

THE SECTORAL ROADMAP FOR RUBBER PRODUCTS

WHY ARE WE HERE TODAY?

- **To elicit feedback on the content of the roadmap**
- **To put clarity on the strategic directions set-forth in the roadmap.**

NATURE AND CONTEXT OF THE ROADMAP

- **The Philippine Development Plan 2011-2016 mandated the formulation of a comprehensive national industrial strategy**
- **BOI and PRIA forged a partnership in developing the rubber products roadmap**
- **The formulation of this roadmap aims to :**
 - **Gather information that would serve as inputs to the national comprehensive industrial plan**
 - **Define the government's strategy for trade and investment negotiations**
 - **Identify value chain gaps to guide investments promotion**
- **Upon completion, DTI will create a Composite Team to oversee the implementation of the roadmap on the rubber products sector.**

**PUBLIC
PRIVATE
PARTNERSHIP**

- **Members of PRIA are the PLAYERS in the rubber products value chain**
- **The government shall act as the ENABLER in this value chain.**

PROPOSED CONTENT OF THE ROADMAP

- Historical Background
- Purpose of the Roadmap
- Objectives of the Roadmap
- Methodology
- Vision of the Industry
- Industry Goals
- **State of the Industry**
- Development Objectives
- SWOT Analysis
- Development Strategies
- Support Towards Industry Development
- Recommendations.

STATE OF THE RUBBER PRODUCTS INDUSTRY

- **STRUCTURE** (sectoral coverage, industry players, forward/backward linkages)
- **PERFORMANCE** (share to GDP, employment generated, trade performance, industry costs, level of technology, level of industry integration)
- **SUPPLY** (production capacities, capacity utilization, percent share of the domestic market, production inputs that need to be imported)
- **DEMAND** (describes the market currently served; leading players; consumption per capita; international arrangements such as FTAs; consumer preferences in terms of quality, prices, distribution channels and standards)
- **CHALLENGES/CONCERNS** (supply and cost of raw materials, utilities, and human resources; testing, labelling and packaging requirements; ; and government assistance).

**RESPONDENT FIRMS
TO THE
QUESTIONNAIRE SURVEY**

- **DUNLOP SLAZENGER PHILS, INC.**
- **GLOBAL FOOTWEAR MANUFACTURING**
- **KINGS RUBBER INTERNATIONAL**
- **LATEX PRODUCTS CO. INC.**
- **MBPSTAR CORPORATION**
- **MITSUBOSHI BELTING PHILS CORP.**
- **NETRUMA TIRE MANAGEMENT INC.**
- **NIHON RUBBER INDUSTRIES**
- **PARAMOUNT VINYL PRODUCTS CORP.**
- **PHILIPPINE BELT MFG. CORP.**
- **RHODECO RUBBER CORPORATION**
- **SAN MATEO RUBBER CORP.**
- **YOKOHAMA TIRE PHILS, INC.**

INDUSTRY SUBSECTOR

RUBBER SUBSECTOR	NUMBER OF FIRMS	YEARS OF OPERATION	REMARKS
Tire	2	6 - 14	
Automotive	4	20 - 30	
Foot ware	3	17-42	
Latex	1	52	
Others	5	20 - 30	Linings Retreading Compounding

LEGAL PERSONALITY AND OWNERSHIP

LEGAL PERSONALITY	NUMBER OF FIRMS	FOREIGN OWNERSHIP	
		YES	NO
Proprietorship	1		1
Partnership			
Corporation	11	3	8
Others	1		1
TOTAL	13	3	10

SCALE OF BUSINESS OPERATIONS

TOTAL ASSETS	NUMBER OF FIRMS
SMALL	1
MEDIUM	8
LARGE	4
TOTAL	13

MANUFACTURING CAPACITY UTILIZATION

REASONS WHY CAPACITY UTILIZATION IS BELOW INSTALLED CAPACITY

- Seasonality of demand
- Dependent on incoming orders
- Second hand machinery
- We stopped exporting, current production is for domestic market only
- Smuggled products from China
- Competitive local market (i.e. Cost competition)
- Lack of demand.

COMPETITIVENESS

WHAT PREVENTS YOU FROM GOING INTO EXPORTS?

- Can not meet German standard
- No inquiries
- High cost of power
- Products are made to order
- Competition is fierce
- Lack of market information
- Insufficient R&D capability
- Recapped tires not allowed abroad.

LEVEL OF TECHNOLOGY

DESCRIPTION OF TECHNOLOGY USED IN MANUFACTURING

- We use kneader equipment, machining press, and hydraulic press
- The factory uses the extrusion process
- Machineries and processes were transferred from Europe but majority of operations have been mechanized instead of automated
- Belt manufacturing technology from Japan
- Technology is advanced, can be considered first rate
- Basic compounding equipment, rollers, and compression moulds
- Given the current market, our level of technology is already enough
- Banbury, mixing roll, and hot press
- For rubber linings we got our technology from Germany.

MANUFACTURING OUTPUT

PRODUCT CATEGORY	QUANTITY PRODUCED		
	2009	2010	2011
HOSES (pcs)	88K	91K	94K
BALLS (doz)	5.23M	5.10M	4.95M
SOLES (pairs)	340K	560K	450K
LININGS (tons)	10	15	15
CAMELBACK (tons)	630	480	400
SANDALS (pairs)	4M	4M	4M
MC TIRES (pcs)	600K	800K	900K
PC TIRES (pcs)	5,600K	6,900K	6,980K
V-BELTS (pcs).	2.2M	2.5M	2.5M

EMPLOYMENT

NO. EMPLOYED		SKILLS REQUIRED	RECRUITMENT METHOD
52			
10			
600			
40			
70	Company trained		Direct hiring
58	At least high school graduate		In house training
54			
30			
180			
230	Semi-skilled		
35	Acquired technical skills through experience		Through our personnel department
50			
1,585	Engineers, vocational, technicians		Own HR / Consultant
TOTAL	2,994		

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STRENGTHS

FLEXIBILITY / ADAPTABILITY

- Ability to adjust to customer requirements

SKILLED WORKERS

- Highly experienced direct labor

STRONG TECHNICAL CAPABILITY

- We are technically capable in satisfying customer needs

QUALITY OF THE FINAL PRODUCT

- The sector has the expertise to manufacture a wide array of rubber products

TECHNICAL CAPABILITY

- We have the capability to satisfy customer requirements.

WEAKNESSES

RELIANCE ON OUTSIDE TOOLING AND MACHINING SERVICES	<ul style="list-style-type: none">• We have to outsource our tooling/machining requirements. But our choices are limited• Footwear manufacturers need local sources of moulds and buckles
MARKETING STRATEGIES	<ul style="list-style-type: none">• Inability to develop an effective marketing plan
SMALL LOT SIZE	<ul style="list-style-type: none">• Small production runs lead to higher cost of production
TECHNICAL ISSUES	<ul style="list-style-type: none">• No training and R&D support from qualified research centers that specialize in rubber or polymer science• The technical aspects of creating a product is slowly lost due to lack of demand• Reliance on old but established manufacturing process. No more innovation
HIGH COST OF PRODUCTION	<ul style="list-style-type: none">• This is caused by a combination of outdated equipment, unstable price of crumb rubber, high cost of power, and small production runs
LOW PRODUCTIVITY OF LABOR	<ul style="list-style-type: none">• Labor productivity is low despite efforts to install jigs and fixtures to machinery and equipment.• For the latex subsector low productivity is the issue, not technology• Adversarial approach between labor and management especially during collective bargaining negotiations.

OPPORTUNITIES

REVERSE ENGINEERING	<ul style="list-style-type: none">• Ability to learn and absorb emerging technologies from abroad, create products out of these technologies, and sell these products in the domestic market
EXPORT POTENTIAL	<ul style="list-style-type: none">• There is a big export market for motorcycle tires
GROWING MARKET DEMAND	<ul style="list-style-type: none">• Global demand forecast for natural rubber to increase by 4.16 percent in 2012• ANRCP projected an average of 3.8 percent growth rate for the next ten years
GREEN PRODUCTS	<ul style="list-style-type: none">• Opportunity to introduce products that are benign to the environment. Laws should be promulgated to create demand for such products
FOOTWEAR ASSEMBLY	<ul style="list-style-type: none">• Freight charges in the Philippines is high. Instead of shipping finished products, why not ship component parts to reduce bulkiness. Assembly can then be done at the point of destination
HIGHER DOMESTIC SALES	<ul style="list-style-type: none">• Opportunity to sell more (wider market penetration) in the domestic market• Huge market for footwear due to the country's increasing population
LOCALIZATION	<ul style="list-style-type: none">• Increase local content of automotive components.

THREATS

INTERNATIONAL TRADE AGREEMENTS	<ul style="list-style-type: none">• Inability of the government to enforce provisions of trade agreements resulting in technical smuggling and dumping
GROWING TRENDS IN REGULATIONS AND RESTRICTIONS	<ul style="list-style-type: none">• More and more regulations are imposed by local and international bodies due to the implementation of trade agreements
QUALITY CERTIFICATION OF CRUMB RUBBER	<ul style="list-style-type: none">• Cuplump millers claim that PRTC is incapable of performing test procedures for crumb rubber• PRIA is concerned because crumb rubber is a key input material used in the manufacture of rubber products
SMUGGLING	<ul style="list-style-type: none">• Chinese made tires are cheap but not of good quality. From a safety perspective tires made in China are a public hazard due to several incidents of tire bursting
IMPORTED RUBBER PRODUCTS	<ul style="list-style-type: none">• Incursion of cheap products from other countries• When foreign brands are introduced in the local market, we find it hard to compete
UNSTABLE PRICE OF CRUMB RUBBER	<ul style="list-style-type: none">• When local traders ship crumb rubber to China, the domestic price fluctuates. It affects our cost of production
NON-AVAILABILITY OF CRITICAL MANUFACTURING INPUTS	<ul style="list-style-type: none">• There are materials that enhance product quality but are not readily available because traders offer only saleable items
ASEAN PROTOCOL ON RUBBER	<ul style="list-style-type: none">• The Philippine government is not represented in on-going negotiations related to Asean rubber protocols.

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STRATEGIES TO ADDRESS WEAKNESSES

RELIANCE ON OUTSIDE TOOLING AND MACHINING SERVICES	<ul style="list-style-type: none"> • Search for companies with tooling and machining capabilities • If not, the government should assist PRIA establish a tooling/machining service facility for rubber products
MARKETING STRATEGIES	<ul style="list-style-type: none"> • The government should organize regular trade fairs and market encounters here and abroad • Organize training programs designed to enhance PRIA members knowledge and skills in the use of marketing tools and techniques
SMALL LOT SIZE	<ul style="list-style-type: none"> • Offer existing markets with new products, new designs, new variety, or additional service • Search for new markets to increase capacity utilization
TECHNICAL	<ul style="list-style-type: none"> • Establishment of an R&D center on rubber products • Define the research agenda for the sector
HIGH COST OF PRODUCTION	<ul style="list-style-type: none"> • Invite foreign technical experts who will share best practices in manufacturing rubber products • Search for trends in products and/or process technologies
LOW PRODUCTIVITY OF LABOR	<ul style="list-style-type: none"> • In partnership with DOLE, plan and implement labor productivity programs as well as projects designed to enhancement working conditions.

STRATEGIES TO ADDRESS THREATS

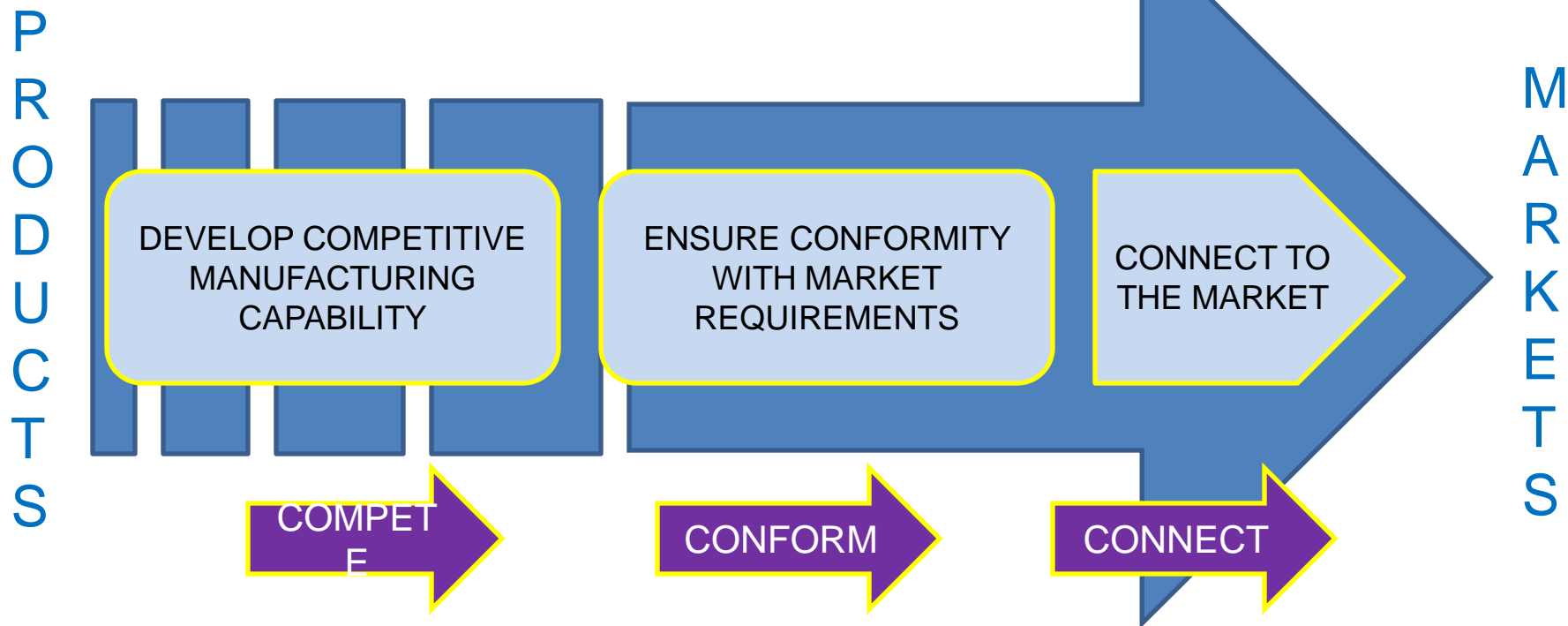
INTERNATIONAL TRADE AGREEMENTS and ASEAN PROTOCOL ON RUBBER	<ul style="list-style-type: none"> • Advocate for official representation on trade agreements involving rubber and rubber products • Monitor issues affecting the rubber industry especially in the Asean region
TRADE REGULATIONS AND RESTRICTIONS	<ul style="list-style-type: none"> • Identify ways of mitigating the negative effects of existing trade agreements
QUALITY CERTIFICATION	<ul style="list-style-type: none"> • PRIA should express its official position on the issue between certification of crumb rubber versus the accreditation of the certifying body
SMUGGLING	<ul style="list-style-type: none"> • Identify and expose local firms which resort to outright and/or technical smuggling of rubber products
COMPETITION FROM IMPORTED RUBBER PRODUCTS	<ul style="list-style-type: none"> • Crafting of a proactive marketing program designed to meet competition head-on • Sector-wide concerted action to improve quality, increase variety, and offer competitive price in the domestic market
UNSTABLE PRICE OF CRUMB RUBBER	<ul style="list-style-type: none"> • Develop a price index system where the price movements of crumb rubber are published on a daily basis
NON-AVAILABILITY OF CRITICAL MANUFACTURING INPUTS	<ul style="list-style-type: none"> • Partner with select suppliers, assure them of a sector-wide quantity order schedule, and jointly develop a materials inventory management program.

RECOMMENDATIONS

- Create a crumb rubber price index system
- Prepare the research agenda for rubber products
- Advocate for a rubber products sector financing window
- Lobby for a Balik Scientist/Balik Engineer Campaign
- Advocate for the inclusion of the rubber products sector in the NICCEP
- Overhaul the current PRIA website
- Support the establishment of an industry clearing-house.

**PROPOSED DEVELOPMENT MODEL
FOR THE
RUBBER PRODUCTS INDUSTRY**

Taking products to markets



... by upgrading supply capabilities and standards

adopted from UNIDO 3C strategic approach for industry development

**THANK YOU
FOR YOUR ATTENTION**