THE LEAD/ACID BATTERY INDUSTRY IN THE PHILIPPINES

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When the possibility of an Asian Battery Conference was first discussed, the battery manufacturers of the Philippines were enthusiastic but at the same time were a little concerned about the extent to which they could participate. The world is well aware of the recent political problems of the country and that their impact on indigenous industries has been severe, in some cases devastating Nevertheless, the battery industry of the Philippines is both pleased and proud to take part in this, the First Asian Battery Conference. It is true that some difficulties still exist, but with patience and hard work, Philippine battery makers look forward to a renewed prosperity for both their country and their industries On this note of optimism, some indication of the Philippines lead/acid battery business is presented.

It is estimated that the present automotive battery market stands at about 600 000 units serving 900 000 vehicles About 350 000 of these vehicles are passenger cars, about 400 000 are utility vehicles (including "jeepneys"), and the remainder are trucks and buses The local battery industry also supplies other, smaller markets for motorcycles, and for industrial, mining, and communications applications.

Motor-vehicle registration in the Philippines has been on the decline since 1983, the year of the Ninoy Aquino assassination which precipitated a major currency devaluation and the country's IMF debt restructuring programme. Vehicle registration in 1985 is about 8% below the 1983 figure The country's car manufacturing programme, in practice quite small (peak annual production about 50 000), has dropped to about 5000 vehicles

All rechargeable batteries manufactured in the Philippines are of the lead/acid type, and are produced in the dry-charged state for the replacement automotive market. The batteries are available in both polypropylene and hard-rubber cases. The most popular packaging is a multicover, repairable, polypropylene case It should also be noted that the choice of plates and the design of the packaging are greatly influenced by local driving conditions that include many bad roads, very old vehicles, long daily use of vehicles, and many short trips. Polyvinyl chloride (PVC) separators are mostly used, although there is an increasing use of pulp with fibreglass

There are nine battery manufacturers in the Philippines. Two companies, C.C. Unson, and Ramcar, account for about 80% of the market

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To a considerable extent, the industry is vertically integrated Smelting facilities exist for both soft and antimonial lead, and most of the packaging materials and separators are locally processed Acid is supplied by two chemical firms. Imported materials include soft pig lead, polypropylene, PVC, containers (particularly for motorcycle batteries), and some finished battery products for specialized mining and telecommunications applications The capacity utilization of the major battery plants is at the low level of about 50%.

Today, the battery industry is totally owned by Philippine companies In the past, there has been some borrowing of foreign technology through, for example, collaboration with the Chloride and Gould companies The major plants are fitted with well-known U S equipment, including BALOX machines, MAC pasters, Beardsley and Piper & Simpson paste-mixers, Wirtz grid-casting machines, etc The industry is organized into a Battery Association which has been active in government relations, particularly with respect to product standards, customs and tariffs, investment policies, and export policy

The marketing of batteries is directed principally through battery specialists and auto-supply distributors who together account for 70% of industry sales There are also company outlets, gasoline stations, and direct sales, especially to industrial and government end-users A significant network of about 5000 rebuilders is spread around the country, these buy plates and separators from the manufacturers for the assembly and the repair of batteries. There has been some marketing of batteries overseas, principally to Australia and the Middle East, but the numbers are modest by comparison with other Asian countries

What are the prospects for the Philippine battery industry ? In the near term, they are not too good. Original equipment sales, the basis of the industry's growth, are unlikely to pick up in the next two years There are several reasons for this, *e g*, foreign exchange restrictions, the prohibitive cost of vehicles relative to the incomes of the middle class, and the need for the government to take time to establish the development directions for the vehicle manufacturing programmes In the next two years, the total battery demand is likely to remain unchanged

The long-term prospects of the Philippine battery industry are more promising At present, a Commission is rewriting the Philippine Constitution and there will be local and legislative elections soon after Both events should give more stability to the country and the government The economic programmes are also taking shape The debt problem is coming under control and promises of foreign assistance are reassuring The economic ministers are pulling in different directions on some issues, but there is unanimity that the government will be more populist and will pursue an agricultural, rural-based development

The country's progressive car- and truck-manufacturing programmes are being reviewed It is probable that local manufacturing will continue, but with a concentration on the "utility vehicle" This trend makes some sense given the populist, rural-oriented thrusts

Though sales of the battery industry will be flat in the near term, a stronger growth is expected in the long term. Transportation will draw considerable support, and battery sales should parallel the GNP growth forecasts which are projected to be 0% in 1986 but 6% in 1987. Greater competition is anticipated as existing manufacturers take a more positive view towards the economy and invest in improved equipment, more varied product types, and cost-saving measures that will find their way in price changes. Margins are likely to be narrower, partly because of the more intense competition, but also because the government's populist directions will lead to a closer monitoring of the prices of those commodities that affect the transportation costs of consumers In May, 1986, battery manufacturers, together with the tyre and spare-parts producers, were asked to reduce their prices Such pressures should continue The under-utilized capacities, still at 50% levels, should also affect prices and, in turn, should intensify the desire of some manufacturers to sell in foreign markets.

Around the world, the lead/acid battery industry is sometimes regarded as an unexciting, sunset business. In the Philippines, the past three years have been harrowing, but also exciting, for most industries. The battery manufacturers are proud to have survived and, having been toughened by the recent events, are ready to face the challenges and opportunities of the years ahead.