/year, using about 200,000 tons of bamboo, kenaf and eucalyptus per year and Siam Pulp Co Ltd with a capacity of 20,000 tons/year, using about 200,000 tons of sugar cane waste a year.

He said if Siam Pulp increases its production in the next two years to satisfy the expected increase in demand estimated at about 8-9% a year, a shortage will result.

Siam Pulp is now in contact with the Ministry of Agriculture and Agricultural Cooperatives to locate enough land (about 100,000 rai) to plant fast growing trees on. The company will have to undertake a feasibility study and ask the Government to help with the land and technology of planting the trees, he said.

Siam Pulp management will go to Brazil to find a new type of eucalyptus suitable for cultivation in Thailand, he noted.

Mr Chamnarn went on to say that the first quarter this year is the best ever for the industry.

Demand for pulp increased 12% from 38,000 tons to 42,900 tons while production capacity went up 32% from 20,400 tons to 27,000 tons, he said.

Demand for paper rose

13% from 144,200 tons to 162,600 tons, and production increased 24% from 106,900 tons to 132,900 tons.

He said pulp imports increased 15% from 19,200 tons to 21,900 tons while paper imports went up only 2% from 43,800 tons to 44,700 tons.

INCREASE

Regarding future prices of imported pulp and paper, he said the price of unbleached pulp should increase about 43% from \$293/ton to \$420/ton, and bleached pulp should increase 30% from \$430 to \$550/ton. Paper prices on average, he said should increase 15% from \$601 to \$691/ton but the newsprint should increase 22% from \$370 to \$450/ton.

Mr Chamnarn also said that The ASEAN Pulp and Paper Industry Club (APPIC) meeting recently agreed to cooperate on newsprint production and is undertaking a feasibility study of the project. At the meeting the project to jointly produce security paper to replace bank notes was cancelled after three years of discussions, because security problems could not be overcome.

Call for clearer policy on pulp

6/13
 SIAM Pulp & Paper Co has urged the Government to clarify its promotional policy on fast-growing trees so that the private sector can make appropriate long-term plans.

Siam Pulp deputy managing director Singh Tangtatswas criticised the Government's policy yesterday, saying it did not specify the form promotions would take. As a result, only small-scale cultivators (50-100 rai) were active in this field, he added.

He asked how the Government would assist larger-scale projects.

"As far as eucalyptus is concerned, rumour has it that these trees are an environmental threat, but has anybody arrived at the proper conclusion as to what needs to be done about it?" he asked.

Pulp production in Thailand is currently facing difficulty in securing

sufficient raw materials. The input needed includes eucalyptus, sugarcane waste and similar products.

"I would like to see the Government providing land to cultivate fast-growing trees. On top of that, there must also be sufficient measures to protect investors."

Reforestation is good for the country because it creates employment, he said. Thus, the Government should make every effort to secure land for allocation to private investors who could use it for this purpose, he added.

Siam Pulp now produces 2,000 tons of short-fibre pulp per month from sugarcane waste. This output is sold to paper companies affiliated with the Siam Cement Group, including Siam Kraft Paper Co, Thai Paper Co and Thai Union Paper Co, he noted.

Textile group to petition against Industry Council

THE National Federation of Thai Textile Industry (NFTTI) will early this week send a letter to the House Extraordinary Committee for Industry to petition the establishment of the Industry Council, NFTTI president Songkram Chivapravattamrungs said at the weekend.

Mr Songkram said the decision to petition committee was reached on Friday night at a meeting of NFTTI members. The NFTTI comprises representatives of the Textile Manufacturers Association, the Thai Garment Manufacturers Association, the Thai Synthetics Association, the Thai Silk Association and the Thai Weaving Manufacturers Association.

Under the ruling of the Industry Council, all textile associations must become members of the council within 180 days.

Mr Songkram said the associations preferred to be independent as this provided them with

more flexibility in handling their members' problems.

He said that if the associations were required to become members of the Industry Council, it would harm the textile industry.

"We would like the Industry Council to allow textile associations to become members on a voluntary basis," he said. "If they want to become members, that's their business, but if they do not want to become members, then they should not be forced."

Meanwhile, Thai Garment Manufacturers Association president Viroj Amatakulchai said the requirement ran counter to the democratic system.

"Such a requirement is against human rights which state that no one should be forced to become a member of any association," he said.

He said the textile industry involved more than 700,000 people and these people could be

affected if their associations were not allowed to deal with textile problems independently.

"We want to be independent of the government and effective in handling our problems and in holding dialogues on any problems," he said.

The bill to establish the Industry Council has been jointly drafted by the Industry Ministry and the Association of Thai Industries, and is now under the scrutiny of the House Extraordinary Committee on Industry.

Soap exports: The latest US petition target

6/11
THE US soap industry has petitioned the US Commerce Department claiming the Thai soap industry, which exports its products to the US, is receiving government subsidies.

A source said the petition, which was sent to the department on April 17, claims the subsidies include special tax exemptions granted by the Board of Investment, reduced electricity rates and support from the Export Promotion Committee.

Lawyer Arthur Lasave of Willkie Farr Gallagher, the law firm representing Thai interests in the United States, is here from June 8-17 to collect data on the Thai soap export industry to counter the charges.

THAI VIEW

Mr Lasave will discuss the matter with the government agencies involved, including the BoI, the Industrial Estate Authority of Thailand, the Electricity Authority of Thailand and the Ministry of Finance.

He is expected to finalise the data collection and forward the Thai view to the Commerce Department by June 20, the source said.

The Commerce Department is expected to make a ruling on the preliminary countervailing duty on Thai soap, as urged by the US soap industry, on July 11-13.

While here, Mr Lasave will also collect data on Thai steel pipe exports to the US as this industry has been charged an anti-dumping duty of 15.6% since early last year. The source said he will collect export figures for

the whole of last year and the first three months of this year in preparation for a possible revision of the anti-dumping assessment by the US Commerce Department.

Meanwhile, the Business Economics Department has reported that the anti-dumping duty caused steel pipe exports to the US last year to fall slightly from 1985. Export last year amounted to 137,188 tons worth 1,744 million baht compared with the 1985 figures of 167,253 tons worth 1,791 million baht, a drop of 0.04% and 2.65% respectively.

The anti-dumping duty has had a serious effect as the US market constitutes about half of Thailand's steel pipe ex-

ports.

The department said the Thai steel pipe industry had experienced steady growth for the past few years and domestic consumption was about 70,000-80,000 tons/year. Thailand's nine producers have a combined capacity of about 504,000 tons/year. The excess production, about 60%, is exported.

The quality and price of Thailand's steel pipes are competitive, which can be seen from the fact that even though the present world market is highly competitive, Thailand's exports are expected to be about 150,000 tons worth 1,450 million baht this year, a drop of only 10% and 17% respectively from last year.

police raided firms ed to Thai bank

POLICE have raided the offices of two Hong Kong finance companies affiliated with First Bangkok City Bank in connection with an investigation into their business failures, according to UPI reports.

Hong Kong officials are also working through the international police agency, Interpol, to locate six Thai nationals who might be able to explain why directors of the two companies had left town leaving bad debts of HK\$500 million (US\$64 million), a police spokesman said.

In a brief official statement, police said officers of the Commercial Crime Bureau "searched a number of premises in connection with the trading of two former Hong Kong-registered deposit-taking companies whose licences

were revoked on June 25, 1986."

The two companies were identified as First Bangkok City Finance Co and Thai Mercantile Development Finance Ltd.

Police would not say why the licences were revoked and no charges have been brought in either case. However, a spokesman said the Commercial Crime Bureau would like to locate the directors of the firms to question them about the companies' bad debts.

Another police source said officers were looking

for five Thai men and one woman, all of whom are now believed to be in Thailand.

Among the premises searched were two companies listed on the Hong Kong Stock Exchange, Creative Investments Ltd and First City Investments Ltd. An exchange spokesman said trading in the shares of both companies was suspended until the situation was clarified.

In suspending the two firms' registrations last year, Hong Kong's Office of the Commissioner of Deposit-taking Compa-

nies said the firms' business was conducted in a manner detrimental to the interests of depositors.

By that time, its parent firm, the First Bangkok City Bank in Thailand, was also in deep trouble and the Bank of Thailand was taking action to revive it.

First Bangkok City Finance is reportedly owned 20% by FBCB and 80% by firms in Thailand believed to be related to the bank, while Thai Mercantile Development Finance was closely linked to the first firm.

At the time the licences were revoked, First Bangkok City Finance's chief executive was Rungroj Kornkaewprasert and Prasop Ratana-ubonchai was the chief executive of Thai Mercantile Development Finance. Both were also the then-representatives of the FBCB in Hong Kong.

They disappeared from the Crown colony before the registrations of the two firms were suspended.

In July last year, the Hong Kong Government also asked the High Court to liquidate the two firms because there was no authorised designation left in Hong Kong to manage the companies. It said the liquidation was to protect the interests of depositors and creditors.

According to a Thai authority, the two firms owed about US\$19 million to six American

Raid

financial institutions — Continental Illinois, Chase Manhattan, Irving Trust, Bank of California, First Inter State Bank of America and Irving Trust's finance firm.

First Bangkok City Bank president Sunthorn Arunanondchai said shortly after he was appointed as the bank's new chief after it came under official control that the bank would like to express its responsibility over the amount of money and it would not ignore the payment.

The bank, according to Mr Sunthorn, would spread the \$19 million repayment over five years, or an average of 20% a year, with the first payment expected to be made in late 1989 or early 1990, but only if the bank was operating profitably.

Sunthorn facing ouster from bank

6/16

by Chatrudee Kittisuksatit

THREE major First Bangkok City Bank shareholder groups have agreed to vote for the ouster of Sunthorn Arunanondchai as the bank's president because he allegedly could not clear himself of a "sales-commission" charge.

An informed source who represents one of the three shareholder groups told the *Business Post* yesterday that the move to oust Mr Sunthorn was agreed to unanimously by the three groups at an unofficial meeting.

"However, the three groups also agreed that they will not take the lead in this move as they want the Bank of Thailand to make the decision to oust Mr Sunthorn," the source said.

"This is because the central bank has a veto right over the bank's board of directors.

Though the three private major shareholder groups would vote for ousting him, if the central bank disagreed, it has the right to veto our decision. Therefore, the best way is to let the decision whether to oust Mr Sunthorn rest with the central bank."

However, he said, the three major shareholder groups would jointly raise the topic for discussion at the next board meeting.

Mr Sunthorn was charged of accruing personal benefits from the underwriting of the bank's new shares when

they were issued recently.

The bank recently decided to increase its registered capital by 500 million baht by issuing 100 million shares.

Mr Sunthorn told reporters recently that the underwriters had advised the bank to price the shares at 5.50 baht each to make them more attractive.

However, the bank insisted on maintaining the price at 6.50 baht and the three major shareholders, led by Smarn Opasswong, Charoen Srisomburana-nond and Kiat Srifueng-fung respectively, agreed to buy 50 million shares with the underwriters taking the rest.

By doing this, the underwriters and the three major shareholders received 4% commission for their underwriting, Mr Sunthorn was reported as saying.

However, press reports claimed there was a dummy recipient for the commission paid to the underwriters as they

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were believed to have received only 2% commission from the bank because they were only required to underwrite half the originally agreed volume.

Moreover, some branch managers reportedly said they had received only 1% for their sales of the bank's shares, while Mr Sunthorn told reporters the branch managers had received 2% and the three major shareholders received the balance.

The source claimed the Bank of Thailand was very "unhappy" with Mr Sunthorn's performance. "We believe the central bank must take some action against him or, at least, ask him to clear up this controversy," he said.

Besides the three major shareholder groups, the Bank of Thailand's Fund for Rehabilitation and Development of Financial Institutes is also a major shareholder of the bank.

The central bank's assistant governor, Manoch Kanchanachaya, is also chairman of the First Bangkok City Bank as the fund's representative.

The source said the

three major shareholder groups thought Mr Manoch should serve as permanent chairman of the bank.

"There were reports that Mr Manoch will quit the central bank. If so, we will ask him to stay on at First Bangkok City Bank," he said.

Meanwhile, Bangkok of Thailand Governor Kamchorn Sathirakul said Mr Sunthorn's ouster would depend on the decision of First Bangkok City Bank's shareholders.

"If the shareholders decide to find a new president, it will not affect the bank's operations because its operating system has been well designed," he said.

At the same time, another source said the Bank of Thailand had started approaching certain leading financiers, including Viroj Nualkhair of Phatra Thanakit, in case Mr Sunthorn was ousted.

"It will be best for every party concerned if Mr Sunthorn decides to resign from the bank," the source added.

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Sunthorn may be asked to resign

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FIRST Bangkok City Bank chairman Manoch Kanchanachaya is expected to ask Sunthorn Arunanondchai to resign as bank president as his clarification of the "sales-commission" charge was not acceptable to the bank's board of directors, a banking source told the *Business Post*.

However, Mr Sunthorn announced after the board meeting yesterday that he would not resign from the post as he "had done nothing wrong".

But another source, who is also a director of the bank's board, said: "We have never accused him (Mr Sunthorn) of doing wrong. But he was accused of breaching banking ethics."

When contacted by the *Post* and asked for a comment on the issue, Bank of Thailand Governor Kamchorn Sathirakul said: "I do not want to make a comment as it's not a matter for the central bank. It depends on the bank's board of direc-

tors what to do next. But I want to say that he (Mr Sunthorn) was rather unfortunate."

But Mr Kamchorn declined to elaborate further.

When asked for his comment as the chairman of the Fund for Rehabilitation and Development of Financial Institutes, a major shareholder in First Bangkok City Bank, Mr Kamchorn said: "At this stage, it is a matter for the board, and not the shareholders; and the fund has Mr Manoch as its representative."

Meanwhile, Mr Manoch said the bank has received 5.9 million baht from three private major shareholders of the bank. They received the amount as sales commissions from Asia Credit, one of the bank's share underwriters.

He said the bank will use the money to settle income tax payments for its employees who have to

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pay more tax on their earnings from commissions of the bank's share sales.

When asked whether Mr Sunthorn would resign as the president of the bank, Mr Manoch said: "The board has let Mr Sunthorn make his own decision. Now, it is up to him."

But Mr Sunthorn insisted that he was innocent.

"I have never taken any benefit from the bank's share sales," he said. "I have been in the banking circle for 19 years and I have never thought I would have to face this problem. I have my prestige and, in this case, I have already cleared myself."

However, the source said Mr Sunthorn's clarification was not acceptable to the board. "But the board wanted Mr Sunthorn to resign by himself. If he insisted on not resigning, the board would force him to do so."

The bank recently issued 100 million shares to increase its registered capital by 500 million baht.

In this, it appointed Asia Credit and a number of financial companies to act as share underwriters.

However, the underwriters claimed that the shares were priced too high at 6.50 baht each and it would be difficult to sell them to the public.

The bank, therefore,

took 50 million shares from the underwriters and assigned its employees to help sell them; and the bank promised to pay the employees 2% commission.

However, it was reported that Asia Credit was asked to pay 4% commission for the sales of its lot of shares, but only half of the amount was paid to employees and the balance was allegedly transferred to the savings account of a top executive of the bank.

The controversy was sparked when the bank employees involved in the sale were asked to pay income tax on their sales commission as if they had received a 4% payment. So they submitted a letter to Mr Manoch, asking for a probe into the case.

Bangkok Post is

Sunthorn decide on resignation

FIRST Bangkok City Bank president Sunthorn Arunanondchai has decided to resign after the bank's board of directors decided not to accept his explanation on the "share-sales commission" charge.

An informed source said yesterday that Mr Sunthorn handed in his resignation letter to bank chairman Manoch Kanachachaya on Tuesday evening after an hour-long talk at the bank's head office.

His resignation will take effect on July 1.

Mr Sunthorn was ac-

cused of misconduct over the distribution of commissions on the sale of the bank's shares.

The bank had appointed Asia Credit and a number of other financial companies as underwriters of the bank's 100 million shares. However, the underwriters complained that the 6.50-baht price

per share set by the bank was too high, so the bank took back 50 million shares from the underwriters and assigned its employees to help sell the shares.

The bank later paid its employees involved in the sale a 2% commission, but the income tax charged on the earnings from the commission was based on a 4% commission rate.

The employees, therefore, submitted a letter to Mr Manoch, who is also assistant governor of the Bank of Thailand, asking him to look into the case.

It was found that the bank had paid 4% commission, but only half of the money was paid to the employees, while the balance was transferred to a savings account allegedly belonging to Mr Sunthorn.

Regarding some press reports that he was being investigated by the Bank of Thailand for his alleged involvement in some deals, in which he reportedly had the bank buy some assets at very high prices while he sold some of the bank's assets at very low prices and had taken benefits from these deals, Mr Sunthorn said they were all groundless.

"The bank has its purchase and sale departments and in buying or selling any assets, the bank will have to set up a committee to handle the deal by calling bids and offers. I have never been involved in these matters which are in the charge of an executive vice president," he clarified.

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tive in banking and finance circles to replace Mr Sunthorn and an announcement was expected soon.

Meanwhile, Bangkok Bank president Chatri Sophonpanich sympathised with Mr Sunthorn, saying he did not believe Mr Sunthorn had benefited from the share sale as charged.

"I think he had good intentions, but he was too ambitious and the excess ambition finally destroyed him," Mr Chatri said without elaborating.

When asked whether he would reappoint Mr Sunthorn to Asia Credit, a subsidiary of the Bangkok Bank, Mr Chatri, who is also an adviser to the financial company's board, said it was not up to him to make such a decision. "This will depend on Asia Credit's board."

However, in his personal opinion, he thought Mr Sunthorn would take a rest before deciding where to work again.

"It's a pity. Mr Sunthorn has a bright future and he is still very young and should be able to work for the society and country for a long time before his retirement.

"But it's a pity he had to leave (the First Bangkok City Bank) with a big scar."

Mr Chatri said that before Mr Sunthorn decided to resign from First Bangkok City Bank, he came to see him and asked for advice about whether he should resign.

"I told him to clear himself of the charge before making any further decision."

Sunthorn expected to leave banking

OUTGOING president of First Bangkok City Bank, Sunthorn Arunanondchai, is expected to quit the banking circle for a while and to devote his time to fully manage Thai Durable Textile (Thai Kriang) Co where he is executive chairman.

Mr Sunthorn told the *Bangkok Post* yesterday that he had not yet thought of what to do next after leaving the bank because his resignation was very sudden.

However, he claimed that his resignation was suspended by three private major shareholders, "but I insisted on leaving because I feel very tired and want to have a rest.

"I came to this bank and I have contributed a lot to it. I have standardised its management system and restructured its organisation," he added.

Mr Sunthorn's appointment as the bank's president was also approved by the Bank of Thailand.

As he has already tendered his resignation, the source said he was no longer authorised to make any important decisions and would only handle routine jobs.

The source said Mr Manoch had already approached a senior execu-

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7 suspects held in marble tax swindle

SEVEN people were arrested yesterday in connection with the swindling of 14,622,041 baht the Mah Boonkrong Marble Company deposited with the Customs Department as a guarantee for taxes on its imported marble.

Six of the suspects were seized in Bangkok. They were identified as Tran Express Company president Termsak Tannakitkarn, Thai Nichikawa managing director Vichai Rakri-aksorn, Tran Express Company's shipping agent Noppadol Kittipoonsoong, Prakrit Chitaveera, Sompob Pusyanond and Mrs Em-orn Boonyakhan.

The seventh suspect, Somchai Chienklaewkla, was arrested in Si Sa Ket.

Crime Suppression Division chief Pol Maj-Gen Boonchu Wangkanond said the Tran Express Company was the shipbroker which cleared import duties on Italian marble for the Mah Boonkrong Marble Company.

The arrested allegedly conspired with other suspects — who are still at large — to secure documents believed to be forgeries which were later used to collect the 14,622,041 baht refunded to Mah Boonkrong by the Customs Department.

Maj-Gen Bconchu said the documents authorised Mrs Supin Ropibul-

sathit, who is still at large, to open an account in the name of Mah Boonkrong Marble Company at the Sri Ayutthaya Bank last September 13.

Three days later, the suspects put a cheque worth 14,622,041 baht issued by the Bank of Thailand into this account. The amount was the refund paid them by the Customs Department.

Maj-Gen Boonchu said the suspects then used

forged documents to withdraw 8.5 million baht from the account the next day.

When the suspects tried to withdraw another 6,072,799 baht from the same account, bank officials became suspicious and contacted Mah Boonkrong president Sirichai Bulakul.

Maj-Gen Boonchu said police expect to arrest another chief suspect identified only as Krao or Kwangsoon.



CSD commander Maj-Gen Boonchu Wangkanond interrogates tax racket suspects Denchai sae Foo, Sampao Sri-aree and Somjit Sri-aree.

Suspects in marble tax fraud surrender

A COUPLE allegedly involved in the swindle of 14 million baht import duty refund of Mah Boonkrong Marble Co gave themselves up to police while another person was arrested in Udon Thani yesterday.

A Crime Suppression Division team yesterday arrested Denchai sae Phoo, 36, from a house in Muang district of Udon Thani while Sampao In-aree and his wife, Somchit, gave themselves up to police.

Denchai, who used an assumed name of Somchit Chienkaewkla, allegedly forged the document to withdraw the amount of tax refund by Customs Department for the company's imported marble from Sri Ayutthaya Bank last September 13.

The suspects allegedly forged documents to claim import duty refund on behalf of the Mah Boonkrong Co after learning that the company was seeking a refund of 14.6 million for imported marble.

Customs to review tax refund rules

CUSTOMS Department chief Viroj Laokaphan yesterday formed two committees to review regulations and procedures on the refund of import duties.

Mr Viroj said the revision was necessary because the present methods have been in use for a long time.

Import Inspection Division director Luan Pangauk heads the first committee to review the refund procedures.

Department secretary Amnuay Kullapanit was appointed to

head the second group which will review the checking of signatures.

The signatures of persons authorising their agents to collect the money must match specimens held at the department.

RECURRENCE

Mr Viroj said the refund procedures need to be improved to prevent a recurrence of the alleged Mah Boonkrong Marble Co swindle in which five suspects had

forged documents to claim 14.6 million baht in refund of duty deposits from the Customs Department, after they had learned that the company was seeking a return of the money.

Mr Viroj said severe action would be taken against any customs officials found to have been involved in the case.

The suspects were released on bail yesterday, police said.

Sompob Pusayanond was released in the morning after his father Phiphat put up a three million baht title deed.

The other four suspects, Termsak Tannakitkarn, Noppadol Kittipoonsook, Vichai Rakri-aksorn and Denchai sae Phoo, were bailed out in the evening when their relatives guaranteed their appearance in court with land title deeds totalling 12 million baht, police said.

Prapat to clear up Customs scandal ^{6/12}

DEPUTY Finance Minister Prapat Phosuthon said yesterday he would clarify the alleged tax evasion on an imported Japanese sedan which was given to a retired senior Customs official last year.

He said he will explain the matter as soon as the findings are submitted to him next week.

"I have become a target of criticism, even though I was not involved," he said.

According to press reports, a Toyota sedan was imported with its model deliberately misstated to avoid paying the full amount of import duty which would have been

1.2 million baht higher than the amount actually paid. Several senior customs officials were implicated.

Mr Prapat said the scandal was the work of some unscrupulous officials to create disorder in the department.

COMPLAINTS

"Attempts to unseat some senior officials are evident," the deputy minister said.

Mr Prapat added he had received complaints from Thai travellers about mistreatments by customs officials at Don Muang Airport.

Mr Prapat expressed concern about smuggling at Don Muang Airport, where smugglers have devised new techniques, apart from bribery.

Some police and military officers demanded entry to the restricted passenger arrival lounge to welcome their relatives and friends who usually brought in a large amount of goods.

"I don't know what to do about it," the deputy minister admitted.

Smuggling in the southern provinces through domestic mail has also posed a major problem to authorities.

Meanwhile, Customs Department chief Viroj Laohapant said at a press conference yesterday that the morale of the staff ebbed when he took over. He found them insecure and divisive.

Mr Viroj said he immediately made changes to create greater fairness in staff reshuffles, promotions and appointments.

At present, staff performance was assessed twice a year, and that only those who are accused of serious wrongdoings were suspended from duty.

Personnel Division director Supakij Dulpit said favouritism before Mr Viroj's arrival had undermined the morale of many department officials.

Customs chief explains tax refund

The Customs Department had followed all the proper procedures in refunding 8.5 million baht in taxes to Mah Boonrong Marble Company, Director-General Viroj Laohapant said on Wednesday.

He said the signatures of the persons who authorised the agents to come and collect the money also corresponded with the specimens kept at the department.

Mr Viroj concluded that any irregularities must have therefore occurred within the

company, rather than at the Customs Department.

Earlier reports said the company had filed a complaint with the Crime Suppression Division, claiming that the employees had fled with the money.

The CSD had reportedly concluded that the money had been given to authorised persons, and that it would not take any action against the Customs Department or its director-general.

Transfer requested in water theft case ^{6/12}

A METROPOLITAN Water Works Authority inspector has asked for a transfer after his superior made an apology to a water theft suspect he arrested.

MWA's inspection division chief Nimitr Talaphak reportedly sent a letter to Sanit Rajanasaroj, the owner of Usa Pathana Sethakij Co, who was arrested last week for water theft, saying the arrest was the result of a misunderstanding.

Sanit was alleged to have stolen 100,000 baht worth of tap water for his factory in Bangkhen over ten years.

The division chief also ordered the official who made the arrest to drop the case against Mr Sanit.

Mr Nimitr said Sanit was found innocent because he has paid an average of 6,000 baht in monthly water bills.

Mr Thawat Singvanich, the official who arrested Nimitr, has asked for a transfer to protest against his superior's actions.

Mr Nimitr said the Interior Ministry is considering the water agency's request for permission to arrest Sant Phamornbutr, a former district chief of Lard Krabang, who was alleged to have stolen 200,000 baht worth of tap water last year.

Mr Sant is now chief of Wang Noi district in Ayutthaya.

2 senior officials named to customs probe ^{6/13}

THE Finance Ministry has appointed two more senior officials to a committee that will renew an investigation of allegations that 14 Customs Department officials and a former department chief had helped a businessman evade taxes.

Ministry spokesman Methi Pamalanont said that the two new members are himself and Customs Department deputy chief Prakong Leelawong.

Mr Methi, who is a C-10 adviser to the ministry, said he believed a new investigation would ensure justice in the case.

The department alleged that the 14 officials had helped a merchant evade 2.6-million-baht worth of taxes to bring in a new Japanese sedan, a Toyota Soarer, into the country, by saying the vehicle was an inferior model and misrepresenting its value.

The vehicle was found in the possession of a former Customs Department chief who allegedly imported the automobile without paying the proper taxes.

Mr Methi said that a new investigation would punish any official found to have been involved in fraud.

He said the committee did not anticipate any problems because the witnesses and evidence had already been gathered by an earlier probe.

Deputy Finance Minister Prapat Phosuthon told reporters on Thursday he expects to be able to clarify the charges next week.

Customs probes new imported car scandal

THE Customs Department has set up a committee to investigate alleged irregularities in duty assessment on 23 used cars which caused the Government to have lost nearly 10 million baht in revenue, a Finance Ministry source revealed yesterday.

According to the source, former customs chief Kraisi Chatikavanij announced on October 1, 1984 a change of duty assessment from CIF to FOB prices to allow the Government to collect higher taxes on imported used cars.

Not long after the change went into effect, the import taxes on those 23 cars were assessed. Customs Department deputy chief Chayut Jiralertpong reportedly asked the Finance Ministry for a tax rebate on these cars, most of which are Mercedes Benz of various models.

The Finance Ministry replied that the rebate could be given by the department on an individual basis. Mr Chayut, who took the ministry's reply as implying that the change of tax assessment on imported used cars was not ministerial policy, then asked Mr Kraisi to sign an order to assess taxes based on CIF prices of those 23 cars instead of the FOB prices which would require the owners to pay higher taxes.

The practice allegedly caused the Customs Department to have lost nearly 10 million baht.

The source said the order issued by Mr Kraisi at Mr Chayut's request was discriminating and went against the Customs Department's announcement.

The committee is investigating to determine possible irregularities.

Customs Department chief Viroj

Laohaphan early this year cancelled the use of FOB prices in duty assessment and returned it to the CIF prices, reasoning that it was fairer to importers and car owners. The change effective from February 11 was approved by the Finance Ministry and the Cabinet.

The House Communications Committee is also investigating the matter.

Mr Viroj, who was yesterday invited to testify to the committee on the alleged tax evasion of a Toyota Soarer car, reported on the department's investigation.

Several customs officials were alleged to have helped a merchant evade 1.6 million baht in taxes to bring in the car by misstating its model.

Mr Viroj told the committee chaired by Uttaradit MP Prem Malakul that he had asked the Finance Ministry to decide on actions against those allegedly involved in the tax evasion.

The committee will invite Pol Capt Chookiat Satjavetha, Pol Capt Prakorb Sataman and Pol Petty Officer Samarn Boonyasap of the Police Registration Division to testify how the Toyota Soarer car in question was registered.

The committee will also invite Permanent Secretary for Finance Panas Simasathien, Mr Kraisi, former assistant police chief Pol Gen Saneh Sithiphan and Mr Chayut.