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FIFTH ANNUAL REPORT
OF
THE PRESIDENT
OF THE
PHILIPPINES
TO THE
PRESIDENT AND THE CONGRESS OF THE UNITED STATES

COVERING THE PERIOD

JULY 1, 1939, TO JUNE 30, 1940

NOVEMBER 17, 1941.—Referred to the Committee on Insular Affairs and ordered to be printed

UNITED STATES
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MESSAGE FROM THE PRESIDENT

To the Congress of the United States:

As required by paragraph (3) of section 7 of the act of Congress approved March 24, 1934, entitled "An Act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes," I transmit herewith for the information of the Congress, the Fifth Annual Report of the President of the Philippines to the President and the Congress of the United States covering the period July 1, 1939, to June 30, 1940.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
November 17, 1941.

FIFTH ANNUAL REPORT OF THE PRESIDENT OF THE PHILIPPINES TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES COVERING THE PERIOD JULY 1, 1939, TO JUNE 30, 1940

MALACAÑAN PALACE,
Manila, August 6, 1941.

The PRESIDENT AND THE CONGRESS OF THE UNITED STATES, WASHINGTON, D. C.

SIRS: Pursuant to the provisions of paragraph 3, section 7, of the act of Congress of March 24, 1934, Public Act No. 127, known as the Tydings-McDuffie law, which provisions are also embodied in paragraph 20, section 1, of the Ordinance appended to the Constitution of the Philippines, I have the honor to submit my fifth annual report on the operations of the government of the Commonwealth of the Philippines covering the period from July 1, 1939, to June 30, 1940.

GENERAL CONDITIONS

Satisfactory general conditions prevailed in the Philippines during the year under review. Public peace and order were maintained, the courts functioned regularly, and individual rights were duly protected. The budget of the National Government and of the local subdivisions was kept in balance, ordinary expenditures having been fully met with current income. The public debt was kept within a low level. Sinking funds for the amortization of the public debt were adequately maintained. Public borrowing was not resorted to except when urgent public projects could not be provided for from current revenues, and only when there was a reasonable assurance that revenues would be sufficient to meet the resulting recurring charges for interest and sinking-fund contributions.

In spite of unsettled world conditions during the period under review, there was a slight increase in revenues. Customs collections increased on account of heavy importations in anticipation of an upward change in price levels due to the expected extension of the European conflict. Internal-revenue collections also increased because of new revenue measures and an increase in tax rates.

The monetary system functioned regularly with a continued strengthening of the currency reserves. Circulation was maintained at a reasonable figure. The tendency for circulation to increase due to payments to the Commonwealth government from the excise tax collections in the United States was counteracted by the unfavorable balance of trade brought about by heavy buying abroad.

Public health and sanitation were adequately safeguarded, no epidemic outbreaks having taken place and, with the establishment of more provincial hospitals and charity clinics, medical service was extended to many places where none was formerly available. Public

works were likewise extended with the construction of needed public improvements, particularly schools, waterworks, public markets, and roads, relieving in some way the problem of unemployment.

The public school system was extended, and an increasingly greater number of children of school age were admitted into the public schools. Greater emphasis has been given to vocational education.

Agricultural and industrial productions were maintained at a normal level and business conditions generally were good despite relatively low prices for staple export commodities. Through the establishment of the Agricultural and Industrial Bank, credit facilities for both agriculture and industry were made more readily available at low rates of interest. Commercial banks and other credit institutions continued in a sound and reasonably liquid position.

The Department of National Defense was created in order to give more impetus to the national defense program which is being carried out on schedule in accordance with the plan approved by the National Assembly. The enlistment and training of reserve units proceeded normally and with the unstinted cooperation of the people.

Progressive legislation affecting labor in industry and agriculture was passed resulting in an amelioration of labor conditions and a reasonable increase in wages. Labor disputes were settled promptly and fairly through the intervention of the Court of Industrial Relations. Social justice continued to be the keynote of government policy giving rise to the establishment of more just relations between landlords and tenants and employers and workers thus bringing about a greater degree of mutual cooperation among them in their common undertakings.

The business activities of the government were operated on a sound and profitable basis. A new textile factory was established with a view to supplying a portion of the country's requirements in cotton textiles and to provide a local market for cotton production which is being stimulated. Scientific research to aid industry and agriculture received growing attention and plans were laid down for the establishment of a modern industrial research institute under the supervision of competent American experts. These activities were undertaken in order to facilitate the execution of the program of economic adjustment recommended by the Joint Preparatory Committee on Philippine Affairs and to strengthen the Philippine economy in preparation for independence in 1946.

PUBLIC FINANCES

During the fiscal year ended June 30, 1940, the National Government realized a total income of ₱158,029,869.665 from the following sources:

Revenue from taxation (national portion)	₱121, 187, 792. 93
Incidental revenue	4, 273, 394. 31
Repayment by the Philippine National Bank (sec. 4, Act No. 3174)	9, 460, 653. 71
Earnings and other credits	22, 065, 073. 345
Proceeds from loans for construction of permanent bridges (Commonwealth Act No. 112)	1, 043, 000. 00
Miscellaneous	(44. 63)
Total	158, 029, 869. 665

Compared with the sum of ₱156,291,476.45 for the 12-month period ending June 30, 1939, the income for the year under review showed an increase of ₱1,738,393.215.

The combined expenditures under all funds (general, special, and bond funds) amounted to ₱183,616,273.36, distributed as follows:

Administrative expenses	₱85, 778, 895. 38
Contributions to local governments	9, 380, 720. 92
Pensions and gratuities	1, 738, 386. 91
Outlays and investments	44, 446, 348. 54
Public debt	8, 389, 710. 95
Public works	32, 754, 516. 54
Other charges	589, 494. 12
Transfers	538. 200. 00
Total	183, 616, 273. 36

Out of the aggregate expenditures shown above, ₱137,844,934.16 represent expenditures out of appropriations authorized during the fiscal year 1940 and charged to current revenues, amounting to ₱158,029,869.665, thus showing an excess of current income of ₱20,184,935.505 over expenditures pertaining to the current fiscal year, while the remaining ₱45,771,339.20 of the expenditures was taken from continuing appropriations carried forward from the previous period.

COCONUT OIL EXCISE TAX FUNDS

Collection on and after January 1, 1939.—As required by the Economic Adjustment Act (act of Congress of August 7, 1939, Public Act No. 300, 76th Cong.), the portion of the coconut oil excise tax fund collected on and after January 1, 1939, and accrued prior to July 4, 1946, had been budgeted, appropriated, and accounted for separately from other moneys of the Commonwealth government.

During an 18-month period, from January 1, 1939, to June 30, 1940, receipts under this fund including interest on amounts deposited in the United States Treasury amounted to ₱34,564,122.14 while expenditures totaled ₱34,552,083.91, leaving a current surplus of ₱12,038.23.

The use or disposition of the foregoing investments by the entities concerned was restricted to the purposes specified in Commonwealth Act No. 521, in conformity with the aforesaid act of Congress, which provides that the coconut oil excise tax accruing on and after January 1, 1939, and prior to July 4, 1946, shall be—

> used for the purpose of meeting new or additional expenditures which will be necessary in adjusting Philippine economy to a position independent of trade preferences in the United States and in preparing the Philippines for the assumption of the responsibilities of an independent state.

In pursuance thereof, no portion of the proceeds of the coconut oil excise tax herein referred to was applied directly or indirectly to activities expressly prohibited in the said act of Congress.

Collections prior to January 1, 1939.—Under this account there was a current surplus of ₱80,639,536.01 on July 1, 1939, and an income of ₱846,818.30 derived from interest, or a total of ₱81,486,354.31. The 1940 expenditures under this account, which were mostly for general public works, aggregated ₱55,290,960.52 at the close of the fiscal year under review.

Excepting the interest on deposit in the United States Treasury pertaining to this account, no amount will further accrue to this fund.

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Hereafter all collections from the coconut oil excise tax will accrue to the fund "collections on and after January 1, 1939," to be expended in accordance with the Economic Adjustment Act.

The result of operation during the fiscal year 1940 of the coconut oil excise tax funds, combined, is summarized as follows:

Total collections	₱29, 400, 940. 54
Total expenditures	60, 257, 570. 48
Decrease in current surplus	(30, 856, 629. 94)
Current surplus at beginning of July 1, 1939	86, 159, 628. 69
Current surplus, June 30, 1940	55, 302, 998. 75

NATIONAL DEFENSE

Department of National Defense.—This department was organized on November 1, 1939, under the provisions of Commonwealth Act No. 430 and Executive Order No. 230. It has executive supervision over the Army of the Philippines, the Bureau of Aeronautics, the Bureau of Coast and Geodetic Survey, and the Philippine Nautical School. It is charged with the duty of supervising the national-defense program, and enforcing and administering the provisions of the laws on radio broadcasting and radio control.

Army of the Philippines.—The regular force of the Army of the Philippines was composed of 380 officers and 3,600 enlisted men during the fiscal year. The officer corps was augmented in April 1940 by the 79 graduates of the first class of the Philippine Military Academy who completed the new 4-year course patterned after the United States Military Academy at West Point. Besides the regular officers, 530 reserve officers were called to extended tours of duty.

The reserve force consisted of 12 divisions with 5,000 officers and 120,000 enlisted men. The first 10 divisions, one for each military district, have been completely organized and equipped, and many elements of the second series of divisions have been formed. Supplies and equipment for 12 divisions have been procured and distributed to mobilization centers suitably located throughout the country.

The military training of deserving and educationally qualified trainees was continued in the schools for reserve commission. During the year, these schools turned out 927 probationary third lieutenants, of whom 480 were trained at Camp Ord, 347 at Camp Keithley, and 100 at Camp Dau.

For the instruction of reservists, there were in operation 123 district cadres located in 76 camps and 8 military stations giving highly specialized training. Camp Murphy, which is the principal infantry training camp of the Army, is also used as the experimental ground for the streamline drill and other Army activities. Camp Parang has been enlarged to permit the accommodation of the second regiment of the First Regular Division.

Camp Dau continued to be used for field artillery instruction. Firing on water-borne targets at Lingayen and field firing at the O'Donnell Range have become part of the regular routine. Attached for duty in this camp is the Sixth Attack and Observation Squadron based at Clark Field, Fort Stotsenburg.

During the year two trainee groups were called to duty: Group B, 1939, consisting of 19,290 men, and group A, 1940, consisting of 16,600.

The acquisition of additional torpedo boats for the Offshore Patrol has been delayed by the European war but the early delivery of five units is expected. The construction of these boats by local shipyards is being encouraged. The training of marine personnel has progressed according to schedule.

The Air Corps had a complement of 50 officers and 262 enlisted men. The training of pilots, therefore, continues to progress satisfactorily.

The Reserve Officers' Training Corps, of which each university and college in the Philippines has a unit, is turning out men who possess the necessary requirements for officers and noncommissioned officers of the Reserve Force. Under the revised compulsory R. O. T. C. course introduced in June 1940, there were 15,400 college students registered and, upon their graduation, they will be given definite posts in the reserve organization of their respective provinces.

ADMINISTRATION OF JUSTICE

For the better administration of justice, the Office of the District Attorneys and the Tenancy Law Enforcement Division were organized by the Department of Justice. The Office of the District Attorneys was created under the provisions of Commonwealth Act No. 544 which provides for the appointment of a district attorney for each of the judicial districts in the Philippines, except the fourth district. These district attorneys have supervision over the provincial fiscals and assistant provincial fiscals within their districts. They may also be required to perform the duties of a provincial fiscal as well as such other duties as may be authorized by the Secretary of Justice.

The Tenancy Law Enforcement Division was the outgrowth of recurrent tenancy agitation in Central Luzon, especially in the provinces of Bulacan, Pampanga, and Nueva Ecija, which had resulted in public disorders on various occasions during the last 4 years. The new division was organized (1) to provide additional government services, personnel, and facilities for tenancy law enforcement, and (2) to regulate the relations between landowner and tenant and to provide for compulsory arbitration of any controversy arising between them. This division, which has decided 1,531 tenancy cases during the fiscal year, keeps a branch office at Cabanatuan, Nueva Ecija, owing to the great number of cases arising at the beginning of each harvest season in that province and in the neighboring provinces of Tarlac and Pangasinan.

Work of the judiciary.—The different branches of the Philippine judiciary, from the Supreme Court down to the Justice of the Peace Courts, made notable progress in the speedy trial and disposition of cases. The Court of Appeals was able to dispose of 2,366 cases during the fiscal year.

The judges of the Courts of First Instance disposed of 23,940 cases this fiscal year, which shows an increase of 1,292 cases over the number of cases decided last year. This was accomplished through the appointment of additional judges and the noteworthy efforts exerted by many members of the bench who held sessions even at night to relieve the court's congested docket.

The disposition of cadastral cases, generally under the jurisdiction of district judges and judges at large, had for some time been a problem because these judges hardly had time to try and decide the civil and

criminal cases filed with their courts. To expedite the disposition of cadastral cases, 15 additional positions of cadastral judges were created. It is believed that the appointment of these judges will make possible a more speedy disposition of cadastral and land registration cases.

Bureau of Prisons.—On June 30, 1940, the total prison population was 11,393. This represented an increase of 134 from last year's number.

Through the utilization of prison labor, the new Bilibid Prison in Muntinglupa, Province of Rizal, has been completed. This prison has all the facilities of a model prison, including extensive areas for farm cultivation and livestock. All the insular prisoners at Manila have been transferred to this new penitentiary.

Bureau of Justice.—The activities of the Bureau of Justice covered the handling of 102 civil cases, 176 habeas corpus proceedings, 59 citizenship cases, 641 land registration cases, 68 malpractice cases, and the filing of briefs for 79 criminal and 34 civil cases in the Supreme Court, and for 720 criminal and 90 civil cases in the Court of Appeals. In addition it handled the administration of the estates of deceased Americans.

General Land Registration Office.—A total of 17,889 original certificates of title with their corresponding owner's duplicates were prepared during the year under review. The office also issued 16,912 decrees pertaining mostly to cadastral cases covering 20,056 lots involved in 1,153 cases. The 185,134 transactions recorded in the offices of Registers of Deeds involved a total pecuniary consideration of ₱327,187,781.00.

Public Service Commission.—This office continued the supervision and regulation of the public utilities throughout the Philippines. The total capital invested in public service enterprises under its supervision amounted to ₱151,797,871.00, distributed among different nationalities as follows:

	Percent
Americans	71. 67
Filipinos	27. 90
Chinese	. 13
Japanese	. 16
Other nationalities	. 14

Office of the Corporate Counsel.—This office investigated and studied pious foundations and drafted documents relating to the purchase of big landed estates. It also rendered legal service to the National Development Co. and its subsidiary corporations, as well as to the other corporations established by the government. During the year the Corporate Counsel handled 2,247 corporation cases involving ₱3,950,104 and also 60 accident cases for the Manila Railroad Co.

Division of Investigation.—The work of this Division corresponds to that of the Federal Bureau of Investigation at Washington, D. C. Its services were frequently solicited by various entities, mainly by provincial fiscals and the heads of various departments, bureaus, and offices of the government.

Court of Industrial Relations.—Many labor cases were brought before this court. Most of them were industrial and agricultural disputes which occurred in Manila, where the laborers and workers are affiliated with one labor union or another. In these disputes,

most of the demands were for increase in wages and complaints against illegal dismissal of laborers or employees.

In other cases the demands presented by the laborers were for minimum wages, reduction of working hours, union recognition and collective bargaining, better treatment and improvement of working conditions, abolition of objectionable practices on the part of the employers, payment for overtime work and for work done during Sundays and holidays, compensation of disabilities, restoration of former rates of wages, and reduction of rentals and increase in participation of agricultural workers.

PUBLIC INSTRUCTION, HEALTH, AND SANITATION

The established policy of the National Government of supporting primary instruction and giving education to all children of school age has enlarged the educational activities of the government. Public school facilities have been extended to distant towns and remote communities. During the academic sessions of the period under review there was an enrollment of 1,940,729 in 12,057 public schools under a staff of 43,763 teachers, principals, supervisors, and superintendents. For the support of this expanded public school system, the National Government alone made appropriations amounting to ₱23,423,819.

The government has been carrying on a serious study of the extension of public school facilities to all parts of the country. We are faced, however, with the problem of securing a sufficient number of trained teachers and obtaining the necessary funds. A Joint Educational Survey Committee, created by the President, has discussed various plans for revising the elementary curriculum so as to be able to admit more pupils with little or no increase in cost.

Private Education.—The Office of Private Education supervised the operation of 439 private educational institutions with a total enrollment of 149,491, classified as follows: collegiate, 31,153; secondary, 51,055; intermediate, 22,578; primary, 41,861; and kindergarten, 2,844. In addition to the above, there were 136 recognized schools offering special vocational courses to 9,188 students.

During the academic year, the Office of Private Education granted certificates of government recognition for 155 courses, of which 54 are on the collegiate level, 42 secondary, 25 intermediate, 12 primary, and 22 kindergarten. It also issued 175 permits for various educational courses ranging from kindergarten to college.

Adult Education.—The Office of Adult Education continued its campaign of teaching the illiterate masses the fundamentals of reading and writing, citizenship, vocational guidance, and cultural information. It had in operation 5,053 adult education schools with an enrollment of 289,499 illiterates. Of the above schools, 136 are located in the Moro provinces of Cotabato, Lanao, and Sulu, and 29 in the Mountain Province.

The illiterate persons taught by these schools included those confined in training cadres of the Philippine Army, national penitentiaries, city and provincial jails, reformatories, other correctional institutions. Up to June 30, 1940, 3,475 prisoners received instruction in reading, writing, and arithmetic.

Physical Education.—Physical education was given every encouragement as usual. Regional interscholastic athletic meets were held in

different parts of the Philippines under the auspices of the Bureau of Education. Provincial and municipal playgrounds and athletic facilities have been improved so as to give the public school students greater opportunities for athletics and physical development.

Many of the public schools in the Philippines are still without physical-education instructors because of the incredibly small number qualified to handle this phase of extracurricular activity. The Bureau of Education, however, is gradually remedying this situation by conducting annually a summer school for physical education. One was held from April 18 to May 17, 1940, and it was attended by 719 public school teachers.

Health and Sanitation.—As in previous years, there were mild outbreaks of dysentery, typhoid, gastroenteritis, measles, chickenpox, poliomyelitis, and malaria in various places in the Philippines. On the whole, however, the state of public health was quite satisfactory. The Bureau of Health conducted an intensive immunization campaign to safeguard the people. The need of medical assistance for the poor was given greater attention. Free medical and dental clinics were opened in municipalities and distant communities where physicians were not available or where the inhabitants are too poor to pay for medical care. Dispensaries for the prevention of tuberculosis were increased, and these were equipped with X-ray and pneumothorax apparatuses. The Bureau of Health and the Office of Adult Education, through leaflets and posters distributed regularly, are gradually teaching the people in backward regions better health habits and sanitary practices. Numerous waterworks systems, as well as sanitary toilet facilities, were constructed in many municipalities with the aid of loans from the National Government.

Public Welfare.—In October 1939, a Child Guidance Clinic under the Bureau of Public Welfare was established and, in February 1940, a Home for Women and Children was likewise set up to temporarily house victims of questionable trades and to train them for honest occupations. Aid was extended to 2,609 underprivileged children who were admitted into the six child-caring institutions located at Welfareville. Probation work with 1,130 minor offenders was carried on by the Bureau of Public Welfare and it is noteworthy to mention that, during the year, 448 probationers were successfully discharged.

Quarantine Service.—As in previous years, the Bureau of Quarantine Service performed efflcient work during the fiscal period. Under the able administration of Dr. Howard F. Smith, of the United States Public Health Service, a close watch was kept on incoming vessels and aircraft which had touched Asiatic ports where cholera, smallpox, and plague had been previously reported. As a result of the careful work of the Bureau of Quarantine Service, the Philippines, as in 1939, were free from any quarantinable disease during the year just ended.

National Language.—The Institute of National Language completed the preparation of a grammar and vocabulary on the national language based on Tagalog, and also continued working on a dictionary. On April 1, 1940, I issued Executive Order No. 263 approving and authorizing the publication of the grammar and vocabulary, and ordering the teaching of the national language in the public and private schools, beginning June 19, 1940.

To supplement the grammar in Tagalog, which will not be of practical use to non-Tagalog-speaking Filipinos, a book has been written entitled "Manual of the Philippine National Language" for distribution to the public.

At the last session of the National Assembly a bill was passed, now known as Commonwealth Act No. 570, making the Filipino national language one of the official languages of the country beginning July 4, 1946. This act gives official status to a language which, by legislation, has become national since December 31, 1939.

PUBLIC WORKS AND COMMUNICATIONS

Road construction continued to be the principal activity of the Bureau of Public Works during the year under review. A total of ₱33,388,501 was made available for the construction of roads and bridges which permitted the laying out of 1,155.1 kilometers of additional first-class roads, 538.8 kilometers of second-class roads, and 149.9 kilometers of third-class roads, or a total of 1,843.8 kilometers of new roads, and the maintenance of 10,744.1 kilometers of existing first-class roads and 9,193.9 kilometers of second-class and third-class roads.

As of June 30, 1940, Philippine roads had a total length of 22,959.9 kilometers, of which 11,099.4 kilometers were national and 11,860.5 provincial.

The asphalting of roads and the laying of concrete pavements on national thoroughfares subjected to heavy traffic were done in the provinces of Bulacan, Pampanga, Tarlac, Nueva Ecija, Pangasinan, Cavite, Ilocos Norte, Ilocos Sur, Iloilo, Capiz, Negros Occidental, and Cebu. The country today has 373.5 kilometers of concrete roads.

During the year 24 steel and concrete bridges with an aggregate span of 1,888.6 meters were constructed and opened to traffic at a cost of ₱1,564,441; 91 public buildings completed; and 40 national ports and 24 municipal ports improved at an aggregate cost of ₱1,719,600.

The Bureau of Public Works also continued the construction of, and improvement on, 17 river control works and 12 sea protection projects throughout the Philippines. The extension of some of the irrigation systems now in operation was also authorized and, with their completion, the irrigated areas in Nueva Ecija, Pampanga, Bulacan, and Ilocos Sur will be considerably enlarged so as to allow for increased rice production in Luzon.

The government continued the policy of constructing waterworks projects to furnish the people with safe and clean potable water. There were completed 26 of such projects, thus bringing the completed municipal and provincial water supply systems to 381, the extensions to 54, and the improvements to 22. These systems furnish potable water to a population of 1,419,950 and cost ₱17,402,542 to construct.

During the year 126 artesian wells were bored, bringing up drilled wells to 2,889 at a total cost of ₱6,393,000.

Air service.—Fifty landing fields were operated and maintained by the Bureau of Aeronautics, while five others were under construction in Aparri, Borongan, Calbayog, Dipolog, and Lucena. The landing

field in Butuan, Agusan, and the airport in Lambunao, Iloilo, were abandoned because of poor drainage. Preliminary surveys were made of the National airport projects in Bulacan, Bacolod, Dilalongan, Lingayen, and Tagaytay.

The Bureau conducted researches and experimentation for the purpose of finding local substitutes for airplane materials. The use by a private operator of "royal poplin" as airplane fabric was successfully tried, but the issuance of a license for the corresponding airplane has not been approved pending the result of further tests.

Several of the air regulations have been revised and amended to provide greater safety for commercial flying and to enlarge the scope of national defense by air. Most important among the revisions are those prohibiting civilian flying within specified areas, taking aerial photographs over Philippine territory without the prior approval of the President of the Philippines, and the issuing of a license for any imported aircraft which is more than 3 years old or which has had more than 1,000 hours flying time.

During the fiscal year, 64 technical circulars and memoranda were issued regarding changes and specifications in the models and types of airplanes operated by aircraft operators in the Philippines. These were based on memoranda sent to the local Bureau by the Civil Aeronautics Authority of the United States, and on technical circulars received from various aircraft manufacturers.

There were nine airplane accidents, two resulting fatally to two pilots and a mechanic.

On June 30, 1940, there were 83 active pilot licenses of all classes outstanding, as against 102 on June 30, 1939, the decrease being due to a fall in the number of students enrolled in the flying schools.

With proper authority from the Department of State at Washington, D. C., three airliners of the K. N. I. L. M. arrived singly at Nielson Airport from Tarakan, Borneo, one on November 18, 1939, another on May 23, 1940, and the last on June 27, 1940. Each one made the return flight to Tarakan on the following day of its arrival.

Domestic air lines carried 16,209 revenue passengers, 4,198 free passengers, 3,083,415 pounds of air express, 15,855 pounds of air mail, and flew 1,171,453 passenger-miles.

The regular international air line, represented by the Pan American Airways Co., carried 1,748 revenue passengers, 218 free passengers, 22,337 pounds of air express, 9,191 pounds of air mail, and flew 228,476 passenger-miles.

Postal service.—The Bureau of Posts realized a net income of ₱1,291,351.78 as against ₱1,115,623.61 for the previous 12-month period.

As in previous years, the Philippine Air Transport Co. (formerly Philippine Aerial Taxi Co.) and the Iloilo-Negros Air Express Co., Inc., continued to transport domestic air mail and passengers.

The Philippine Postal Savings Bank opened 44,756 new accounts thereby increasing the number of outstanding accounts to 387,021. The bank, as of June 30, 1940, had surplus and reserves amounting to ₱2,770,608.12.

There are, at present, 1,050 post offices in operation, including the Manila central office and its 7 city branches. According to proper classification, there are 519 first-class post offices, 509 second-class, 21 third-class, and 1 fourth-class.

AGRICULTURE AND COMMERCE

The war in Europe and the unsettled situation in the Far East have brought new conditions demanding a readjustment of the agricultural and industrial program of the Philippines. To safeguard the people's economy, the government encouraged the rehabilitation of old industries and the establishment of new ones so as to produce crops and manufacture articles which were previously imported into the country. Patronage of native products has been urged through campaigns designed to awaken national economic protectionism.

The crop situation during the year remained satisfactory. Harvest of rice, corn, abaca, and cane sugar were normal, while better yields were obtained from tobacco, root crops, and vegetables. Bermuda onion production has been successfully undertaken in 34 provinces. Cotton was successfully grown in Koronadal Valley, Cotabato, where 265 acres produced 44,000 kilos of floss with seeds. In the Visayan provinces and Mindanao, however, farmers were forced to stop planting derris, a new export crop used for manufacturing insecticide, for lack of a stable market.

Through the Bureau of Plant Industry the farming population is being taught modern methods of producing larger and better crops. Improved seeds, fruit, and other agricultural plants have been distributed to the farmers. During the year additional experiment stations, nurseries, and seed farms have been established in various provinces. As a whole, diversification of agricultural crops and products is being fostered to offset the decreasing income from products exported to world markets.

Protection of natural resources.—Pursuant to a constitutional inhibition, the government has consistently discouraged the exploitation and utilization of forest resources by aliens.

With respect to fishery resources, several refuges and sanctuaries have been established to permit the propagation of fishes that are in danger of total extinction. Fishery stations are now operating in different fishery districts to enable the government to conduct experiments and researches on how commercial fishes can be propagated and depleted waters restocked with fresh fishes.

Promotion of the livestock industry.—The government campaign in livestock promotion work has resulted in the noteworthy improvement of the breed of domestic animals and in a substantial increase in the animal population of the country. Foreign breeds of animals were imported to help improve the breed of native livestock. Progress has also been attained in the improvement of methods of manufacturing ham, bacon, and sausage and the successful canning of meat products which might serve as a basis for the establishment of new industries.

Industrial research.—Accomplishments along the lines of industrial research included progress in the successful manufacture of vegetable dyes, artificial graphite, home-made paper, and imitation marble from local raw materials. Studies were also conducted into the utilization of raw materials—cassava and sweet potato—for the production of ethyl alcohol; sweet potato, molasses, and cane-sugar juice for the manufacture of commercial acetic acid; rice hulls for water glass; and cinchona waste powder for insulation boards.

The researches of the government's Bureau of Science have produced sufficient data for the successful promotion of several new in-

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dustries—namely, manufacture from rice hulls of decolorizing carbon used in making soap, of water glass for purifying sugar, refining of ramie fiber for lustrous and high-grade textiles, and of Manila copals for varnishes.

Promotion of industries.—Through the efforts of the Manila Trading Center and Exchange, 6 provincial trading centers and 66 provincial fairs and expositions, as well as community assemblies, the Bureau of Commerce has aided local manufacturers in encouraging public patronage of products of home industries. This campaign for the promotion of local industries has resulted in the establishment of new factories and subsequent employment of more workers, improvement in the standard of workers, manufactured articles, and the organization of small manufacturers into cooperatives so that they could pool their resources for the development of native industries.

Mining.—Gold and base-metal mining continued to be a prosperous industry. Every indication showed that the peak of production had as yet not been reached. In general, the companies in operation increased their gold production, while the newly organized firms were able to make satisfactory returns warranting investments already made. There was considerable interest in the local mining field with reference to the survey of war materials being conducted by the United States National Defense Commission so as to determine their availability to the United States.

During the fiscal year under review, several proclamations were issued by the President of the Philippines withdrawing gold-bearing areas in various parts of the country from public land reservations. This action was taken for the proper exploitation of mineral deposits therein.

With the exception of a small amount—6,194 fine ounces of gold valued at ₱432,124—which was shipped to Japan, the total gold output of the Philippines was exported to the United States. Gold exports to the United States amounted to 1,055,728 fine ounces valued at ₱73,844,348, aside from 148,797 kilos of gold ore valued at ₱135,568.00; exports of silver were valued at ₱1,839.00.

The United States and Japan were equal purchasers of copper produced in the Philippines, but Japan alone bought Philippine iron ore worth ₱5,541,944. The local lead production, which is negligible in amount and value, was shipped to the United States. The chrome ore exports of the Philippines were valued at ₱3,561,285, of which ₱2,872,743 was the value of the shipments to the United States. The other purchasers of chrome ore were Great Britain, Belgium, France, Germany, Sweden, China, Japan, and Australia. Shipments to the belligerent countries of Europe were, however, made prior to the outbreak of the European war in September 1939.

The exportation of manganese ore amounted to ₱1,176,277, of which ₱938,602 was taken by the United States, and the balance by Japan, Great Britain, Belgium, and Hong Kong.

Administration of public lands.—In order that every citizen may share in the vast tract of public lands now being disposed of by the government, the Department of Agriculture and Commerce has introduced the policy of not canceling applications for public land, especially homestead applications, for mere technical violation or nonfulfillment of the cultivation requirements of the law. Instead, a patent is issued to the applicant for the portion actually cultivated plus an

area three times as large. It is believed that this new policy will accelerate the issuance of homestead patents and prevent unnecessary land conflicts.

During the fiscal year, a total of 8,633 applications, mostly for homestead and free patent, were approved as against 6,713 applications approved during the preceding year. There were also issued 8,283 patents covering an aggregate area of 92,600 hectares of agricultural land.

By Presidential proclamations there were established during the year 95 reservations mostly for school sites, airplane landing fields, market sites, and other public and quasi-public purposes.

The number of applications covering parcels of public land sold at public auction was much bigger than last year's because of the ruling of the Secretary of Justice that lands covered by miscellaneous sales applications for residential, commercial, and industrial purposes may be sold under the provisions of chapter IX of Commonwealth Act No. 141, commonly known as the Public Land Act. As a result, parcels of public lands covered by 738 applications were sold at public auction as against 458 applications sold in the previous year.

Forest conservation.—Eleven forest reserves were established during the year, thus bringing the total to 91 with an aggregate area of 1,147,712 hectares. There are 71 proposed forest reserves still pending establishment.

Sixty timberland blocks have been established, thereby bringing up the number of those previously established to 72 with an aggregate area of 55,657 hectares.

There are today 28 national parks covering an area of 174,205 hectares; 62 national parks are still pending establishment. Of the appropriation of ₱500,000 authorized under Commonwealth Act No. 330 for national park purposes, the sum of ₱464,000 has been released for the construction of roads and trails, as well as for their development and improvement.

The work on reforestation and afforestation projects was continued during the year, for which funds amounting to ₱795,730 were made available.

Lumber industry.—Owing to increasing shipment of logs to Japan, China, and Korea, lumbering was active during the year. A larger volume of timber was cut from public forests resulting in a corresponding increase in the amount of forest charges collected. There was a slight increase in the number of sawmills and machine-logging operations.

Exports of unsawn timber and lumber to the United States registered an increase, while shipments of sawn lumber to Australia declined on account of high freight rates, scarcity of bottoms, and the self-sufficiency policy adopted by the Australian Government. Exports to the United Kingdom likewise registered a decrease on account of strict control measures adopted by the English Government as a result of the European war. The average local prices of lumber were lower than those of the previous fiscal period.

A total of 1,835,534 cubic meters of timber was cut from the public forests from July 1, 1939, to March 31, 1940, as compared with 1,829,516 cubic meters cut during the same period in 1938–39.

There were 148 sawmills and 15 machine-logging operations without sawmills operating under Bureau of Forestry licenses, with a

total lumber production of 236,252,616 board feet during the above period, as compared with 143 sawmills and 9 machine-logging operations with a total lumber production of 253,548,587 board feet for the same period in 1938–39.

During the year, investments in all sawmills and machine-logging operations without sawmills amounted to ₱30,116,550, as compared with ₱30,499,970 during the past year. The decrease was due to the destruction by fire of the mills of the Cadwallader-Gibson Lumber Co. and the Basilan Lumber Co., Inc. By nationality, investments were as follows: 40.9 percent American, 33.5 percent Filipino, 17.3 percent foreign, and 8.3 percent by Filipinos in association with Americans, Spaniards, Chinese, Japanese, Swiss, and Germans.

Exports of unsawn timber registered an increase despite high freight rates, scarcity of bottoms, and the high tax imposed by the wharfage law. There was a total of 97,536,112 board feet of logs exported during the period from July 1, 1939, to February 29, 1940. On the other hand, sawn lumber exports declined with only a total of 28,511,880 board feet being exported during the above period as compared with 29,525,664 board feet exported during the same period of 1938–39.

The local lumber markets were not as active as in the previous year because many of the construction projects of the government and of private entities were curtailed on account of increased prices of imported construction materials as a result of the European war.

OVERSEAS TRADE

Excluding gold and silver shipments, the foreign trade of the Philippines during the year under review amounted to ₱515,995,136.00 of which ₱289,171,128.00 represents imports and ₱226,824,008.00 exports As may be noted, the 1940 overseas trade was unfavorable to the Philippines, the adverse balance of trade being ₱62,347,120.00. This is due to the fact that Philippine imports far exceeded native exports in the matter of trade with the Netherlands East Indies, China, the Netherlands, Australia, British East Indies, and French East Indies. The balance of trade was favorable to the Philippines with respect to her commercial relations with Japan, Great Britain, France, Hong Kong, Denmark, Mexico, Sweden, Spain, and Italy.

The Philippines imported from the United States goods amounting to ₱215,001,812, which is 74.30 percent of the total imports. Compared with imports from other countries, the percentage of imports from the United States was as follows: (1) Iron and steel construction materials and machineries, 88.49 percent; (2) cotton goods, 71.78 percent; mineral oils, 80.65 percent; tobacco products, 99.21 percent; automobile parts and tires, 98.37 percent; paper and manufactures thereof, 86.30 percent; meat and dairy products, 34.27 percent (Netherlands occupied first place by supplying 40.71 percent of these imports); silk, rayon, and manufactures thereof, 83.93 percent; chemicals, drugs, dyes, and medicines, 72.96 percent; wheat flour, 63 percent.

The exports of the Philippines to the United States amounted to ₱169,649,951, representing 74.83 percent of the total. The 10 principal exports to the United States, compared with those made to other countries, are as follows: Sugar, 99.93 percent; abaca, 40.21 percent; copra, 59.37 percent; coconut oil, 83.36 percent; tobacco products, 73.78 percent; base metal ores, 35.47 percent (Japan took 62 percent);

embroideries, 99.93 percent; desiccated coconut, 99.79 percent; lumber and timber, 28.46 percent (Japan purchased 29.54 percent of Philippine lumber and timber exports); and copra meal and cake, 55.23 percent.

Foreign-carrying trade.—There were 720 vessels and aircraft having an aggregate net tonnage of 2,755,606 belonging to 17 nations engaged in the foreign trade of the Philippines during the fiscal year under review. Of these vessels, 180 were British, 165 Japanese, 85 Norwegian, 92 American including 7 aircraft, and the rest distributed among other nations.

Owing to the present European war, the position heretofore occupied by British shipping in the foreign carrying trade of this country in point of value of merchandise transported was virtually assumed by American vessels during the year 1940.

LABOR AND INDUSTRIAL CONDITIONS

The Department of Labor underwent a complete reorganization on January 1, 1940. The Bureau of Labor was abolished and all units therein were transferred to the department proper, thereby avoiding overlapping of functions and duties.

The department continued to be active in safeguarding the interests of industrial workers and promoting the welfare of farm laborers. Regular inspections were conducted in 14,723 establishments employing 246,941 workers. These inspections, which were aimed at the enforcement of labor laws, were instrumental in reducing the number of factory accidents, affording workers with better working facilities, and limiting regular working hours to 8.

For the proper protection of the health and lives of laborers the Philippines have been divided into six labor safety inspection districts, each of which is under the supervision of a safety inspector. In the provinces, the public defenders and labor agents help the safety inspectors in their work. Safety inspection in commercial and industrial establishments includes the investigation of industrial accidents to determine not only the direct and indirect causes thereof, but also to find out the means for the prevention of similar accidents in the future.

As in the past, emphasis has been placed on the protection of women and children. A Council of Social Welfare has been created to help ameliorate the situation of fallen women and minors. This body founded the Home For Women and Children, which is located in Manila and intended for the maintenance and support of destitute women and minors. It is subsidized with funds from the Philippine Charity Sweepstakes and supervised jointly by the Department of Labor, the Bureau of Public Welfare, and the Associated Charities.

The Department of Labor acted as mediator in 203 industrial disputes, most of which involved factories and commercial establishments in Manila. These disputes resulted generally from demands for wage increases and reduction of working hours, change in working conditions, reinstatement of discharged employees, union recognition, and collective bargaining. There also was the usual number of tenancy conflicts caused by the inability of landowners and tenants to come to a proper division of their crop shares. The services of government public defenders, as well as lawyers employed under the tenancy law enforcement division of the Department of Justice, cooperated in settling these agrarian disputes.

Despite the large appropriations being spent by the National Government for well-planned public projects which afford relief to the unemployed population of the country, there are still quite a number of unemployed. Several private organizations, as well as an organized government entity, have taken charge during the year of registering and placing persons who are out of work.

During the year a total of 85 central organizations and 70 branch unions with a membership of over 32,000 were granted permits to operate as legitimate labor organizations. Actually there are 339 labor unions in the Philippines, of which 118 are in Manila.

The slum situation in the city of Manila is being improved through the construction of model tenement houses which are leased to laborers at nominal monthly rentals.

IMMIGRATION AND EMIGRATION

The enactment of the new immigration law, which was approved recently by the President of the United States, and the creation of the Bureau of Immigration in place of the Immigration Division of the Department of Labor, will be most valuable in regulating the admission and exclusion of aliens here.

Excluding enlisted men and persons attached to the military and naval forces of the United States, a total of 22,988 persons arrived in, and 22,358 persons departed from, the Philippines. Among the arrivals were 1,735 immigrants composed of 698 Chinese, 329 Japanese, 202 Jews (German), and 506 belonging to other nationalities. The incoming nonimmigrants numbered 10,910 consisting of 7,919 Chinese, 1,373 Japanese, and 1,618 of other nationalities. Among the departures were 5,607 emigrants of whom 1,863 were Chinese, 3,137 Japanese, 2 Jews (German), and 605 subjects of other countries. The departing nonemigrants totaled 9,645 of whom 7,276 were Chinese, 690 Japanese, and 1,679 of other nationalities. A total of 729 aliens were deported from the Philippines; namely, 641 Chinese, 25 British Indians, 23 Russians, 15 Japanese, 3 English, 3 Jews (German), and 19 of other nationalities.

The emigration of Filipino laborers to the Territory of Hawaii has ceased to be a problem to the government. This is due to the limitation imposed by the Tydings-McDuffie Act as regards Filipino emigration to Hawaii, and the existence there of a sufficient labor supply to meet the needs of its sugar and pineapple industries. The Hawaiian Sugar Planters' Association today has practically stopped recruiting laborers from the Philippines.

During the fiscal period under review, 456 Filipino repatriates returned from the United States.

CIVIL SERVICE

The Bureau of Civil Service has initiated the new practice of granting eligibility of a junior grade to competitors in an examination who fail to secure a minimum rating in any subject, although they may have obtained a passing general average. The advantage of this system is the acquisition of a secondary register from which selections may be made to fill allied positions of less importance and responsibility, without the necessity of holding a new examination. Through this

arrangement, many teachers have gained civil service status for permanent appointment or for promotion.

During the period under review, 38,954 competitors participated in 142 examinations given by the Bureau of Civil Service to fill vacancies in 49 types of government positions. Six examinations were also given for the Federal service in the Philippines, and 26 pensionado tests for the purpose of selecting Filipinos to pursue advanced studies abroad.

For the 16 Boards of Examiners, the Bureau also conducted 75 civil service examinations which resulted in the admission of 1,694 professionals into the lawful practice of some 20 professions. As of June 30, 1940, there were 26,350 registered professionals qualified to practice in the Philippines, excluding the members of the legal profession who are admitted to the bar only after passing examinations given by the Supreme Court.

Appointments.—From July 1, 1939, to June 30, 1940, there were 5,082 probational appointments to the classified civil service; 452 appointments by reinstatement; and 9,721 appointments by promotion, reduction, and transfer. Seventy-two persons of which 22 were Americans and 50 Filipinos were appointed to the Federal civil service in the Philippines.

Personnel.—On June 30, 1940, there were 116 Americans and 54,200 Filipinos regularly and permanently employed in the civil service. Under temporary employment were 20 Americans and 20,799 Filipinos. There is a growing tendency among Filipino women to serve the government. At present there are 16,206 female employees, mostly public school teachers, of whom 9,414 are regular and permanent and 6,792 temporary.

GOVERNMENT-OWNED CORPORATIONS

Philippine National Bank.—The Philippine National Bank made a gross operating income of ₱6,628,092.81 and incurred expenses totaling ₱4,415,996.86, thereby realizing a net operating profit of ₱2,212,095.95. Including the recoveries on charged-off assets and debit adjustments of prior periods and other profit-and-loss items, the bank made a total profit of ₱2,637,369.84, the full amount of which was credited to the National Government pursuant to the provisions of the Rehabilitation Act No. 3174.

In accordance with section 4 of the Rehabilitation Act, the bank reimbursed the sum of ₱9,460,653.71 to the National Government during the fiscal year under review, making a total reimbursement of ₱29,663,473.23 out of the ₱61,951,931.75 contributed by the government in the rehabilitation of the bank. The sum of ₱32,288,458.52 still remains to be repaid by the bank.

The bank continued to maintain its strong liquid position. The decrease in its resources from ₱166,911,692.81 to ₱143,743,788.80 was due largely to the net reduction of government deposits on account of National Treasury warrants paid by the bank in the aggregate sum of ₱19,045,384.17, the corresponding cash of which has not been withdrawn by the bank from the National Treasury although there is cash available in the general fund of the latter.

The bank has a net worth of ₱26,791,689.82 composed of capital of ₱10,000,000, surplus of ₱10,000,000, reserves of ₱6,771,377.96, and ₱20,311.86 in undivided profits.

Agricultural and Industrial Bank of the Philippines.—With the creation of the Agricultural and Industrial Bank of the Philippines under the provisions of Commonwealth Act No. 459, the National Investment Board, which was created in 1936, was abolished. All the functions and liabilities of the said board were assumed by, and the properties, assets, and funds under its administration transferred to, the new bank which opened for regular business on August 19, 1939. The National Government subscribed to ₱15,000,000 worth of shares of the capital stock of the bank and allotted a special fund of ₱10,000,000 for its administration in accordance with the provisions of Commonwealth Act No. 521.

From its opening on August 19, 1939, to June 30, 1940, the bank proper, comprising the agricultural and industrial departments, suffered a net loss of ₱131,892.58 but this was because very little income from interest was realized on agricultural loans during the period in question. The trust funds, the administration of which was transferred from the former National Investment Board to the bank, realized a total net operating profit of ₱1,889,553.86, which was disposed of as follows: Paid to the Treasury of the Philippines (general fund), ₱123,989.11; transferred to reserve for contingencies, ₱50,000; and carried to surplus of respective funds, ₱1,715,564.75. The resources of the bank proper increased from ₱29,253,218.04 on August 19, 1939, to ₱32,153,907.71 on June 30, 1940, or an increase of ₱2,900,689.97, due mainly to the increase of the trust funds held by the bank for investment.

Manila Railroad Co.—The total income of the Manila Railroad Co. amounted to ₱12,995,095.62, or an increase of ₱757,595.26 over the total income for the preceding year. The net income (i. e., the difference between all items of income combined and all items of expenses, including depreciation and retirements) was ₱1,692,078.49. The deductions from gross income on account of interest on funded and unfunded debts, and hire of freight cars, amounted to ₱1,731,941.98, thereby occasioning an operating loss of ₱39,863.49. It should be noted, however, that this loss has been arrived at only after the deduction of ₱942,911.52 covering depreciation and retirements, which are not in cash terms. The investments of the company in road equipment, miscellaneous physical property, and in Manila Hotel stock increased to ₱111,355,992.22, or an increment of ₱89,070,-24 over those of last year. The reduction in current assets due to repayment of long-term debt, plus an increase in unadjusted credits resulted in a decrease of corporate surplus from ₱20,679,357.71 last year to ₱19,894,195.56 this fiscal year. During the year the company erected 17 permanent bridge structures, extended yard trackage and spurs in several places, and lengthened existing sidings at various stations to permit the crossing of long freight trains. Track relocation was done in the Bahay Pari gorge between Panao and Summit on the China Sea side of the island of Luzon. Aside from these, improvements were made at the Manila Terminal and several station buildings and passenger and flagstop shelters constructed at several places. The Manila Railroad Co. has 1,140.518 kilometers of main line track divided as follows: Northern lines, 546.910 kilometers; southern lines, 580.195 kilometers; and double track, 13.513 kilometers.

Manila Hotel Co.—The Manila Hotel Co. suffered a decline in revenues amounting to ₱191,283.66 (from ₱1,203,384.92 for the

previous year to ₱1,012,101.26 of the present fiscal year). This was due to a reduction in tourist trade in the Philippines because of disturbed world conditions. In addition, competition from other hotels and places of entertainment in Manila was increasingly felt. The operating expenses of ₱1,072,235.19 were only lower by ₱16,161.66, as compared with expenses of the previous fiscal year. With expenses exceeding revenues, an operating loss of ₱60,133.93 was sustained by the Manila Hotel proper. The outside hotel activities of the Manila Hotel Co.—operation of the Mayon Hotel at Legaspi and Taal Vista Lodge at Tagaytay City, both owned by the Manila Railroad Co.—produced an aggregate revenue of ₱58,363.49. Allowing for certain items which were incurred as part of outside activities, the net loss of the Manila Hotel Co. as a whole becomes ₱113,855.16 for the previous fiscal year. Further deductions of ₱9,119.97 for charges of prior years reduced the accumulated surplus from ₱1,573,746.21, as of June 30, 1939, to ₱1,511,179.45 this fiscal year. The Manila Hotel Co. has a net worth of ₱2,411,179.45.

National Development Co.—The company as a parent organization realized a net operating profit of ₱678,379.08 for the year under review, as compared with the net profit of ₱2,809,089.88 for the preceding fiscal year, or a decrease of ₱2,130,710.80. This reduction is explained by the fact that while in 1939 stock dividends amounting to ₱2,760,000 were voted and received from the Cebu Portland Cement Co., only ₱550,080 cash dividends were declared by the same company in 1940. Likewise, the proceeds of cumulative dividends on preferred shares of stock held by the National Development Co. in the Insular Sugar Refining Corporation, amounting to ₱117,979.64, were not considered as income but were set aside as reserve to retire the valuation of the sugar-quota rights of said corporation.

The gross income of the National Development Co. for the fiscal year ending June 30, 1940, is composed of the following:

Cash dividends on investment in the Cebu Portland Cement Co.	₱550,080.00
Interest on advances and loans to subsidiaries and other companies	277,544.99
Rentals derived from the Pureza Compound	32,599.65
Interest on bank deposits	11,212.03
Net income from rentals derived from leases of public lands to Philippine Packing Corporation	2,091.56
Apportioned income for 1939–40 for the profits in the sale of the Malabon Sugar Co., machinery, and sugar-quota rights	12,500.00
Profit from the Sabani Estate	19,959.03
Miscellaneous receipts	1,457.04
Total gross income	907,444.30
Less general administration expenses	229,065.22
Total net profit	678,379.08

On June 30, 1940, the company's investments in, and advances or loans to, subsidiary corporations and other companies amounted to ₱27,798,357.82. The company has liabilities and deferred credits aggregating ₱1,158,067.38; capital stock fully paid amounting to ₱26,410,300; and accumulated surplus and reserves of ₱3,818,973.88 (including reserve to retire the valuation of sugar-quota rights amounting to ₱157,306.20).

Cebu Portland Cement Co.—During the period under review, the Cebu Portland Cement Co. realized a net profit of ₱1,092,646.24, representing 19.86 percent of the total outstanding capital stock, as

against ₱493,319.35 for the special fiscal year ending June 30, 1939, or an increase of ₱599,326.89. Of the unappropriated surplus of ₱852,638.95 on June 30, 1939, the amount of ₱550,160 has been declared as dividends on February 15, 1940, and ₱10,000 was put in the reserve for the proposed wharf at Naga, Cebu, thereby leaving an uncommitted surplus balance of ₱292,477.95. Adding the profits realized for the year with this balance of the surplus account, the total unappropriated surplus and reserves amount to ₱1,395,125.19. The difference of ₱1 represents the reserve for the gypsum plant. The total net worth of this subsidiary is ₱6,896,725.19, and its capital fully paid, ₱5,501,600.

During the fiscal period under review the company produced 1,052,-273 barrels of cement, consisting of 665,253 barrels of Apo and 397,020 of H-Silik. The increasing demand for cement, due to the large-scale public-works program undertaken by the government and by constructions, has been met by operating the plant to its full capacity of approximately 4,000 barrels a day.

National Rice and Corn Corporation.—This subsidiary, which has been organized primarily for the rehabilitation and stabilization of the rice and corn industries of the Philippines, realized a net profit of ₱182,440.64 during the fiscal year, as against ₱221,400.76 for the period ending June 30, 1939, or a decrease of ₱38,560.12. Adding this net profit to the previous adjusted surplus of ₱2,649,579.16 gives the corporation a total accumulated surplus of ₱2,832,019.80, representing 70.8 percent of the total investments. The net worth of the corporation on June 30, 1940, amounted to ₱6,832,019.80.

The 1938–39 crop year was a lean one. To supplement the domestic supply, the corporation imported during the last 6 months of 1939 a total of 1,081,640 cavanes of Saigon and Bangkok rice which was sold at a standard price of ₱6. The 1939-40 crop, at first estimated to be adequate to meet the needs of the country, was not found to be as abundant as forecast. The corporation, aside from purchasing native rice, thereupon chartered a steamer and, during the first 6 months of 1940, imported free of duty a total of 376,610 cavanes of Saigon and Thailand rice. After deducting all the expenses incurred in its importation and sale the profits to be realized from the sale of this rice are to be turned over to the government for relief purposes.

Insular Sugar Refining Corporation.—This subsidiary realized a net profit of ₱989,184.71. On the whole, there was an unappropriated surplus of ₱1,399,740.27, after deducting the dividends declared on the 8-percent cumulative preferred stock, amortization of the cost of the Malabon Sugar Machinery and quota rights purchased, and other amounts chargeable against the surplus account. The corporation produced 1,149,483 100-pound bags of export and domestic refined sugar and 54,500 100-pound bags of turbinado sugar for export. The company's current operations are now financed by the National Development Co. so that the interest and charges which had previously been paid to its bankers are now accruing to the parent concern. The net worth of the corporation on June 30, 1940, amounted to ₱3,303,604.27 without taking into consideration the value of refined sugar-quota rights purchased by the company for ₱1,696,136.

National Food Products Corporation.—This subsidiary sustained a loss of ₱128,697.05 which, added to last year's loss and adjustment aggregating ₱71,131.23, brings total losses to ₱199,828.28. Because

of these financial losses, the net worth of the corporation has now been reduced to ₱1,735,171.72. The Guagua Cannery of the corporation manufactured 1,684,279 cans of different fish and meat products, fruit preserves, and vegetables. This fiscal year's output was only 28.7 percent of the cannery's rated production capacity of 6,000,000 cans. The work of the corporation is hampered primarily by the lack of basic raw materials. To insure a supply of raw materials, the corporation entered into an arrangement with landowners in the Province of Capiz for the construction of 12,500 acres of fishponds which are calculated to yield a sufficient supply of milkfish for the proposed Capiz Cannery and, at the same time, make up for the deficiency of supply at the Guagua plant. In the meantime, contracts have been entered into with two big fishpond owners for the supply of milkfish at ₱0.27 per kilo.

National Footwear Corporation.—The organization of this subsidiary was brought about by petitions received by the government authorities from shoemakers, principally those from several towns of the Province of Rizal, center of the Philippine shoe industry. They were seeking financial assistance to offset control by Chinese shoe dealers who, in the past, had been dictating the prices of raw materials, as well as the prices paid for finished shoes. The corporation was organized on January 22, 1940, with an authorized capital of ₱1,000,000 of which ₱500,000 has been subscribed and ₱250,500 paid up by the National Development Co. The corporation, which finances shop owners affiliated with recognized cooperatives, went into actual operation in May when the National Footwear Cooperative Association, Inc., was organized by the shoe owners themselves. From May to June 30, 1940, the corporation purchased raw materials abroad and distributed enough for the manufacture of 60,000 pairs of shoes. The cooperative, whose members are shoemakers of the Province of Rizal, is operating two stores on Rizal Avenue, Manila—one for first-class shoes, the other for low-grade shoes. Sales are quite encouraging, and this venture is expected to be on paying basis soon.

National Warehousing Corporation.—The activities of this corporation consisted largely of organization, planning, and construction of warehouses for the use of tobacco, palay, and coconut planters. Eleven warehouses have been constructed and three others acquired in the provinces and remodeled, all at a cost of ₱310,000. Eleven more warehouses are awaiting construction pending the selection of suitable sites in the copra and rice-producing regions. The warehouses already completed are located in Iligan, Isabela; Batac, Ilocos Norte; San Quintin, Pangasinan; Lubao, Pampanga; City of Cebu; Atimonan, Tayabas; Tuguegarao, Cagayan; Pototan, Iloilo; Dao, Capiz; and Santiago, Isabela. This corporation has an authorized capital stock of ₱1,000,000 of which ₱710,500 has been subscribed and ₱510,000 duly paid.

Textile Mills.—The total investment in this subsidiary amounted to ₱3,987,156.59, of which ₱2,000,000 was contributed by the National Government pursuant to the provisions of Commonwealth Act No. 521, and ₱1,987,156.59 by the National Development Co. Actual operations of the Textile Mills began May 1939. There was a loss of ₱12,311.53 during the first year and ₱72,019.43 during the year under review, or a total accumulated loss of ₱84,330.96. These losses have been occasioned by factors tending to increase the cost of

production, principally the lack of experienced mill hands, the big turnover of labor on account of illness and resignation, and the high salaries paid to foreign experts contracted to train laborers. With the increasing proficiency of the mill workers as noted during the fiscal year, however, a gradual reduction in the average unit cost of production in every department is being made.

National Land Settlement Administration.—This entity was organized with an authorized capital of ₱20,000,000 under the provisions of Commonwealth Act No. 441 for the purpose of taking charge of the acquisition, settlement, and cultivation of undeveloped agricultural lands, to provide opportunity to tenants and small farmers to own farms, to encourage migration to sparsely populated regions, and otherwise to help in the adjustment of Philippine economy. The corporation was given on August 23, 1939, an initial allotment of ₱2,000,000 from the coconut oil excise tax fund.

For settlement purposes, the National Land Settlement Administration selected two sites in Mindanao: The Koronadal Valley in the Province of Cotabato and the Compostela-Monkayo region in the Province of Davao. The Koronadal Valley project has an area of 97,000 hectares (213,400 acres), and is divided into four settlement districts; namely, Lagao, Polomolok, Tupi, and Marbel. As of June 30, 1940, this project had a population of 5,000 settlers and their dependents. They have been given home sites and farm lots. Various profitable crops have been planted; namely, rice, corn, cotton, peanuts, Bermuda onions, casoy (cashew), kapok, cacao, cowpeas, soybeans, mongo, and forage crops. Poultry and swine raising are encouraged among the settlers. It is pleasing to note that, under the able management of the National Land Settlement Administration, what were once vast grasslands and forests in the heart of Mindanao are now being converted into agricultural communities which are fast attracting the attention of landless farmers and tenants in the crowded regions of the Philippines.

People's Homesite Corporation.—This corporation has a subscribed and fully paid up capital stock of ₱2,000,000. It has invested ₱1,472,112.94, as follows: ₱787,021.35 for the purchase of Diliman Estate in Quezon City, and ₱685,091.59 for development and improvement. The corporation has practically completed its subdivision and survey of the south development project at Diliman Estate. A total of 5,450 lots ranging in area from 180 to 1,800 square meters have been surveyed, and 3,643 lots are now available for sale at prices ranging from ₱1.00 to ₱10.00 per square meter. Thirty-seven and a half kilometers of asphalted first-class roads have been laid out. The corporation has completed the construction of 37 model houses ranging in prices from ₱1,400 to ₱4,600 and 310 small houses in the workers' section at an estimated cost of ₱650 each.

National Power Corporation.—This corporation was created on January 11, 1937, under the provisions of Commonwealth Act No. 120 for the purpose of undertaking the development of hydroelectric power and the production of power from other sources. Its projects were still in the process of development at the close of the fiscal year under review.

The advances of the National Government to this corporation under the provisions of Commonwealth Acts Nos. 120 and 344 amounted to ₱532,530.27. In addition, the corporation floated on

November 1, 1939, and on May 1, 1940, two series of bonds, each with a par value of ₱1,500,000, the proceeds of which aggregated ₱3,046,135.62. These issues were made from the ₱8,500,000 par value of bonds authorized out of the maximum allowable bonded debt of ₱20,000,000, which may be issued with the guarantee of the National Government for both principal and interest.

Construction work on the Caliraya hydroelectric project is now under way and, during the year under review, expenditures amounted to ₱374,718.19. Since its organization construction expenses have already amounted to ₱488,952.70. The plant being built will have a capacity of 26,000 kilowatts, capable of generating 100,000,000 kilowatt-hours of energy per annum, and is estimated to cost ₱8,500,000.

A contract has been executed between the Manila Electric Co. and the National Power Corporation whereby beginning January 1, 1942, the corporation will furnish the Manila Electric Co. with 20,000 kilowatts of capacity and 80,000,000 kilowatt-hours of energy annually for an agreed price of ₱1,440,000 a year.

Sabani Estate.—The agricultural year just closed is the best ever had by the Sabani Estate. The net operating profit for the year amounted to ₱19,959.03 as compared with an operating loss of ₱2,964.06 for the preceding agricultural year. The estate produced 31,466 cavanes of palay as compared with 24,835 cavanes for the previous year, or an increase of 6,631 cavanes. A yearly rental of 25 percent on the total production is collected from the tenants after deducting the service charge of 4 percent for the thresher. The estate revenues from the sale of palay, fees from lumber concession, and sales of minor forest products brought a gross income of ₱49,983.61 against expenses amounting to ₱30,024.58, thereby resulting in a net income of ₱19,959.03. The estate has not been a profitable investment for the last 5 years. For this reason the disposal of the agricultural areas to the present tenants is under serious consideration by the National Development Co.

Metropolitan Water District.—A general reduction in the water and sewer rates and the total elimination of the service maintenance charge were put into effect on July 1, 1939. The Angat-Novaliches Water Supply system was officially opened on February 22, 1940, thereby insuring the Metropolitan Water District for generations against the recurrent water shortages of former years. The total income during the year amounted to ₱2,530,718.58 which represents a decrease of ₱254,859.40 from last year's income. This fall in income was due to the reduction in water rates and an increase in the prices of supplies and materials. After deducting expenditures of ₱1,621,060.82, the District still had a net profit of ₱909,657.76. This sum, together with an allotment of ₱366,706.17 taken from the accumulated surplus, was reinvested to meet payments for bonded indebtedness and for the improvement and extension projects that were undertaken during the year.

The improvements mentioned above were made to meet the increasing demand for water in the city and suburbs and to improve low-pressure areas for better fire protection. The 10-year program of sewer improvement, which will cost ₱8,500,000 when completed, was continued with the laying of sewer mains in many parts of Manila, principally in the districts of Santa Ana, Pandacan, and Sampaloc. Drainage of lower sections of Manila received considerable attention

from the Metropolitan Water District. By utilizing the sum of ₱662,283.23 from ₱2,200,000 appropriated by the National Government for drainage improvement, the District was able to construct 12 kilometers of drains and canals, straighten esteros and line them with concrete embankments, and build drainage gates, bridges, and culverts. At the behest of the Commonwealth government, the Metropolitan Water District appropriated from its funds an initial outlay of ₱1,750,000 for the extension of the water and sewerage systems to Diliman Estate and the University of the Philippines site, which are both inside the newly created Quezon City. Laying of the water mains is still in progress in the two districts.

Acquisition of rural homesites.—Agrarian problems arising from strained relations between landlords and tenants, or between lessees and tenants, are at the root of the disputes and conflicts that appear during harvest seasons in the congested areas of rural communities. The increasing enlightenment of the Filipino farm population has brought about new necessities and these cannot be satisfied with their meager earnings. It must be stated also that self-seeking, unscrupulous leadership has gained footing in some ranks of labor in the fields and in the shops and is responsible for certain disturbances among the working class.

Two laws, Commonwealth Acts Nos. 20 and 378, have been enacted for the purpose of creating social stability by promoting ownership of small landholdings by Filipinos and preventing the falling of large estates into fewer and fewer hands. By virtue of these laws, there was first created the Landed Estates Survey Committee which made a survey of several haciendas sought to be purchased and partitioned for resale to the tenants therein. Later the Rural Progress Administration was organized for the purpose of entering, for and in behalf of the government, into negotiations for the acquisition and management of large landed estates. The Rural Progress Administration has under its management the following homesites:

1. *Mariquina Homesite.*—This estate contains an area of 105.70 hectares (261.156 acres) and was acquired by the government for ₱295,971.48. A subdivision survey of the estate has been undertaken, and sale of the 2,435 lots to the tenants living or working thereon was started on October 2, 1940.

2. *Dinalupihan Homesite.*—This estate lies in the municipality of Dinalupihan, Province of Bataan, and the area expropriated for homesite purposes was 100 hectares (250 acres), for which the government paid ₱93,250.82. The homesite was divided into 2,250 lots, of which 1,468 are residential.

3. *Tunasan Homesite.*—This property, consisting of 216.79 hectares (542 acres), lies in San Pedro, Laguna, and was purchased by the Rural Progress Administration from the Colegio de San Jose for ₱414,855. The land has been divided into 2,912 homesite lots of which 2,355 are residential and 557 foreshore lots, for sale to the 1,160 tenants and farmers living therein.

4. *Buenavista Estate.*—This property has an area of 27,400 hectares (67,700 acres) comprising the municipalities of San Ildefonso and San Rafael and two barrios of the municipality of Bustos, all in the Province of Bulacan. It is now under lease by the government from the Roman Catholic Church and the San Juan de Dios Hospital for a

period of 25 years at an initial rental of ₱100,000 beginning January 1, 1939, and increasing by ₱2,000 every succeeding year.

The Rural Progress Administration is at present seeking the acquisition by expropriation proceedings of other large landed estates; namely, the Lian homesite in Lian, Batangas; Capellania de Tambobong in Malabon, Rizal; Laryuhan homesite in sitio Laryuhan, Gapan, Nueva Ecija; Guadalupe estate in barrio Guadalupe, Makati, Rizal; and the Nuestra Señora de Guia estate in Tondo, Manila.

PUBLIC CALAMITIES AND RELIEF WORK

Among the fires that occurred during the fiscal year, nine were quite destructive to public and private property. The biggest fires, which also occasioned the most sufferers, razed portions of the towns of Cotabato, Cotabato; Libmanan, Camarines Sur; Legaspi, Albay; Bangued, Abra; Butuan, Agusan; Paracale, Camarines Norte; Cagayan, Misamis Oriental; and Guinayangan, Tayabas. As in the past years, the government through the National Relief Administration and the Philippine Red Cross extended immediate aid to the sufferers. The National Relief Administration distributed corn, palay, and seeds of quick-growing crops to provinces damaged by typhoons, such as Masbate, Samar, Tayabas, Marinduque, Rizal, Camarines Sur, Negros Oriental, and Leyte. Financial aid, mostly in the form of public works projects, was also given to various provinces to enable indigent inhabitants to earn a livelihood.

The existence of public calamity was proclaimed in the provinces of Capiz and Marinduque because of the destruction caused by typhoons, and in Paracale, Camarines Norte, after a big fire visited that municipality on March 28, 1940.

NATIONAL EMERGENCY MEASURES

The existence of a state of war among several nations of the world made it necessary to have our country ready to cooperate with the United States at a moment's notice in the event of her participation in the war. With this end in view, the National Assembly convened in a special session during the latter part of 1939 and enacted adequate legislation empowering the Commonwealth government to meet any emergency that might arise.

The emergency measures passed were as follows:

1. *Commonwealth Act No. 496.*—Authorizing the President of the Philippines, until the date of the adjournment of the next session of the National Assembly, to take over solely for use or operation by the government during the existence of the emergency, any public service or enterprise, and to operate the same.

2. *Commonwealth Act No. 498.*—Declaring as a national policy the prevention of scarcity, monopolization, hoarding, injurious speculations, manipulations, private controls, and profiteering affecting supply, distribution and movement of foods, clothing, fuel, building materials, and other articles or commodities of prime necessity, both imported and locally produced or manufactured.

3. *Commonwealth Act No. 499.*—Prohibiting for a limited period the transfer or placing under any registry or flag of any Philippine vessel.

4. *Commonwealth Act No. 500.*—Authorizing the President, in view of the existence of a state of national emergency, to decrease the

expenditures of the Executive Department of the National Government through the suspension or abandonment of services, activities, or operations of no immediate necessity.

The effectivity of these emergency measures did not extend beyond the end of the next regular session of the National Assembly. Believing that a state of emergency still existed, the legislative branch of the government enacted Commonwealth Act No. 600 authorizing the President of the Philippines to promulgate rules and regulations to safeguard the integrity of the country and to insure the tranquillity of its inhabitants. This legislation is to remain in force until the date of adjournment of the next regular session of the National Assembly in 1941, unless sooner amended or repealed by that body.

The rules and regulations embrace the following activities: (1) To suppress espionage and other subversive activities; (2) to require all able-bodied citizens not engaged in any useful occupation to engage in farming or other productive activities, or to perform such services as may be necessary in the public interest; (3) to take over farm lands in order to prevent failure or shortage of crops and avert hunger and destitution; (4) to take over industrial establishments in order to insure a continued normal production, controlling wages and profits therein; (5) to prohibit lock-outs and strikes whenever necessary to prevent the unwarranted suspension of work in productive enterprises or in the interest of national security; (6) to regulate the normal hours of work for wage earners and salaried employees in industrial or business undertakings of all kinds; (7) to insure an even distribution of labor among the productive enterprises; (8) to commandeer ships and other means of movements of goods and merchandise; (9) to requisition and take over any public service or enterprise for use or operation by the government; (10) to regulate rents and prices of articles or commodities of prime necessity, both imported and locally produced or manufactured; and (11) to prevent, locally or generally, scarcity, monopolization, hoarding, injurious speculations, and private controls affecting the supply, distribution, and movements of foods, clothing, fuel, fertilizers, chemicals, building materials, implements, machinery, and other equipment required in agriculture and industry.

The peaceful state of the nation did not warrant an immediate promulgation of orders to give force and effect to the attainment of the above-mentioned objects. However, the government undertook a careful enforcement of the control of commodity prices.

Control of commodity prices.—Among the emergency measures passed by the National Assembly, Commonwealth Act No. 498 had the most pronounced effect upon the people of the Philippines. This was due to the fact that business and trade in the Philippines, upon the outbreak of the European war, showed a sudden artificial inflation of prices. This abnormal commercial situation was noticeably felt by the bulk of the Philippine population because even articles produced or manufactured in the country and commodities of prime necessity also obtainable locally were sold at prices which, unless regulated, would certainly cause a dislocation in the budget of the working masses who have only a marginal earning capacity.

In order to curb this tendency towards profiteering, as well as ease the growing economic strain on the poor, the government took imme-

diate steps to stabilize the local market by regulating the prices of essential commodities.

The National Assembly held a special session and enacted several emergency measures, among which was Commonwealth Act No. 498. An important provision of this law states:

> The existence of a state of war among several nations of the world with which the Philippines has been maintaining commercial and trade relations * * * has given rise to a national emergency, and to protect the public interest, it is declared to be the national policy during such emergency to prevent, locally or generally, scarcity, monopolizations, private controls, hoarding, injurious speculations, manipulations, and profiteering, affecting the supply, distribution, and movement of foods, clothing, fuel, fertilizers, chemicals, building materials, implements, machinery, and equipment required in agriculture and industry, and other articles or commodities of prime necessity, both imported and locally produced or manufactured.
>
> In order to carry out the above-declared national policy, the President of the Philippines is authorized (a) to purchase any of the articles or commodities mentioned in section one hereof for storage, sale, or distribution for relief of hunger and calamity-stricken portions of the population * * *.

By virtue of the said law, there was created an Emergency Control Board which was entrusted with formulating for the consideration and approval of the President such policies and regulations as were necessary to fix the maximum prices for certain commodities. The studies of the board resulted in the promulgation of Presidential Executive Order No. 233 fixing the maximum selling prices of specific articles, including milk, sardines, canned beef, vegetable lard, sugar, wheat flour, plain and corrugated galvanized iron sheets, plain galvanized wire, steel bars, nails, motor fuel alcohol, petroleum, cement, mongo, meat, corn, and rice.

These prices were fixed for Manila and the various provincial capitals as distributing centers. In the fixing of prices for each provincial distributing center, the Manila retail prices were taken as the basic prices, to which were added the actual cost of freight from Manila to the place of destination, plus the cost of handling and other incidental charges. From time to time other executive orders were issued revising the maximum prices of commodities as commercial exigencies demanded.

In accordance with the provisions of Commonwealth Act No. 498 authorizing the President of the Philippines to purchase articles or commodities so as to prevent hoarding, monopolization, and profiteering, the National Trading Corporation was created on January 4, 1940. This government corporation which is capitalized at ₱5,000,000 immediately placed orders for commodities from the United States.

During the period of actual operations from March 18 to June 30, 1940, the National Trading Corporation had net sales of ₱58,446.74 of merchandise costing ₱56,177.88, realizing a gross profit of ₱2,268.86. However, because of heavy but necessary expenditures attendant to the establishment of a new firm, business operations during the above period showed a net loss of ₱15,807.63. It is pleasing to mention here that from the time the National Trading Corporation opened for business, Filipino retailers in Manila and the provinces have consistently sought business connections with the firm. They were advised, however, to join the Retailers' Cooperative Association in order to be able to secure the benefits that would accrue to them later in the form of patronage dividends.

ESTABLISHMENT OF COOPERATIVES

In the Philippines the bulk of the people depend upon retail stores for their daily household necessities. Despite previous attempts of unorganized Filipino retail merchants in cities and provinces to obtain a commanding position in this vital phase of national economy, the volume of the country's retail trade continues to be preponderantly in the hands of aliens. The aliens engaged in the retail trade in the Philippines are members of well-organized, compact groups that have their own banking and credit facilities as well as importing and distributing services. They enjoy the privileges from their own organizations which are not extended to Filipino retailers. Furthermore, they have the economic advantage of a lower standard of living than Filipinos. These alien retailers, because of their superior command in the retail field, have taken a secure hold on the economic life of the country and are in a position to dictate prices and conditions that increase to an unreasonable degree the cost of living. The Filipino retailers are very few in number and lack organization because of the absence of the financial facilities which their competitors have, such as long-term financing, low prices and collective bargaining, and an economical method of distribution of merchandise that will reduce maintenance and operation costs.

In my speech at the fourth anniversary observance of the inauguration of the Commonwealth of the Philippines on November 15, 1939, I personally advocated the formation of cooperatives among farmers so that they could sell their products directly to the dealers without passing through many middlemen. I also advised the study of means by which trading in commodities of prime necessity could be placed in the hands of Filipinos. The response of the people to my proposal regarding the establishment of cooperatives for their benefit was most encouraging. Upon the operation of the National Trading Corporation, 358 Filipino retailers in Manila organized their own cooperative, now known as Retailers' Cooperative Association No. 1, through which they make collective purchases of the corporation's merchandise which they sell on retail in their stores. The practical benefits received by the members of this cooperative inspired other economic groups to adopt the cooperative plan as a solution to their trade problems. Among these commercial groups may be mentioned the shoemakers of Marikina, Rizal; the onion producers of Nueva Ecija; the tailors and the retail pharmacists in the city of Manila; and the retailers in Santa Cruz, Laguna.

This new system of trading based on cooperation, despite its success in foreign countries, is still comparatively new in the Philippines and to introduce it to all parts of the country and develop it successfully may require a long time. Filipino businessmen, however, are gradually being trained in the methods and practices of cooperatives and it is hoped that Filipino retail trade can be built up from its present state through the assistance of the National Trading Corporation.

PROJECTS FOR NATIONAL ECONOMY

The establishment of a Commonwealth Chemical Corporation with a capital of ₱20,000,000 as a subsidiary of the National Development Co. was carefully considered by the National Economic Council. The establishment of such an industry in the Philippines is most

important especially for the manufacture of ammonium sulfate which is used extensively as fertilizer in agricultural regions, and of which the Philippines imports from 30,000 to 40,000 metric tons annually. It was believed also that there is available in the country a sufficient supply of cheap raw materials to enable this corporation to engage in the manufacture of ammonia, sulfuric acid, ammonium sulfate, caustic soda, nitric acid, and chlorine, as well as pulp, paper, rayon, and celluloid. Plans for the establishment of this industry had been completed and negotiations for the erection of a factory were well under way when, owing to the abnormal conditions prevailing as a result of the World War and the sudden increase in the price of machinery and freight charges, this project had to be postponed.

During the period covered by this report and in line with the projects for national economy, the National Development Co. has also—

(*a*) Conducted surveys of possible petroleum deposits in the islands of Cebu, Bohol, Samar, and Masbate. The results of these surveys so far show fair oil possibilities in Luzon and the Visayas.

(*b*) Supervised the development of the Uling Coal Mines for the Cebu Portland Cement Co. and examined various coal-bearing districts; namely, Lingig-Bislig District, Surigao; Polillo District, Tayabas; Gatbo District, Sorsogon; Nabangig District, Masbate; Toledo, Compostela-Danao, Uling, and Mantalongon Districts, Cebu; Semirara island District, Antique; Bulalacao District, Mindoro; and Pañganiban District, Catanduanes.

(*c*) Studied various limestone and marble deposits near Manila to determine the possibility of supplying the needs and requirements for the new Capitol Building and other government buildings being constructed in Quezon City, and carried on preliminary exploration work in Papaya, Province of Nueva Ecija, to determine the quality, amount, and extent of the marble deposits in that area.

(*d*) After suspending field work on the Surigao iron-ore reserve during the first 6 months of 1940, conducted a reconnaissance survey of the reserve for possible deposits of high-grade, hard iron ore, chromite and other minerals of strategic importance, including charcoal.

PLEBISCITES

Two general plebiscites were held during the period under review. The first was held on October 24, 1939, for the approval or disapproval of the amendments to certain provisions of the Ordinance appended to the Constitution of the Philippines, specifically those relating to subsection (5) of section 1 and section 3 thereof, proposed by the National Assembly in its Resolution No. 39, which was adopted on September 15, 1939. These amendments embodied the provisions of the Tydings-Kocialkowski Act, mostly referring to economic readjustments, as approved by the Congress and the President of the United States on August 7, 1939. The second was held on June 18, 1940, for the approval or disapproval of the proposed amendments to the Constitution of the Philippines and the Ordinance appended thereto, as proposed by the National Assembly in its Resolution No. 73 approved on April 11, 1940. These constitutional changes referred to the shortening of the tenure of the office of the President from 6 years to 4 with the right to one reelection, the revival

of the Senate, an increase in the emoluments of legislators, and the creation of the Commission on Elections.

Excepting minor incidents, mostly in connection with the controversies in the appointment and substitution of election inspectors which did not have any untoward effect on public order, the two plebiscites were conducted peacefully. In both, the amendments proposed were overwhelmingly endorsed by the Philippine electorate.

LOYALTY TO THE UNITED STATES

In a short address which I delivered on September 5, 1939, before a special session of the National Assembly, I believe that I fully expressed the loyalty of the Filipino people to the United States of America. My address was as follows:

Gentlemen of the National Assembly, For the second time in the history of our relations with the United States we are facing the grim realities of a war between nations in which the lives of millions of men are involved and the fate of civilization itself hangs in the balance. I dare say that none of those who went through the stirring days of the First World War ever suspected that he would live long enough to see reenacted that greatest of human tragedies. Peoples the world over cherished the thought that they were emerging from the wake of that great holocaust into an era of everlasting peace. Unhappily, subsequent events did not fulfill the fervent hopes and expectations of men of good will.

During the World War, the Government and people of the Philippines had occasion to demonstrate, both in words and in action, their loyalty to the United States. But then an American Governor General was at the helm of our government. Now we have a Chief Executive of our own and a government established in accordance with a constitution adopted by our own people. Not only is the legislature exclusively in the hands of Filipinos, but so are the executive and judicial branches of the government.

At present America is fortunately at peace with the rest of the world, including the nations now at war. In consequence, we find ourselves in a similarly favorable situation. As a neutral power, however, America has certain obligations to perform not only in the continental United States but in the Philippines as well. It behooves us therefore to assure the Government of the United States of our loyalty and devotion which have grown deeper and stronger in the perspective of the many years of unselfish American endeavor to serve the best interests of the Filipino people. In this critical moment, I wish again to pledge to America, in behalf of our people, our unstinted loyalty and our fullest cooperation in the promotion of ideals of justice and liberty and in the safeguarding of the legitimate rights and interests of both the United States and the Philippines.

We want the Government and people of the United States to feel that we are bound to them not merely by the presence of the American flag in our country but by the nobler and stronger ties of gratitude and affection—bonds of sentiment that are born of the human heart which transcend the obligations of allegiance implied in the presence of that flag. Our loyalty to the United States is rooted in something more permanent, something more lasting than legal or political relationship. Our loyalty is built on faith—faith in the sense of fairness and justice of the American people, faith in the great principles and ideals for which the Stars and Stripes proudly waves over land and sea, over a free and happy people.

Our loyalty to the great American nation is but the fruit of her altruistic policy in dealing with our people—a policy which has been characterized by justice and good will and by both moral and material assistance. That loyalty, I am sure, will outlive the sovereignty of the United States over our country, and will attest for all time the moral grandeur of America and the virtuality of her free institutions.

CONCLUSION

I am honored to mention here the fruitful conferences I have had with the ranking representatives of the American Government in the Philippines; namely, High Commissioner Francis B. Sayre, Maj. Gen. George Grunert, commanding the Philippine Department of the

United States Army, and Rear Admiral John M. Smeallie, commanding the Sixteenth United States Naval District in the Philippines. Our conferences were characterized by the same spirit of mutual helpfulness which has pervaded the entire field of Filipino-American relations. These evidences of a high-minded solicitude and friendship have given the people of the Philippines additional confidence in meeting the difficult economic and political problems that lie ahead of us.

Respectfully,

MANUEL L. QUEZON.

APPENDIXES

APPENDIX I. FINANCIAL OPERATION OF THE COMMONWEALTH GOVERNMENT DURING THE FISCAL YEAR 1940

Income, expenditures, and surplus.—During the fiscal year 1940, the National Government realized a total income of ₱158,029,869.665 for all the current funds, including the coconut oil excise tax, while the total expenditures from the same amounted to ₱183,616,273.36. The following statement shows the result of the operation of each of the current funds during the year:

Fund	Collections	Expenditures	Surplus
General fund:			
(*a*) Ordinary income	₱102,081,895.765	₱108,867,195.16	(₱6,785,299.395)
(*b*) Coconut oil excise tax	29,400,940.54	60,257,570.48	(30,856,629.94)
Special funds	34,478,261.21	22,422,735.57	12,055,525.64
Bond fund	486,912.50	486,912.50	
Total	166,448,010.015	192,034,413.71	(25,586,403.695)
Less:			
General fund appropriation considered as income of special fund:			
(*a*) Ordinary expenditures	1,967,760.00	1,967,760.00	
(*b*) Coconut oil excise tax	5,070,000.00	5,070,000.00	
Reversions of surplus to general fund considered as expenses of the special fund	1,093,093.90	1,093,093.90	
Reversion of income to the general fund considered as expense of the bond fund	287,286.45	287,286.45	
Total	8,418,140.35	8,418,140.35	
Net total[1]	158,029,869.665	183,616,273.36	(25,586,403.695)

[1] The net total consists of—

(*a*) Ordinary income	₱133,698,929.125
(*b*) Coconut oil excise tax	24,330,940.54

The operation of the reserve funds for the same period is shown in the following statements:

Fund	Collections	Expenditures	Surplus
Sinking funds	₱6,242,710.85	₱3,656,528.57	₱2,586,182.28
Exchange standard fund	1,464,262.24	584,891.18	879,371.06
Treasury certificate fund	91,283,861.00	94,470,140.00	(3,186,279.00)
Total	98,990,834.09	98,711,559.75	279,274.34

Income in 1940, all funds (general, special, and bond funds, consolidated).—The combined collections of the general, special, and bond funds realized in 1940 are as follows:

Revenue from taxation (net, National portion)	₱92,649,608.81
Coconut oil excise tax in United States and interest on deposits	29,400,940.54
Incidental revenue	4,273,394.31
Earnings and other credits	21,202,272.295
Repayment of loans and advances	9,460,653.71
Proceeds of loans for the construction of permanent bridges	1,043,000.00
Total receipts	158,029,869.665

APPENDIX III. STATEMENT OF RECEIPTS AND EXPENDITURES FOR THE FISCAL YEAR 1940, COCONUT OIL EXCISE TAX FUND—GENERAL FUND

[Period from July 1, 1939, to June 30, 1940]

Items	Collections on and after Jan. 1, 1939 fund	Collections prior to Jan. 1, 1939 fund	Total
RECEIPTS			
Philippine coconut oil excise tax collected in the United States	₱28,538,184.12		₱28,538,184.12
Interest of the coconut oil excise tax fund deposited in the U. S. Treasury	15,938.12	₱846,818.30	862,756.42
Total receipts	28,554,122.24	846,818.30	29,400,940.54
EXPENDITURES			
Administrative expenses	1,130,725.54	173,475.67	1,304,201.21
Salaries	182,375.76	125,482.01	307,857.77
Salaries of temporary employees	54,874.34	20,652.75	75,527.09
Wages	12,785.64	29,200.02	41,985.66
Wages of temporary and emergency laborers	642,455.82	(13,181.93)	629,273.89
Traveling expenses of personnel	153,529.74	(79,081.79)	74,447.95
Freight, express and delivery service	13,584.67	13,756.67	27,341.34
Postal, telegraph, telephone, cable and radio service	1,301.73	2,004.83	3,306.56
Illumination and power service	681.49	2,723.81	3,405.30
Insurance premiums	3,960.41	892.93	4,853.34
Miscellaneous service	2,255.76	30,238.94	32,494.70
Rental of buildings and grounds	2,963.66	5,807.50	8,771.16
Consumption of supplies and materials	57,465.32	33,370.63	90,835.95
Maintenance and repair of equipment	2,491.20	1,609.30	4,100.50
Cash contributions and gratuities—Contribution to the Manila R. R. Co. for expenses in the promotion of tourist trade in the Philippines	0	100,000.00	100,000.00
Outlays and investments	31,617,495.50	1,160,553.57	32,778,049.07
Purchase of land	0	6,000.00	6,000.00
Purchase of equipment	67,495.50	1,150,561.04	1,218,056.54
Advance to the Rural Progress Administration, Commonwealth Act No. 420	0	3,992.53	3,992.53
Subscription to the capital stock of the Agricultural and Industrial Bank, Commonwealth Act No. 521	15,000,000.00	0	15,000,000.00
Investments in the—			
Acquisition, settlement, and cultivation of undeveloped agricultural lands, National Land Settlement Administration, Commonwealth Act No. 521	2,000,000.00	0	2,000,000.00
Establishment, equipment, maintenance, and operation of textile mills of the National Development Co., Commonwealth Act No. 521	2,000,000.00	0	2,000,000.00
Promotion of abaca industry, National Abaca and Other Fibers Corporation, Commonwealth Act No. 521	2,550,000.00	0	2,550,000.00
Activities specified under Commonwealth Act No. 521, Agricultural and Industrial Bank	10,000,000.00	0	10,000,000.00
Public works	743,955.65	20,261,364.55	21,005,320.20
National aid—			
For the construction, improvement, completion, etc., of school buildings	0	4,986,569.81	4,986,569.81
For the construction, improvement, extension, etc., of roads	0	1,275,499.32	1,275,499.32
For the construction of waterworks, irrigation, etc.	0	328,250.00	328,250.00
Miscellaneous aid	0	36,700.00	36,700.00
Construction and reconstruction of public buildings	15,576.82	1,258,462.60	1,274,039.42
Construction of telegraph, telephone, and cable lines, and radio stations	0	89,165.09	89,165.09
Construction of other miscellaneous public works projects	728,378.83	12,193,455.60	12,921,834.43
Maintenance of other miscellaneous public works projects	0	14,654.12	14,654.12
Miscellaneous overhead expenses	0	78,608.01	78,608.01
Total expenditures	33,492,176.69	21,695,393.79	55,187,570.48
Appropriations transferred to special fund:			
Irrigation construction fund, Commonwealth Act No. 369	570,000.00	0	570,000.00
National markets and waterworks revolving fund, Commonwealth Act No. 403	0	2,000,000.00	2,000,000.00
University of the Philippines, Commonwealth Act No. 442	0	2,500,000.00	2,500,000.00
Total transfers	570,000.00	4,500,000.00	5,070,000.00
Total expenditrues and transfers (see note next page)	34,062,176.69	26,195,393.79	60,257,570.48

Appendix II. The National Government of the Commonwealth of the Philippines—The Coconut Oil Excise Tax Fund

Accrued prior to Jan. 1, 1939

Items	Appropriated	Released			Expenditures			Unexpended balance				
		Prior to July 1, 1939	During the fiscal year 1940	Total	Prior to July 1, 1939	During the fiscal year 1940	Total	Unreleased		Released		Total
								Continuing	Reverted	Continuing	Reverted	
A. Loans, investments, and commercial expenditures (not true expenditures):												
1. Purchase of homesites, Commonwealth Act No. 20	₱1,000,000.00	₱1,000,000.00		₱1,000,000.00	₱1,000,000.00		₱1,000,000.00					
2. Purchase of large landed estates used as homesites, Commonwealth Act No. 260	2,000,000.00		₱200,000.00	200,000.00				₱1,800,000.00		₱200,000.00		₱2,000,000.00
3. Lease of landed estates, Commonwealth Act No. 378	1,500,000.00	1,500,000.00		1,500,000.00	1,496,007.47	₱3,992.53	1,500,000.00					
4. Acquisition of land and construction of buildings for laborers, Act No. 4184	250,000.00	250,000.00		250,000.00	250,000.00		250,000.00					
5. Revolving fund for the construction of waterworks system, Commonwealth Act No. 125	2,000,000.00								₱2,000,000.00			2,000,000.00
6. National markets, slaughterhouses and waterworks revolving fund, Commonwealth Act No. 403	10,000,000.00	3,000,000.00	2,000,000.00	5,000,000.00	3,000,000.00	2,000,000.00	5,000,000.00	5,000,000.00				5,000,000.00
7. Subscription to the capital stock of the National Development Co., Act No. 2849	10,000,000.00	10,000,000.00		10,000,000.00	10,000,000.00		10,000,000.00					
8. Additional subscription to the capital stock of the National Development Co., Commonwealth Act No. 182, as amended	10,095,550.50	10,095,550.50		10,095,550.50	10,095,550.50		10,095,550.50					
9. Subscription to the capital stock of the Manila R. R. Co., Act No. 3116, as amended	6,300,000.00	6,300,000.00		6,300,000.00	6,300,000.00		6,300,000.00					
10. Restoration and replacement of sinking-fund investments in Manila R. R. Co. and Philippine Ry. Co. bonds, Act No. 3227	369,522.50	369,522.50		369,522.50	369,522.50		369,522.50					
11. Loan to Manila R. R. Co. for redemption of Southern Lines bonds, Commonwealth Act No. 4	9,990,000.00	9,990,000.00		9,990,000.00	9,990,000.00		9,990,000.00					
12. Advance to the National Power Corporation, Commonwealth Act No. 120	250,000.00	250,000.00		250,000.00	250,000.00		250,000.00					
Total	53,755,073.00	42,755,073.00	2,200,000.00	44,955,073.00	42,751,080.47	2,003,992.53	44,755,073.00	6,800,000.00	2,000,000.00	200,000.00		9,000,000.00
B. Capital items:												
1. Reforestation and afforestation of watersheds, denuded areas, etc. in accordance with Commonwealth Acts Nos. 119, 245, 300, and 446	861,088.00	636,378.00	224,710.00	861,088.00	602,251.32	221,256.37	823,507.69				₱37,580.31	37,580.31
2. Reforestation and afforestation of watersheds, denuded areas, etc., Commonwealth Act No. 304 as adjusted by Commonwealth Act No. 521	56,101.96	56,101.96		56,101.96	56,101.96		56,101.96					
3. Construction, reconstruction, repair and improvement of school buildings, Commonwealth Act No. 240	5,050,000.00	4,775,600.00	224,800.00	5,000,400.00	4,751,600.00	246,300.00	4,997,900.00	49,600.00		2,500.00		52,100.00
4. Aid to the city of Manila for public improvements, Commonwealth Act No. 242	1,000,000.00	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00					
5. Public works appropriations, Commonwealth Act No. 330 as adjusted by Commonwealth Act No. 521	75,586,600.00	53,942,105.00	5,638,847.00	59,580,952.00	16,849,808.56	16,469,070.31	33,318,878.87	12,300,561.40	3,705,086.60	24,672,073.13	1,590,000.00	42,267,721.13
6. Construction of irrigation system, Commonwealth Act No. 369 as adjusted by Commonwealth Act No. 521	10,000.00	10,000.00		10,000.00	10,000.00		10,000.00					
7. Public Works appropriations, Commonwealth Act No. 469	5,295,086.60		4,812,510.00	4,812,510.00		4,571,096.46	4,571,096.46	482,576.60		241,413.54		723,990.14
8. Transfer of the University of the Philippines to a site outside of the city of Manila, Commonwealth Act No. 442	17,500,000.00		2,500,000.00	2,500,000.00		2,500,000.00	2,500,000.00	15,000,000.00				15,000,000.00
Total	105,358,876.56	60,420,184.96	13,400,867.00	73,821,051.96	23,269,761.84	24,007,723.14	47,277,484.98	27,832,738.00	3,705,086.60	24,915,986.67	1,627,580.31	58,081,391.58
C. Ordinary expenditures:												
1. For a new census, Commonwealth Acts Nos. 170 and 346	3,600,000.00	3,600,000.00		3,600,000.00	3,600,000.00	(164,606.12)	3,435,393.88			164,606.12		164,606.12
2. Promotion of tourist trade in the Philippines, Commonwealth Acts Nos. 245, 300, and 446	250,000.00	150,000.00	100,000.00	250,000.00	150,000.00	100,000.00	250,000.00					
3. Survey and subdivision of public lands in accordance with Commonwealth Acts Nos. 166, 245, 300 and 446	480,950.00	345,970.00	134,980.00	480,950.00	268,935.63	95,911.58	364,847.21				116,102.79	116,102.79
4. Research activities of the Bureau of Science, Commonwealth Acts Nos. 245, 300 and 446	125,000.00	75,000.00	50,000.00	125,000.00	64,604.25	40,305.06	104,909.31				20,090.69	20,090.69
5. Survey and subdivision of public lands, Commonwealth Act No. 347 as adjusted by Commonwealth Act No. 521	90,252.59	90,252.59		90,252.59	90,252.59		90,252.59					
6. Acquisition of a speed launch for enforcement of fishing laws, Commonwealth Act. No. 446	189,720.00		189,720.00	189,720.00		112,067.60	112,067.60				77,652.40	77,652.40
7. Operation of domestic airmail service, Commonwealth Acts Nos. 245 and 300	225,000.00	225,000.00		225,000.00	218,825.84		218,825.84				6,174.16	6,174.16
8. Control of malaria and other communicable diseases, Commonwealth Acts Nos. 245 and 300	370,000.00	370,000.00		370,000.00	289,865.82		289,865.82				80,134.18	80,134.18
9. Operation of traveling X-ray units and establishment of pneumothorax clinics and TB dispensaries, Commonwealth Acts Nos. 245 and 300	98,370.00	98,370.00		98,370.00	70,454.25		70,454.25				27,915.75	27,915.75
10. Establishment of health training camps, Commonwealth Act No. 245	50,000.00	50,000.00		50,000.00							50,000.00	50,000.00
11. For stabilizing the price of buntal fibers, Commonwealth Act No. 147	500,000.00	500,000.00		500,000.00							500,000.00	500,000.00
Total	5,979,292.59	5,504,592.59	474,700.00	5,979,292.59	4,752,938.38	183,678.12	4,936,616.50			164,606.12	878,069.97	1,042,676.09
Total (prior to Jan. 1, 1939)	165,093,242.15	108,679,850.55	16,075,567.00	124,755,417.55	70,773,780.69	26,195,393.79	96,969,174.48	34,632,738.00	5,705,086.60	25,280,592.79	2,505,650.28	68,124,067.67

Collected on and after Jan. 1, 1939

A. Loans, investments and commercial expenditures (not true expenditures):												
1. Special fund for the establishment, equipment, maintenance and operation of textile mills, National Development Co., Commonwealth Act No. 521	₱2,000,000.00		₱2,000,000.00	₱2,000,000.00		₱2,000,000.00	₱2,000,000.00					
2. Special fund for the promotion of abaca industry by the National Abaca and Other Fibers Corporation, Commonwealth Act No. 332 as adjusted by Commonwealth Act No. 521	2,550,000.00		2,550,000.00	2,550,000.00		2,550,000.00	2,550,000.00					
3. Special fund for the National Land Settlement Administration, Commonwealth Act No. 441 as adjusted by Commonwealth Act No. 521	4,000,000.00		2,000,000.00	2,000,000.00		2,000,000.00	2,000,000.00	₱2,000,000.00				₱2,000,000.00
4. Special fund for, and subscription to the capital stock of, the Agricultural and Industrial Bank, Commonwealth Act No. 459 as adjusted by Commonwealth Act No. 521:												
Special fund ₱10,000,000 Capital stock 15,000,000	25,000,000.00		25,000,000.00	25,000,000.00		25,000,000.00	25,000,000.00					
5. Special fund for the promotion of coconut industry, Commonwealth Act No. 518	2,000,000.00							2,000,000.00				2,000,000.00
6. Special fund for the promotion of tobacco industry, Commonwealth Act No. 519	2,000,000.00							2,000,000.00				2,000,000.00
Total	37,550,000.00		31,550,000.00	31,550,000.00		31,550,000.00	31,550,000.00	6,000,000.00				6,000,000.00
B. Capital items:												
1. Reforestation and afforestation of watersheds, denuded areas, etc., Commonwealth Act No. 304 as adjusted by Commonwealth Act No. 521	880,600.00	₱412,766.00	467,819.66	880,585.66	₱320,485.66	498,682.84	819,168.50	14.34		₱61,417.16		61,431.50
2. Construction of national roads, section I–C (q), Commonwealth Act No. 330 as adjusted by Commonwealth Act No. 521	6,781,500.00	3,860,000.00	1,928,000.00	5,788,000.00		741,815.14	741,815.14	993,500.00		5,046,184.86		6,039,684.86
3. Construction of flood-control works on the Agno River system and the Pampanga River system, section 1–D (w) and 1–D (x), Commonwealth Act No. 330 as adjusted by Commonwealth Act No. 521	2,000,000.00							2,000,000.00				2,000,000.00
4. Construction of irrigation systems, Commonwealth Act No. 369 as adjusted by Commonwealth Act No. 521	1,270,000.00		570,000.00	570,000.00		570,000.00	570,000.00	700,000.00				700,000.00
Total	10,932,100.00	4,272,766.00	2,965,819.66	7,238,585.66	320,485.66	1,810,497.98	2,130,983.64	3,693,514.34		5,107,602.02		8,801,116.36
C. Ordinary expenditures:												
1. Survey and subdivision of public lands, Commonwealth Act No. 347 as adjusted by Commonwealth Act No. 521	1,372,700.00	454,309.50	918,390.50	1,372,700.00	169,421.56	649,527.52	818,949.08			553,750.92		553,750.92
2. Agronomical survey of the Philippines, Commonwealth Act No. 418 as adjusted by Commonwealth Act No. 521	88,440.00		88,440.00	88,440.00		52,151.19	52,151.19			36,288.81		36,288.81
3. Agricultural experiment and demonstration stations, Commonwealth Act No. 521	500,000.00							500,000.00				500,000.00
Total	1,961,140.00	454,309.50	1,006,830.50	1,461,140.00	169,421.56	701,678.71	871,100.27	500,000.00		590,039.73		1,090,039.73
Total (on and after Jan. 1, 1939)	50,443,240.00	4,727,075.50	35,522,650.16	40,249,725.66	489,907.22	34,062,176.69	34,552,083.91	10,193,514.34		5,697,641.75		15,891,156.09
Grand total	215,536,482.15	113,406,926.05	51,598,217.16	165,005,143.21	71,263,687.91	60,257,570.48	131,521,258.39	44,826,252.34	₱5,705,086.60	30,978,234.54	₱2,505,650.28	84,015,223.76

Appendix III. Statement of Receipts and Expenditures for the Fiscal Year 1940, Coconut Oil Excise Tax Fund—General Fund—Continued

[Period from July 1, 1939, to June 30, 1940]

Items	Collections on and after Jan. 1, 1939 fund	Collections prior to Jan. 1, 1939 fund	Total
EXPENDITURES—continued			
Increase (or decrease) in current surplus during the period	(₱5,508,054.45)	₱(25,348,575.49)	₱(30,856,629.94)
Add: Current surplus at the beginning of the period	5,520,092.68	80,639,536.01	[1] 86,159,628.69
Current surplus at the end of the period	12,038.23	55,290,960.52	55,302,998.75
NOTE.—From current appropriations	27,000,000.00	569,540.61	27,569,540.61
From continuing appropriations	7,062,176.69	25,625,853.18	32,688,029.87
	34,062,176.69	26,195,393.79	60,257,570.48

[1] Includes the appropriation of ₱500,000 under Commonwealth Act No. 147 for the stabilization of prices of buntal fibers previously reverted to the general fund proper and restored to the surplus of this fund.

EXPENDITURES BY FUNCTIONAL PURPOSES

Items	Amount
Revenue service	₱13,324,029.41
Expense of revenue collection	4,201,077.62
Operating expense of commercial and industrial units	9,122,951.79
Debt service	8,389,710.95
Interest and exchange on National Government bonds	5,740,186.02
Contribution to sinking funds of National Government bonds	2,550,407.97
Amortization of loans, Commonwealth Act 112	99,116.96
General welfare service	122,133,806.10
Executive direction and control	10,681,830.70
Legislation	2,142,614.13
Adjudication	4,022,072.25
National defense	18,652,921.54
Law and order	4,972,059.00
Public health	9,472,797.69
Protection against force majeure	207,596.02
Regulation of public utilities	148,923.37
Other protective service	3,103,671.22
Public education	33,415,627.14
Public correction	1,573,781.29
Public charity	1,552,471.18
Other social improvement	7,452.10
Development of commerce	11,375,769.18
Development of agriculture	17,442,854.99
Development of industrial arts and sciences	352,562.95
Development of mineral resources	281,439.53
Conservation of natural resources	1,785,538.56
Other economic development	819,805.64
Philippine publicity	122,017.62
Investments	38,681,030.92
Advance to the National Power Corporation	210,489.50
Advance to Rural Progress Administration	3,992.53
Advance to city of Tagaytay	25,000.00
Advance to Quezon City	200,000.00
Advance to municipalities for maintenance of intermediate schools	74,448.89
Advances to provinces for revision of real property assessments	1,617,000.00
Purchase of Philippine National Bank stocks (private shares)	100.00
Subscription to the capital stock of the Agricultural and Industrial Bank	15,000,000.00
Subscription to the capital stock of the National Trading Corporation	5,000,000.00
Investments in the—	
Acquisition, settlement, and cultivation of undeveloped agricultural lands, National Land Settlement Administration, Commonwealth Act 521	2,000,000.00
Establishment, equipment, maintenance and operation of textile mills of the National Development Co., Commonwealth Act 521	2,000,000.00
Promotion of abaca industry, National Abaca and Other Fibers Corporation, Commonwealth Act 521	2,550,000.00
Activities specified under Commonwealth Act 521, Agricultural and Industrial Bank of the Philippines	10,000,000.00
Miscellaneous charges: Retirement gratuities	549,495.98
Transfer to government service insurance system	538,200.00
Total functional expenditures	183,616,273.36

Appendix IV. Statement of Total Assets, Liabilities, and Surplus All Funds

Total assets, liabilities, and surplus, all funds.—The total assets, liabilities, and surplus of all funds of the Commonwealth government at the end of the fiscal year 1940 were as follows:

CURRENT ASSETS, LIABILITIES, AND SURPLUS

Fund	Assets	Liabilities	Surplus
General fund	₱134,453,830.63	₱35,008,842.40	₱99,444,988.23
Special fund	82,733,821.85	18,547,988.86	64,185,832.99
Bond fund	10,156,000.00		10,156,000.00
Total	227,343,652.48	53,556,831.26	173,786,821.22

RESERVE AND OTHER ASSETS, LIABILITIES, AND SURPLUS

Sinking fund	₱71,940,199.44		₱71,940,199.44
Exchange standard fund	50,911,991.26	₱505,451.72	50,406,539.54
Treasury certificate fund	158,892,607.00		158,892,607.00
Fiduciary funds	31,403,212.82	31,403,212.82	
Depository funds	53,675,634.405	53,675,634.405	
Retirement gratuities	1,013,851.58	1,013,851.58	
Contingent assets	32,288,458.52		32,288,458.52
Total	400,125,955.025	86,598,150.525	313,527,804.50
Total current, reserve, and other assets	627,469,607.505	140,154,981.785	487,314,625.72

INVESTED AND FIXED ASSETS, LIABILITIES, AND SURPLUS

Permanent and long-term investments	₱185,892,704.58	₱37,037,000.00	₱148,855,704.58
Real property and equipment and public domain [1]	262,552,427.25	111,919,316.41	150,633,110.84
Determined losses—agricultural bank loans	21,972.53		21,972.53
Total	448,467,104.36	148,956,316.41	299,510,787.95
	1,075,936,711.865	289,111,298.195	786,825,413.67

[1] Public domain is carried in the accounts at the nominal value of ₱1 only.

Appendix V. Public Debt

During the fiscal year 1940 the total bonded indebtedness of the National Government amounted to ₱146,907,000, of which the sum of ₱71,940,199.44 was covered by existing sinking funds, thus leaving a net outstanding bonded debt of only ₱74,966,800.56. The following statement is a detailed account of the status of the bonded debt of the Commonwealth for the fiscal year ended June 30, 1940:

Detailed statement of bonds authorized and issued by the various branches and entities of the Commonwealth of the Philippines, showing the history and the present status of each as of June 30, 1940

Name of bond	Nature of bond	Authority of issue			Date of—		Duration in years	Interest rate per annum	Amount authorized			Sinking fund reserve				Net bonded liability	Purpose of issue
		Act of Congress of the United States	Act of the Philippine Islands Legislature		Issue	Maturity			Total	Issued	Unissued	Cash	Investments	Cancelled bonds, Act 3014	Total		
			Number	Date approved													
National Government:								*Percent*									
Railroad purchase	Registered	Aug. 29, 1916	2615	Feb. 4, 1916	Dec. 1, 1916	Dec. 1, 1946	10–30	[1] 4	₱8,000,000	₱8,000,000		(₱50,615.42)	₱2,104,000	₱3,396,000	₱5,449,384.58	₱2,550,615.42	To purchase capital stock of the Manila R. R. Co.
Public improvement of 1921	Coupon	July 21, 1921	2940	Feb. 5, 1921	Aug. 1, 1921	Aug. 1, 1941	20	[2] 5½	20,000,000	20,000,000		2,609,119.65	10,363,500	4,910,000	17,882,619.65	2,117,380.35	To construct irrigation systems and other public improvements.
Financial interests protection	do	do	2999	Feb. 2, 1922	Feb. 1, 1922	Feb. 1, 1952	30	[2] 5	10,000,000	10,000,000		(49,872.66)	1,989,000	2,876,000	4,815,127.34	5,184,872.66	To protect the financial interests of the government.
Irrigation and other permanent public works	do	May 31, 1922	3013	Mar. 8, 1922	July 1, 1922	July 1, 1952	30	[2] 4½	43,000,000	23,600,000	[3] 19,400,000	(74,301.90)	3,413,500	7,404,000	10,743,198.10	12,856,801.90	To provide funds for the construction of public improvements, etc.
Currency	do	do	3058	June 13, 1922	July 15, 1922	July 15, 1952	30	[2] 4½	47,000,000	46,000,000	[3] 1,000,000	151,094.64	6,501,500	14,260,000	20,912,594.64	25,087,405.36	To provide funds with which to constitute the exchange standard fund and the treasury certificate fund.
Cebu port works and improvement:																	
First series	do	do	3413	Dec. 7, 1927	Mar. 1, 1928	Mar. 1, 1958	30	[2] 4½	4,000,000	1,500,000		(2,760.77)	188,000	244,000	429,239.23	1,070,760.77	To provide funds for the extension and improvement of the port of Cebu, Cebu.
Second series	do	do	3413	do	Sept. 15, 1929	Sept. 15, 1959	30	[2] 4½		1,500,000		(1,675.73)	272,000	80,000	350,324.27	1,149,675.73	
Third series	do	do	3413	do	Mar. 15, 1930	Mar. 15, 1960	30	[2] 4½		1,000,000		(1,361.42)	231,000		229,638.58	770,361.42	
Iloilo port works and improvement:																	
First series	do	do	3417	do	Apr. 1, 1928	Apr. 1, 1958	30	[2] 4½	4,350,000	1,500,000		(4,498.28)	194,500	238,000	428,001.72	1,071,998.28	To provide funds for the construction and improvement of the port of Iloilo, Iloilo.
Second series	do	do	3417	do	Oct. 15, 1929	Oct. 15, 1959	30	[2] 4½		1,000,000		(2,591.25)	211,500	24,000	232,908.75	767,091.25	
Third series	do	do	3417	do	Apr. 15, 1930	Apr. 15, 1960	30	[2] 4½		1,850,000		(7,017.00)	430,500		423,483.00	1,426,517.00	
Social security		Mar. 24, 1934	539	May 26, 1940					20,000,000		20,000,000						
Total (excluding collateral bonds in the amount of ₱17,037,000 which are shown and indicated below by [4] under the respective entities).									156,350,000	115,950,000	40,400,000	2,565,519.86	25,899,000	33,432,000	61,896,519.86	54,053,480.14	
Provincial governments:																	
Iloilo public improvement [4]	Registered	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10–30	[2] 4½	1,121,000	1,121,000		34,422.97	143,500	208,000	385,922.97	735,077.03	To construct waterworks systems, etc.
Pangasinan public improvement [4]	do	do	3228	Nov. 12, 1925	Mar. 1, 1926	Mar. 1, 1956	30	[2] 4½	857,000	857,000		21,932.30	144,000	134,000	299,932.30	557,067.70	To construct public works, etc.
Occidental Negros public improvement [4]	do	do	3229	Nov. 14, 1925	Apr. 1, 1926	Apr. 1, 1956	30	[2] 4½	800,000	800,000		30,133.71	180,000	72,000	282,133.71	517,866.29	
Marinduque public improvement [4]	do	do	3268	Dec. 9, 1925	May 1, 1926	May 1, 1956	30	[2] 4½	111,000	111,000		4,608.02	33,000		37,608.02	73,391.98	
Laguna public improvement [4]	do	do	3265	Dec. 7, 1925	May 1, 1927	May 1, 1957	30	[2] 4½	196,000	196,000		5,410.34	64,500	4,000	73,910.34	122,089.66	
Ilocos Norte public improvement [4]	do	do	3266	do	June 1, 1926	June 1, 1956	30	[2] 4½	442,000	442,000		14,832.59	81,500	56,000	152,332.59	289,667.41	
Ilocos Sur public improvement [4]	Coupon	Nov. 30, 1926	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	[2] 4½	260,000	260,000		9,211.40	23,500	44,000	76,711.40	183,288.60	
Tarlac public improvement [4]	do	do	3279	do	do	do	30	[2] 4½	342,000	342,000		4,632.31	33,000	62,000	99,632.31	242,367.69	
Pampanga public improvement [4]	do	do	3282	do	do	do	30	[2] 4½	955,000	954,000	1,000	11,844.77	105,000	164,000	280,844.77	673,155.23	
Nueva Ecija public improvement [4]	do	do	3329	Dec. 7, 1926	do	do	30	[2] 4½	690,000	690,000		10,874.11	144,500	136,000	291,374.11	398,625.89	
Bulacan public improvement [4]	do	do	3331	do	do	do	30	[2] 4½	474,000	474,000		4,977.42	60,000	74,000	138,977.42	335,022.58	
Camarines Sur public improvement [4]	do	do	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10–30	[2] 4½	160,000	160,000		6,449.80	30,000	10,000	46,449.80	113,550.20	
La Union public improvement [4]	do	do	3281	do	Jan. 1, 1928	Jan. 1, 1958	30	[2] 4½	330,000	220,000	110,000	6,631.05	72,000		78,631.05	141,368.95	
Occidental Negros:																	
First series [4]	Registered	do	3987	Dec. 3, 1932	July 1, 1933	July 1, 1963	30	[2] 5	1,500,000	1,277,700		8,958.81	149,500		158,458.81	1,119,241.19	To construct roads and to reimburse the National Government of outstanding loans contracted for permanent improvement.
Second series [4]	Coupon and registered.	do	3987	do	May 16, 1936	May 16, 1966	30	[2] 5		222,300		7,174.35	10,000		17,174.35	205,125.65	
Cebu public improvement [4]	do	do	3471	Dec. 7, 1928	May 4, 1936	May 4, 1966	30	[2] 5	500,000	500,000		12,176.42	26,000		38,176.42	461,823.58	To construct provincial capitol, Cebu, Cebu.
Leyte public improvement [4]	do	do	3481	do					680,000		680,000						
Masbate public improvement [4]	do	do	3525	Feb. 21, 1929					60,000		60,000						
Total									9,478,000	8,627,000	851,000	194,270.37	1,300,000	964,000	2,458,270.37	6,168,729.63	
Municipal governments:																	
Majayjay sewer and waterworks, Laguna	Registered	Aug. 29, 1916	2773	Mar. 8, 1918	Jan. 1, 1919	Jan. 1, 1949	10–30	[1] 5	60,000	40,000	20,000	3,185.96	20,500		23,685.96	16,314.04	To construct sewer and watersupply system, etc.
Santa Cruz sewer and waterworks, Laguna	do	do	2773	do	do	do	10–30	[1] 5	90,000	90,000		5,517.59	49,500		55,017.59	34,982.41	
Bangued sewer and waterworks, Abra	do	do	2838	do	do	do	10–30	[1] 5	40,000	40,000		2,158.83	22,000		24,158.83	15,841.17	
Cabatuan waterworks system, Iloilo [4]	do	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10–30	[2] 4½	8,000	8,000		1,253.28	500	1,000	2,753.28	5,246.72	
Dingle waterworks system, Iloilo [4]	do	do	3222	do	do	do	10–30	[2] 4½	20,000	20,000		1,128.30	3,500	2,000	6,628.30	13,371.70	
Jaro waterworks system, Iloilo [4]	do	do	3222	do	do	do	10–30	[2] 4½	94,000	94,000		4,548.66	15,500	12,000	32,048.66	61,951.34	
Maasin waterworks system, Iloilo [4]	do	do	3222	do	do	do	10–30	[2] 4½	3,000	3,000		994.45			994.45	2,005.55	
Pavia waterworks system, Iloilo [4]	do	do	3222	do	do	do	10–30	[2] 4½	25,000	25,000		2,008.47	3,500	3,000	8,508.47	16,491.53	
Pototan waterworks system, Iloilo [4]	do	do	3222	do	do	do	10–30	[2] 4½	159,300	159,200	100	6,006.22	19,500	29,000	54,506.22	104,693.78	
Santa Barbara waterworks system, Iloilo [4]	do	do	3222	do	do	do	10–30	[2] 4½	104,800	104,800		5,356.79	18,000	13,000	36,356.79	68,443.21	
Bacarra waterworks system, Ilocos Norte [4]	do	do	3266	Dec. 7, 1925	June 1, 1926	June 1, 1956	30	[2] 4½	7,000	7,000		1,780.89	500		2,280.89	4,719.11	
Laoag waterworks system, Ilocos Norte [4]	do	do	3266	do	do	do	30	[2] 4½	89,000	89,000		3,032.96	17,000	10,000	30,032.96	58,967.04	
Pasuquin waterworks system, Ilocos Norte [4]	do	do	3266	do	do	do	30	[2] 4½	10,000	10,000		1,847.58	1,500		3,347.58	6,652.42	
Vigan waterworks system, Ilocos Sur [4]	Coupon	Nov. 30, 1926	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	[2] 4½	90,000	90,000		3,661.02	10,500	12,000	26,161.02	63,838.98	
Camaligan waterworks system, Camarines Sur [4]	do	do	3280	do	Aug. 1, 1927	Aug. 1, 1957	10–30	[2] 4½	5,000	5,000		1,388.31			1,388.31	3,611.69	
Canaman waterworks system, Camarines Sur [4]	do	do	3280	do	do	do	10–30	[2] 4½	5,000	5,000		1,388.31			1,388.31	3,611.69	
Magarao waterworks system, Camarines Sur [4]	do	do	3280	do	do	do	10–30	[2] 4½	15,000	15,000		1,615.96	2,500		4,115.96	10,884.04	
Naga waterworks system, Camarines Sur [4]	do	do	3280	do	do	do	10–30	[2] 4½	37,500	37,000	500	2,650.80	6,000	2,000	10,650.80	26,349.20	
Calbayog public improvement, Samar [4]		do	3603	Dec. 2, 1929					100,000		100,000						
Binalonan public improvement, Pangasinan [4]		do	4030	Dec. 8, 1932					54,000		54,000						
Pozorrubio public improvement, Pangasinan [4]		do	4030	do					46,000		46,000						
Urdaneta public improvement, Pangasinan [4]		do	4030	do					72,000		72,000						
Tacloban public improvement, Leyte [4]		do	3481	Dec. 7, 1928					68,100		68,100						
Palo public improvement, Leyte [4]		do	3481	do					34,200		34,200						
Tanauan waterworks system, Leyte [4]		do	3481	do					15,000		15,000						
Dagami waterworks system, Leyte [4]		do	3481	do					8,000		8,000						
Total									1,259,900	842,000	417,900	49,524.38	190,500	84,000	324,024.38	517,975.62	
City governments:																	
Bacolod sewer and waterworks [4]	Coupon	Mar. 24, 1934	428	May 31, 1939	Dec. 1, 1939	Dec. 1, 1969	30	[2] 5	500,000	120,000	380,000					120,000.00	Do.
Cebu:																	
Sewer and waterworks	Registered	July 1, 1902	2009	Dec. 27, 1910	Jan. 1, 1911	Jan. 1, 1941	10–30	[1] 4	250,000	250,000		96,246.36	52,000	106,000	254,246.36	(4,246.36)	
Do. [4]	Coupon	Mar. 24, 1934	337	June 21, 1938	May 1, 1940	May 1, 1970	30	[2] 4½	350,000	350,000						350,000.00	
Davao sewer and waterworks [4]		do	389	Sept. 5, 1938					350,000		350,000						
Iloilo:																	
Iloilo waterworks system [4]	Registered	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10–30	[2] 4½	338,000	338,000		13,297.86	52,000	51,000	116,297.86	221,702.14	
La Paz waterworks system [4]	do	do	3222	do	do	do	10–30	[2] 4½	80,000	80,000		3,568.26	14,000	10,000	27,568.26	52,431.74	
Iloilo public improvement bonds [4]	Coupon and registered.	do	4205	July 25, 1935	May 16, 1936	May 16, 1966	30	[2] 5	350,000	350,000		9,318.77	17,000		26,318.77	323,681.23	
Manila:																	
Public improvement, Act No. 2894 [4]	Coupon	do	3051	Mar. 11, 1922	June 1, 1922	Dec. 1, 1950	28½	[2] 4½	5,500,000	5,500,000		227,364.22	1,221,500	1,476,000	2,924,864.22	2,575,135.78	To construct public works and other improvements.
Lowland improvement [4]	do	do	3352	Nov. 17, 1927	May 1, 1928	May 1, 1958	30	[2] 4½	1,000,000	1,000,000		20,692.96	164,000	104,000	288,692.96	711,307.04	To fill lowlands in the city of Manila.
Public improvement:																	
First issue	do	do	3456	Dec. 3, 1928	Apr. 1, 1929	Apr. 1, 1959	30	[2] 4½	10,000,000	1,000,000	8,500,000	30,078.26	165,000	60,000	255,078.26	744,921.74	To construct permanent public improvement.
Second issue	Coupon and registered.	do	3456	do	Dec. 16, 1935	Dec. 16, 1965	30	[2] 5		500,000		13,358.21	25,000		38,358.21	461,641.79	
Total									18,718,000	9,488,000	9,230,000	413,924.90	1,710,500	1,807,000	3,931,424.90	5,556,575.10	
Metropolitan water district:																	
Metropolitan water district	Coupon	do	3204	Dec. 3, 1924	Apr. 1, 1925	Apr. 1, 1955	10–30	[2] 5	6,000,000	6,000,000		227,107.87	1,040,950	1,108,000	2,376,057.87	3,623,942.13	
Metropolitan water district:																	
First issue	do	do	3255	Dec. 3, 1925	Oct. 1, 1929	Oct. 1, 1959	30	[2] 4½	6,000,000	3,000,000		93,676.72	540,000	84,000	717,676.72	2,282,323.28	Extension of sewer and water-supply system.
Second issue	Registered	do	3255	do	Apr. 1, 1931	Apr. 1, 1961	30	[2] 4½		500,000		15,834.92	85,000		100,834.92	399,165.08	
Third issue	Coupon and registered.	do	3255	do	Mar. 15, 1935	Mar. 15, 1965	10–30	[2] 5		500,000		13,437.51	36,000		49,437.51	450,562.49	
Fourth issue	Coupon	do	3255	do	Nov. 1, 1935	Nov. 1, 1965	10–30	[2] 5		500,000		14,248.01	25,000		39,248.01	460,751.99	
Fifth issue	do	do	3255	do	Apr. 1, 1937	Apr. 1, 1967	10–30	[2] 5		500,000		11,952.69	16,000		27,952.69	472,047.31	
Sixth issue	do	do	3255	do	Apr. 1, 1938	Apr. 1, 1968	10–30	[2] 5		500,000		12,752.21	6,000		18,752.21	481,247.79	
Seventh issue	do	do	3255	do	Apr. 1, 1940	Apr. 1, 1970	10–30	[2] 4		500,000						500,000	
Total									12,000,000	12,000,000		389,009.93	1,748,950	1,192,000	3,329,959.93	8,670,040.07	
Grand total									197,805,900	146,907,000	50,898,900	3,612,249.44	30,848,950	37,479,000	71,940,199.44	74,966,800.56	

[1] Payable quarterly. [2] Payable semiannually. [3] Unissued bonds under Acts Nos. 3013 and 3058 in the sums of ₱19,400,000 and ₱1,000,000, respectively, are authorized to be canceled under Act No. 3383. [4] Total collateral bonds, ₱17,037,000.

APPENDIX VI. TABLE SHOWING THE CIRCULATION OF THE ISLANDS ON THE DATES STATED AND THE DENOMINATIONS OF THE MONEY IN ACTUAL CIRCULATION, TOGETHER WITH THE PERCENTAGE OF EACH DENOMINATION TO THE TOTAL CIRCULATION

	Philippine treasury certificates and bank notes of ₱2 or over	Silver pesos and half silver pesos, treasury certificates and bank notes of ₱1	Subsidiary and minor currency	Total circulation [1]	Increase (+) or decrease (−) over previous year or month	Percentage of treasury certificates and bank notes of ₱2 or over to the total circulation	Percentage of silver pesos and half silver pesos, treasury certificates and bank notes of ₱1 to the total circulation	Percentage of subsidiary and minor currency to the total circulation
Dec. 31—								
1935	₱90,174,220	₱15,829,152.50	₱11,359,320.42	₱117,362,692.92	+₱15,330,272.98	76.8	13.4	9.8
1936	110,904,861	17,281,861.00	12,217,299.37	140,404,021.37	+23,041,328.45	79.0	12.3	8.7
1937	129,047,761	19,080,157.50	14,014,307.89	162,142,226.39	+21,738,205.02	79.6	11.8	8.6
1938	173,277,638	18,333,036.00	14,493,073.04	206,103,747.04	+43,961,520.65	84.0	9.0	7.0
June 30, 1939	158,471,001	18,785,842.50	14,495,206.60	191,752,050.10	−14,351,697.94	82.6	9.8	7.6
Fiscal year ended June 30, 1940:								
July 1939	158,673,501	18,429,407.00	14,531,796.18	191,634,704.18	−117,345.92	82.8	9.6	7.6
August 1939	156,867,201	17,961,515.50	14,582,639.65	189,411,356.15	−2,223,348.03	82.8	9.5	7.7
September 1939	160,302,526	17,538,970.00	14,575,852.73	192,417,348.73	+3,005,992.58	83.3	9.1	7.6
October 1939	160,769,401	17,982,802.50	14,575,929.07	193,328,132.57	+910,783.84	83.2	9.3	7.5
November 1939	163,225,730	18,381,796.50	14,573,602.33	196,181,128.83	+2,852,996.26	83.2	9.4	7.4
December 1939	169,321,584	18,754,110.00	14,612,014.33	202,687,708.33	+6,506,579.50	83.5	9.3	7.2
January 1940	159,537,119	18,512,366.00	14,651,955.11	192,701,440.11	−9,986,268.22	82.8	9.6	7.6
February 1940	151,842,508	18,771,554.00	14,650,735.18	185,264,797.18	−7,436,642.93	82.0	10.1	7.9
March 1940	152,330,350	19,212,951.50	14,645,792.99	186,189,094.49	+924,297.31	81.8	10.3	7.9
April 1940	148,314,539	18,891,498.50	14,645,448.63	181,851,486.13	−4,337,608.36	81.6	10.4	8.0
May 1940	149,189,039	18,685,132.50	14,644,579.53	182,518,751.03	+667,264.90	81.7	10.3	8.0
June 1940	150,927,439	18,175,353.00	14,680,711.38	183,783,503.38	+1,264,752.35	82.1	9.9	8.0
Total circulation June 30, 1940				[2] 183,783,503.38				
Total circulation June 30, 1939				191,752,050.10				
Decrease in circulation					−7,968,546.72			

[1] Includes the estimated amount destroyed, unknown.
[2] Total circulation, ₱183,783,503.38; less estimated amount destroyed, unknown, ₱665,855; net circulation, ₱183,117,648.38.

Appendix VII. Government-Owned Corporations

The following statements show the financial condition of the government-owned corporations, as of June 30, 1940:

	Outstanding capital stock			
	Total	Held by the National Government	Held by government-owned corporations	Held by private parties
Philippine National Bank	₱10,000,000.00	₱9,874,700		₱125,300
Manila R. R. Co.	31,427,000.00	31,427,000		
Manila Hotel Co.	900,000.00		₱874,100.00	25,900
National Development Co.	[1] 26,410,300.00	26,410,300		
Cebu Portland Cement Co.	5,501,600.00		5,500,800.00	800
National Rice & Corn Corporation	4,000,000.00		4,000,000.00	
National Food Products	1,935,000.00		1,935,000.00	
National Warehousing Corporation	510,000.00		510,000.00	
People's Homesite Corporation	2,000,000.00		2,000,000.00	
Insular Sugar Refining Corporation	1,903,864.00		1,903,864.00	
National Footwear Corporation	250,500.00		250,500.00	
Rural Progress Administration	1,500,000.00	1,500,000		
Agricultural and Industrial Bank	25,000,000.00	25,000,000		
National Trading Corporation	5,000,000.00	5,000,000		
Textile Mills	3,987,156.59	[1] 2,000,000	1,987,156.59	
National Land Settlement Administration	2,000,000.00	2,000,000		
National Abaca and Other Fibers Corporation	2,550,000.00	2,550,000		

[1] The capitalization appearing in the books of the NDC was ₱28,410,300. This was because of the inclusion of ₱2,000,000 advanced by the National Government to the Textile Mills as part of the capital stock of the NDC. This has since been transferred to the proper account.

CORPORATIONS IN WHICH THE NATIONAL GOVERNMENT OR GOVERNMENT CORPORATIONS HAVE MADE SUBSTANTIAL LOANS OR ADVANCES

	Total advances or loans	Advance or loan by National Government (in cash and in bonds)	Advance or loan by government-owned corporations
Metropolitan Water District	₱12,000,000.00	₱12,000,000.00	
Philippine Ry. Co.	14,736,995.78	14,736,995.78	
Manila R. R. Co.	15,174,005.99	15,174,005.99	
National Power Corporation	532,530.27	532,530.27	
Manila Port Terminal			
De la Rama Steamship Co.	5,289,708.41		₱5,289,708.41
Sabani Estate	332,443.47		332,443.47
Insular Sugar Refining Corporation	2,064,031.26		2,064,031.26

GOVERNMENT-OWNED CORPORATIONS

Corporation	Surplus (or deficit) and surplus reserves		
	June 30, 1940	June 30, 1939	Increase (or decrease)
Philippine National Bank	[1] ₱16,791,689.82	₱16,771,282.26	[1] ₱20,407.56
Manila R. R. Co.	19,894,195.56	20,679,357.71	(785,162.15)
(*a*) Manila Hotel Co.	1,511,179.45	1,573,746.21	(62,566.76)
National Development Co.	[2] 3,661,667.68	3,051,602.96	610,064.72
(*a*) Cebu Portland Cement Co.	1,395,125.19	842,638.95	552,486.24
(*b*) Insular Sugar Refining Corporation	1,399,740.27	612,425.01	787,315.26
(*c*) National Food Products Corporation	(199,828.28)	(59,832.23)	139,996.05
(*d*) National Footwear Corporation	(79.27)		(79.27)
(*e*) National Rice and Corn Corporation	2,832,019.80	2,649,579.16	182,440.64
(*f*) National Warehousing Corporation			
(*g*) People's Homesite Corporation			
(*h*) Textile Mills [3]	(84,330.96)	(12,311.53)	72,019.43
National Power Corporation			
Rural Progress Administration	5,719.25		5,719.25
Agricultural and Industrial Bank	(131,892.58)		(131,892.58)
National Trading Corporation	(15,807.63)		(15,807.63)
National Land Settlement Administration	(259,874.02)		(259,874.02)
National Abaca and Other Fibers Corporation			

[1] Exclusive of the repayment of ₱2,637,369.84 to the National Government (Rehabilitation Act No. 3174).
[2] Exclusive of the reserve to retire the valuation of sugar quota rights amounting to ₱157,306.20.
[3] Operated as a department of the National Development Co.

Appendix VIII. Important Measures Passed by the Second National Assembly at its Second Regular and Special Sessions

Commonwealth Act No. 513, approved February 8, 1940, appropriates ₱500,000 to be advanced to municipalities and municipal districts for the maintenance of intermediate schools.

Commonwealth Act No. 517, approved April 25, 1940, provides for the submission to the Filipino people, for approval or disapproval, of the amendments to the Constitution of the Philippines and the Ordinance appended thereto, as proposed by the National Assembly in its Resolution No. 38, adopted on September 15, 1939, and in its amendatory Resolution No. 73, adopted on April 11, 1940.

Commonwealth Act No. 518, approved May 7, 1940, establishes the National Coconut Corporation.

Commonwealth Act No. 519, approved May 7, 1940, establishes the National Tobacco Corporation.

Commonwealth Act No. 520, approved May 7, 1940, creates the City of San Pablo.

Commonwealth Act No. 521, approved May 7, 1940, appropriates ₱46,443,240 from the coconut oil excise tax fund collected on and after January 1, 1939, for the period from January 1, 1939, to June 30, 1940.

Commonwealth Act No. 524, approved May 10, 1940, amends section 1 of Commonwealth Act No. 464 to provide a new time limit for the payment of taxes corresponding to the years 1938 and 1939.

Commonwealth Act No. 528, approved May 11, 1940, provides for the issue of bonds of the government of the Philippines, the proceeds of sale of which will be used for the purchase of an equivalent amount of bonds of the Metropolitan Water District.

Commonwealth Act No. 530, approved May 11, 1940, changes the procedure in the assessment of real property for taxation purposes by requiring the owner to file a sworn statement as to the real value thereof and creating a central board of tax appeals.

Commonwealth Act No. 535, approved May 26, 1940, exempts certain persons from the requirement to make a declaration of intention prior to filing an application for naturalization, amending thereby section 6 of Commonwealth Act No. 473.

Commonwealth Act No. 538, approved May 26, 1940, suspends the effects of any action for ejectment instituted against tenants or holders of estates or chaplaincies (capellanias) which the government may seek to acquire through purchase or expropriation proceedings.

Commonwealth Act No. 539, approved May 26, 1940, authorizes the President of the Philippines to acquire private lands for resale in small lots; provides for the creation of an agency to carry out the purposes of this act; and sets aside funds and authorizes the issuance of bonds for the payment of said lands.

Commonwealth Act No. 541, approved May 26, 1940, regulates the awarding of contracts for the construction or repair of public works.

Commonwealth Act No. 542, approved May 26, 1940, creates a corporation known as the Girl Scouts of the Philippines, and defines its powers and purposes.

Commonwealth Act No. 544, approved May 26, 1940, creates eight positions of district attorneys and appropriates the necessary funds therefor.

Commonwealth Act No. 545, approved May 26, 1940, amends the Administrative Code to increase the number of judges of first instance and to regroup some of the provinces for judicial purposes, and appropriates the necessary funds therefor.

Commonwealth Act No. 547, approved May 26, 1940, creates the city of Cavite.

Commonwealth Act No. 548, approved May 26, 1940, regulates and controls the use of and traffic on national roads as well as constructions along the same, prescribing penalties for the violation thereof.

Commonwealth Act No. 549, approved May 26, 1940, creates the position of Deputy Commissioner of the Budget.

Commonwealth Act No. 552, approved May 26, 1940, appropriates ₱34,337,818.85 from the coconut oil excise tax fund collected on and after January 1, 1939, for the fiscal year ending June 30, 1941.

Commonwealth Act No. 553, approved May 26, 1940, authorizes the President of the Philippines to permit the entry by the National Development Company of all or portions of reserved lands or mineral rights in lands.

Commonwealth Act No. 554, approved May 26, 1940, liquidates the municipal loan fund, the private surveyors' loan fund, and the friar lands loan fund.

Commonwealth Act No. 555, approved June 6, 1940, General Appropriation Act for the fiscal year 1941.

Commonwealth Act No. 559, approved June 7, 1940, amends Commonwealth Act No. 103, the law creating the Court of Industrial Relations, so as to increase the number of judges from three to five, and to amend the other sections of the original law.

Commonwealth Act No. 561, approved June 7, 1940, creates a department of health and welfare and defines its powers and duties.

Commonwealth Act No. 565, approved June 7, 1940, provides for the organization of cooperative associations, authorizes the creation of an agency or designation of an instrumentality of the government to promote and supervise the said associations.

Commonwealth Act No. 566, approved June 7, 1940, appropriates ₱6,100,000 for public works.

Commonwealth Act No. 567, approved June 7, 1940, seeks to adjust and stabilize the sugar industry and to raise revenue for the purpose by increasing the tax on the manufacture of sugar and imposing a tax on the owners of sugar lands held by others under lease or other contract granting the right to use said lands for a consideration.

Commonwealth Act No. 569, approved June 7, 1940, further amends the National Defense Act.

Commonwealth Act No. 570, approved June 7, 1940, makes the Filipino national language an official language from July 4, 1946.

Commonwealth Act No. 571, approved June 7, 1940, further amends section 1 of Act No. 3846, the law providing for the regulation of radio stations and radio communications in the Philippines.

Commonwealth Act No. 581, enacted without executive approval on June 8, 1940, abolishes the existing municipal governments and the provincial government of Romblon, and creates instead four special municipalities.

Commonwealth Act No. 585, approved June 7, 1940, prohibits the exportation of fibers, seeds, or seedlings of the plant commonly known as the "buri."

Commonwealth Act No. 586, approved August 7, 1940, provides for the revision of the system of public elementary education in the Philippines, including the financing thereof.

Commonwealth Act No. 587, approved August 7, 1940, appropriates ₱9,500,000 for primary and intermediate schools.

Commonwealth Act No. 588, approved August 12, 1940, authorizes the President of the Philippines to make temporary appointments in certain public offices.

Commonwealth Act No. 591, approved August 19, 1940, creates a Bureau of the Census and Statistics to consolidate statistical activities of the government.

Commonwealth Act No. 592, approved August 19, 1940, creates the City of Dansalan.

Commonwealth Act No. 598, approved August 19, 1940, relates to the procedure in the administrative discipline of subordinate officers and employees in the civil service, and creates a civil service board of appeals.

Commonwealth Act No. 600, approved August 19, 1940, declares a state of emergency and authorizes the President to promulgate rules and regulations to safeguard the integrity of the Philippines and to insure the tranquillity of its inhabitants.

Commonwealth Act No. 601, approved August 19, 1940, regulates the establishment, maintenance, and operation of places of amusement in chartered cities, municipalities, and municipal districts.

Commonwealth Act No. 605, approved August 22, 1940, provides pensions for veterans of past wars or revolutions in the Philippines, and creates a board of pensions for veterans.

Commonwealth Act No. 606, approved August 22, 1940, regulates the transfer of vessels and of shipping facilities and provides penalties for the violation thereof.

Commonwealth Act No. 607, approved August 22, 1940, provides for the organization of the Commission on Elections.

Commonwealth Act No. 608, approved August 22, 1940, revises Commonwealth Act No. 461 which regulates the relations between landowner and tenant and provides for compulsory arbitration of any controversy arising between them.

Commonwealth Act No. 613, approved on May 26, 1940, by the President of the Philippines and on August 26, 1940, by the President of the United States, provides for the control and regulation of the immigration of aliens into the Philippines.

Appendix IX. Important Executive Orders Issued by the President of the Philippines

Executive Order No. 248, dated January 2, 1940, further amends Executive Order No. 233 fixing the maximum selling prices of certain articles of prime necessity.

Executive Order No. 249, dated January 4, 1940, creates the National Trading Corporation.

Executive Order No. 250, dated January 10, 1940, creates a committee to make a study of, and recommends ways and means for, the organization of a reservists' association.

Executive Order No. 251, dated January 17, 1940, creates a decoration, "The Medal of Honor," and prescribes rules and regulations for its award.

Executive Order No. 254, dated February 20, 1940, revises the classification of ports.

Executive Order No. 255, dated February 21, 1940, fixes and regulates the collection of wharf or pier charges for the use of port facilities. (As amended by Executive Order No. 270).

Executive Order No. 257, dated March 12, 1940, amends Executive Order No. 33, creating the Deportation Board.

Executive Order No. 258, dated March 12, 1940, authorizes the payment of the salaries or wages of newly appointed or transferred officers and employees of the national, provincial, city, and municipal governments while their appointments are pending action by the proper authorities.

Executive Order No. 259, dated March 12, 1940, prescribes regulations governing official travel abroad.

Executive Order No. 263, dated April 1, 1940, authorizes the printing of the dictionary and grammar of the national language, and fixes the day from which said language shall be used and taught in the public and private schools of the Philippines.

Executive Order No. 267, dated April 15, 1940, organizes the Philippine Army nurse corps reserve.

Executive Order No. 272, dated May 11, 1940, transfers the powers and duties of the Secretary of Public Works and Communications and the Secretary of the Interior under Act No. 3997 and Commonwealth Act No. 98, respectively, to the Secretary of National Defense.

Executive Order No. 273, dated May 11, 1940, prescribes regulations governing the use of the flag of the United States, the flag of the Philippines, and the flags of other nations.

Executive Order No. 274, dated May 11, 1940, fixes the schedule of per diems for provincial, city, and municipal officers and employees.

Executive Order No. 276, dated May 26, 1940, prescribes uniform procedure to be followed in the investigation of administrative cases.

Executive Order No. 277, dated May 29, 1940, reduces the real property tax on all permanent plants and/or trees due for the year 1940.

Executive Order No. 279, dated June 7, 1940, allows certain reserve officers of the Philippine Army to possess firearms under certificate of registration.

Executive Order No. 281, dated June 15, 1940, effectuates the purposes of General Ruling No. 5, June 6, 1940, of the Secretary of the Treasury of the United States, approved on same date by the President of the United States, under section 5(B) of the Act of October 6, 1917 (40 Stat. 411), as amended, Executive Order No. 8389 of April 10, 1940, as amended, of the President of the United States and Regulations issued pursuant thereto and under all other authority of law.

Executive Order No. 283, dated June 22, 1940, creates a sugar advisory committee, defining its purposes, functions and powers, and designating the Secretary to the President, until otherwise provided, to administer the sugar adjustment and stabilization fund created under Commonwealth Act No. 567.

Executive Order No. 289, dated July 8, 1940, revises further Executive Order No. 72 dated December 3, 1936, establishing a classification of ports.

Executive Order No. 290, dated July 8, 1940, promulgates rules and regulations governing the giving of security for every firearm held under the provisions of section 888 of the Revised Administrative Code.

Executive Order No. 291, dated August 5, 1940, creates the Philippine Exposition Commission to manage and direct the exposition to be inaugurated in 1941.

Executive Order No. 297, dated August 12, 1940, designates the National Trading Corporation as the agency to handle and take charge of all government activities relating to the promotion, organization, and supervision of cooperative or mutual aid associations.

Executive Order No. 298, dated August 12, 1940, prohibits the automatic renewal of contracts, requires public bidding before entering into new contracts, and provides exceptions therefor.

Executive Order No. 299, dated August 19, 1940, creates the National Social Security Administration.

Executive Order No. 300, dated September 3, 1940, places the Bureau of Immigration under the supervision and control of the Office of the President of the Philippines.

Executive Order No. 301, dated September 10, 1940, designates the Philippine National Bank as one of the agencies to carry out the objectives of Commonwealth Act No. 600 (regarding extension of credit facilities to tenants).

Executive Order No. 302, dated September 26, 1940, provides for the control of unused and dormant supplies and equipment of the National Government and prescribes the procedure to be followed in making regular and emergency purchases of supplies, materials, furniture, and equipment.

Executive Order No. 303, dated September 26, 1940, promulgates rules and regulations governing the appointment and supervision of government pensionados.

Executive Order No. 304, dated October 8, 1940, creates Investigating Committees on Veterans' Pension, requires city and municipal treasurers to perform certain duties in connection with such pension, and enjoins all officers and employees of the Philippine government to render necessary assistance to applicants therefor.

Executive Order No. 306, dated October 21, 1940, revises Executive Order No. 73, series of 1936, establishing and classifying airports and landing fields as amended by Executive Order No. 136, dated December 31, 1937.

Executive Order No. 307, dated October 22, 1940, prescribes rules and regulations to govern the employment of common and semiskilled laborers in public works, supplementing for this purpose the provisions of Executive Order No. 299, dated August 19, 1940.

Executive Order No. 308, dated November 7, 1940, creates a committee to revise and codify the existing substantive laws of the Philippines, and provides for the expenses to be incurred thereby.

Executive Order No. 310, dated December 4, 1940, creates the Philippines Heraldry Committee to make a study of, and recommend ways and means for, the adoption of the coat-of-arms of the different political subdivisions, provinces, cities, and semigovernmental institutions.

Executive Order No. 311, dated December 17, 1940, further revises Executive Order No. 135, as amended, establishing a classification of roads.

Executive Order No. 313, dated December 23, 1940, prescribes rules and regulations governing the use of the coat-of-arms of the Philippines and the Great Seal of the Government as authorized in Commonwealth Act No. 602.

Executive Order No. 314, dated December 24, 1940, transfers powers, functions, duties, personnel, appropriations, property, and records from various statistical agencies to the Bureau of the Census and Statistics.

Executive Order No. 315, dated December 28, 1940, confirms the elections of provincial and city officers elected on December 10, 1940.

APPENDIX X. COMPARATIVE VALUES OF EXPORTS AND IMPORTS OF THE PHILIPPINES DURING FISCAL YEARS 1940 AND 1939 BY MONTHS

Month	Exports				Imports			
	Value		Increase or (decrease)	Percent	Value		Increase or (decrease)	Percent
	1940	1939			1940	1939		
July	₱16,769,024	₱18,602,803	(₱1,833,779)	(09.9)	₱18,251,736	₱20,560,370	(₱2,308,634)	(11.2)
August	19,475,290	17,687,962	1,787,328	10.1	18,848,677	16,485,908	2,362,769	14.3
September	19,145,683	16,869,700	2,275,983	13.5	23,910,292	22,230,921	1,679,371	7.6
October	13,770,215	14,370,644	(600,429)	(04.2)	28,563,991	17,790,550	10,773,441	60.6
November	17,436,428	12,657,331	4,779,097	37.8	28,744,534	13,820,352	14,924,182	108.0
December	19,825,175	18,776,722	1,048,453	5.6	27,269,839	20,532,623	6,737,216	32.8
January	15,402,746	18,847,864	(3,445,118)	(18.3)	24,476,258	15,254,740	9,221,518	60.5
February	17,492,851	21,200,312	(3,707,461)	(17.5)	24,493,197	13,980,557	10,512,640	75.2
March	22,693,704	24,051,485	(1,357,781)	(5.6)	24,597,384	17,009,456	7,587,928	44.6
April	23,889,397	20,885,416	3,003,981	14.4	21,347,803	15,106,189	6,241,614	41.3
May	19,243,489	26,095,838	(6,852,349)	(26.3)	25,117,768	14,247,975	10,869,793	76.3
June	21,680,006	24,949,537	(3,269,531)	(13.1)	23,549,649	24,347,470	(797,821)	(3.3)
Total	226,824,008	234,995,614	(8,171,606)	(3.5)	289,171,128	211,367,111	77,804,017	36.8

Overseas Trade During the Fiscal Year 1940 (From July 1939 to June 1940)

The following comparative statement shows the principal imports and exports during the fiscal years 1940 and 1939:

IMPORTS

Articles	Value		Increase or (decrease)	Percent
	1940	1939		
Iron, steel and manufactures, except machinery	₱29, 562, 411	₱29, 832, 271	(₱269, 860)	(0. 9)
Cotton goods	41, 124, 918	37, 326, 366	3, 798, 552	10. 2
Mineral oils	22, 366, 405	12, 906, 422	9, 459, 983	73. 3
Automobiles, parts of, and tires for	11, 354, 638	6, 281, 417	5, 073, 221	80. 8
Tobacco products	18, 685, 894	9, 985, 068	8, 700, 826	87. 1
Meat and dairy products	12, 014, 713	10, 212, 743	1, 801, 970	17. 6
Paper and paper products	12, 538, 102	7, 449, 042	5, 089, 060	68. 3
Wheat flour	8, 971, 290	9, 587, 391	(616, 101)	(6. 4)
Chemicals, drugs, dyes, and medicines	9, 341, 324	6, 548, 902	2, 792, 422	42. 6
Electrical machinery, apparatus and appliances	9, 283, 548	5, 406, 670	3, 876, 878	71. 7
All other imports	113, 927, 885	75, 825, 819	38, 102, 066	50. 2
Total	289, 171, 128	211, 362, 111	77, 809, 017	36. 8

EXPORTS

Sugar	₱78, 989, 210	₱98, 801, 758	(₱19, 812, 548)	(20. 1)
Copra	26, 943, 593	25, 646, 927	1, 296, 666	5. 1
Coconut oil	20, 684, 052	20, 813, 786	(129, 734)	(0. 6)
Abaca	25, 056, 755	20, 610, 020	4, 446, 735	21. 6
Embroideries	9, 369, 140	10, 931, 611	(1, 562. 471)	(14. 3)
Cigars, tobacco and products	11, 996, 929	12, 334, 708	(337, 779)	(2. 7)
Desiccated coconut	8, 732, 169	7, 877, 454	854, 715	10. 9
Timber and lumber	6, 647, 258	5, 953, 139	694, 119	11. 7
Copra meal and cake	4, 189, 598	4, 902, 272	(712, 674)	(14. 5)
Cordage	3, 451, 954	2, 646, 672	805, 282	30. 4
All other exports	30, 763, 350	24, 477, 267	6, 286, 083	25. 7
Total	226, 824, 008	234, 995, 614	(8, 163, 733)	(3. 5)

Appendix XI. Arrivals and departures of persons in the Philippines from July 1, 1939, to June 30, 1940

Nationality	Total arrivals	Total departures	Immigrants	Emigrants
Americans	6, 036	4, 445	----------	----------
Filipinos	4, 002	2, 411	----------	----------
Chinese	8, 636	9, 165	698	1, 863
Japanese	1, 704	3, 827	329	3, 137
Other nationalities	2, 610	2, 510	506	607
Jews (German)	----------	----------	202	----------
Total	22, 988	22, 358	1, 735	5, 607

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