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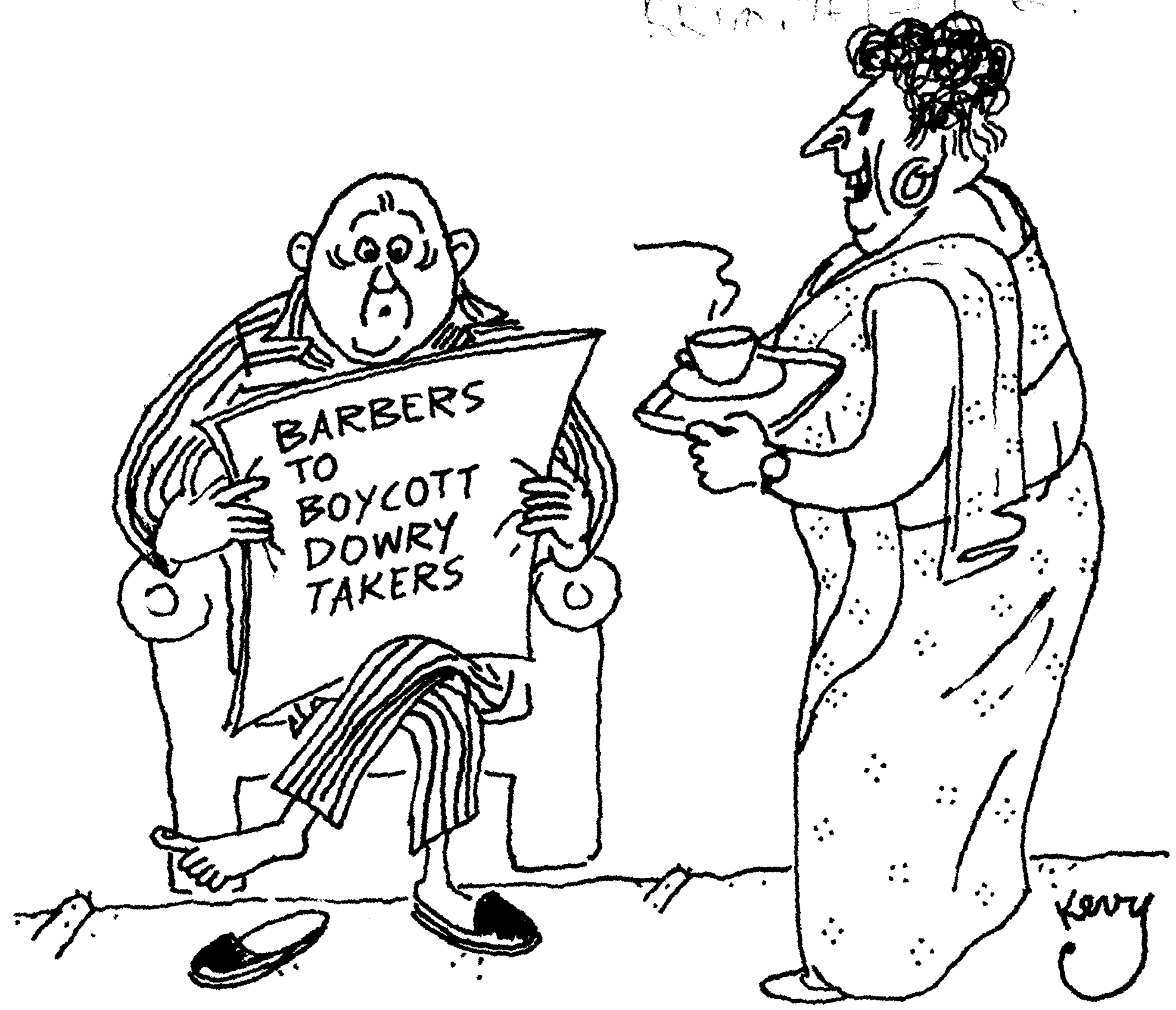

WELL! THEY CAN'T BULLY YOU.

eastern
ECONOMIST

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Price Rupees Two

Tests for the budget

THE CASE for careful reflation has been adequately stated by now and it is also sufficiently understood and generally accepted. The phrase "careful reflation" suggests the importance of a fine balance being kept between the twin needs of avoiding the resurgence of inflation and promoting higher levels of economic activity in the nation. Although inflation, in the crude sense of spiralling prices, has been contained, the basic inflationary potential itself has not been eliminated from the body economic. There is a fundamental imbalance between the basic needs of the large and growing population in our country and the current or immediately prospective production of goods and services in the economy. Until and unless this imbalance is corrected or reduced, there will always be the risk of any significant increases in money supply triggering off a revival of inflationary pressures. At the same time, unless further investment is undertaken wherever it is urgently required and an attempt is made simultaneously to stimulate effective demand in those areas where existing industrial capacities are not being fully utilized, economic growth generally and employment opportunities in particular will be adversely affected.

Currently, thinking in the government seems to favour an increase in the levels of public investment as a main instrument of boosting both current production and further economic expansion. To the extent that investment, both in the public sector and the private, has been starved for some years now, this approach has a lot to its credit. There is however need for reconciling a higher level of public investment with the continuing demands of the government's anti-inflationary policy.

The deputy chairman of the Planning Commission has uttered a timely warning against an increase in the current rate of expansion of money supply. As a matter of fact, even this rate has begun to cause anxiety in some quarters because it has been noticed that a substantial amount of bank credit is being utilized in the public sector for purposes which are not strictly productive. It is also rather disturbing that money supply has been expanding while both production and demand have declined in several important areas of the industrial sector. In these circumstances any increase in public investment should be so regulated that it does not necessitate substantial deficit financing nor cut into the government's ability to initiate those changes in monetary and fiscal policies which are indicated for the all-round revival of the economy and its long-term growth through the revival of demand levels and the growth of production and savings.

All this is an important part of the necessary background to the forthcoming central budget. One of the main aims of that budget should surely be to reassure the public that there will be no slackening in the effort against inflation. It is clear that this would mean the avoidance of substantial deficit financing. Here the psychological aspect could be even more important than the strictly monetary aspect and nothing would probably do more to strengthen the anti-inflationary psychology in the nation than a clear sign that the government is determined to hold down levels of deficit financing.

The practice of restraint in this matter would no doubt set limits to the extent to which the government could employ fiscal measures for the regulated reflation of the economy. These limits however need not be unduly narrow since any revival of the economy or expansion of economic activity would generate more tax revenues or other resources for the public exchequer. In the field of direct taxation it is now common ground that selective relief should be given in corporate taxes for promoting the investible resources available to industry particularly where capital-intensive plans or projects are concerned. It is possible that opinion has not similarly firmed up in favour of selective reliefs in personal taxation. It would however be a pity if the case for concessions in personal income tax were to suffer by default.

There is ample evidence in our own economic history as well as in the economic history of other industrialized or industrializing countries that high rates of personal taxation kill the initiative, consumption and savings and thereby hit the economic growth and the resources needed or available for economic growth at all points. A reduction at the marginal rate of taxation as well as the restructuring and rationalization of the first four slabs of taxable income for the purpose of reducing the liability of assessees who have considerable potential for contributing to the economic growth and savings in the community is very likely indeed to pay rich dividends to the nation. As a non-inflationary means of administering a dose of desirable reflation to the economy, changes in income taxation along these lines can hardly be bettered.

Finally it is well to remember that if maximum benefit is to be derived from a reorientation of policy towards economic growth, the fiscal changes and other economic measures, which may be initiated through the central budget or otherwise, should be imaginative and bold. It is already late and if only a little is to be attempted now, it could well become a case of too little too late. As in the matter of fiscal policy, in other areas too the government should not hesitate to be innovative and enterprising.

Fortunately there are indications that ideas are active in many spheres of policy making. For instance, not only businessmen but also bankers are now becoming convinced that flexible bank credit and interest rate policies will have to be followed if the economy is to obtain growing space. The view is taking shape that the time has come not only for quantitive relaxations in credit for productive purpose but also for bringing down the cost of credit for industry and commerce. There is strictly no reason why changes in monetary policy, even of a major kind, should await any ceremonial occassion such as the presentation of the central budget. Mr Subramaniam's budget performance, in fact, will be judged by a wide-ranging testing of its merits as an exercise in improving the government's management of the economy in its several aspects.

Balancing external trade

THE SIGNIFICANT increase in the production of steel, non-ferrous metals, fertilisers, heavy chemicals and food-grains during the current financial year should have been helpful to the country in avoiding a high deficit in foreign trade. However, due to the confusion in the international situation in 1974-75 and the difficulty in anticipating a pick-up in industrial and agricultural production this year, imports have been coming in at a fast rate and serious difficulty has been experienced in absorbing larger supplies of raw materials and components. High prices of end-products have also heightened the problems of marketing and there is now talk about a glut of steel, aluminium, fertilisers and food-grains.

The exportable surplus in steel is estimated at over 1.5 million tonnes, much more than the increase in the production of the major steel plants. This is because of the conclusion of huge contracts for imports in 1973-74. Even with a staggering of imports and suspension of fresh purchases, supplies are being received against earlier contracts and it will take at least two years for the congestion in stocks to be reduced. Likewise, in respect of fertilisers, the increase in internal production may not be more than 4.5 lakh tonnes of nitrogen. With heavy imports and reduced stocks with dealers, in anticipation of a lowering of prices, the indigenous producers have been compelled to hold large stocks. The aluminium industry for its part can maintain its current level of monthly output of over 18,000 tonnes only if about 40,000 tonnes of metal can be exported or processed products of equivalent quantity shipped. As regards food-grains, the government has not been prepared to take chances with imports as it is felt that the main factor making for the success of the anti-inflationary campaign is adequate availability of cereals for distribution through fair-price shops.

These new developments have naturally had an upsetting effect on the calculations of the State Trading Corporation, Minerals and Metals Trading Corporation and the Food Corporation. Fortunately, the availability of adequate foreign aid and larger invisible receipts have not created any difficulty in paying for imports. Indeed, the level of balances held abroad by the Reserve Bank is quite comfortable and the recent trends are in strong contrast with those noticed in 1974-75. On February 13, 1976, foreign balances stood at Rs 998.99 crores, against Rs 632.89 crores on March 28, 1975, representing an increase of Rs 366.10 crores. In the same period in 1974-75, there was a decline in these balances by Rs 23.63 crores to Rs 506.25 crores. Even taking into account the use of oil facility in August 1975, there has been a net rise of Rs 171 crores so far in 1975-76 in balances held abroad, while in the same period in 1974-75 a decline of as much as Rs 501 crores was recorded. The accretions to foreign exchange reserves even with a larger trade deficit in the first nine months of the current financial year amply testify to the fact that aid utilisation had been effective and receipts also have exceeded expectations.

The budgetary position of the central government also should have been favourably affected by larger foreign aid though the opening of new accounts with banks in foreign currencies by non-resident Indians will not be similarly helpful. The foreign balances, however, can be used for meeting balance of payments deficits with necessary adjustments being carried out under various heads. It should not be overlooked, however, that the financing of trade deficits with foreign aid or foreign exchange resources from non-resident Indians will be only adding to the liability of the country and wasteful expenditure also will be involved if care is not exercised in effecting purchase in a period of wide fluctuations in prices. The difficulties and failures in anticipating situations and losses in storage and transit are costing the buyers heavily and no precise estimate can be made of the losses incurred as a result of imports at heavy prices, exports at lower prices, double freight charges and the interest burden.

The buffer stocks of foodgrains have been rising steadily and with current holdings around 11 million tonnes, the quantities imported have served only to build up stocks along with procured foodgrains. That is to say, the expenditure on imports of five million tonnes of foodgrains in 1975 amounting to Rs 650 crores has not been recovered through sales from fair-price shops and should be treated as so much "money in the bank". The value of stocks of fertilisers, non-ferrous metals and steel in excess of normal inventories can also be taken at Rs 350 crores. A total of Rs 1000 crores of imports of commodities indicated above is, therefore, surplus to immediate requirements and the necessary adjustments should be made in assessing the significance of trade deficit in 1974-76.

The trends in foreign trade in the first nine months of the current financial year are not encouraging. Even with a steady rise in exports to Rs. 2,689 crores from Rs. 2,346 crores in April-December, 1974, the deficit has risen to Rs 1,113 crores from Rs 671 crores. The unprecedented deficit has been brought about by a spurt in imports to Rs 3,802 crores from Rs 3,017 crores.

The data for December, 1975, however, are encouraging as imports have declined sharply to Rs 375.03 crores from Rs. 486.34 crores in November, with exports rising to Rs. 341.76 crores from Rs. 336.96 crores. The trade deficit, therefore, has contracted in this month sharply to Rs. 33.27 crores from Rs. 149.38 crores in November. Can it be taken that the period of heavy imports has been left behind and it will be possible henceforth to make do with an annual rate of imports of Rs 4,300 crores? If exports could be raised to Rs 4,000 crores, the gap will be only Rs 300 crores in 1976-77. There may not even be any need for having a deficit as imports of foodgrains and steel can be completely eliminated. Fresh purchases of fertilisers too can be drastically reduced, while there can be a saving of at least Rs 50 crores in non-ferrous metals. On this kind of reasoning, there can be slashing of imports to Rs 4,000 crores in 1976-77 from Rs 5,000 crores likely to be reached in 1975-76. If exports could be raised to Rs 4,000 crores as stated above, foreign trade could be conducted on a balanced basis; and foreign assistance may be helpful in effecting repayments and building up reserves further. There may not be any anxiety when attempting to prone imports drastically as the stock of foodgrains and various other items in excess of immediate requirements and having a value of Rs. 1,000 crores can always be utilised for meeting shortages.

It is likely that industrial production will rise by even 8 per cent in 1976-77 with ampler availability of power and better utilisation of existing capacity. There will also be additions to the capacities in the steel, fertiliser and non-ferrous industries. If only agricultural production can be maintained at a high level in the next season and the happy trends noticeable in the industrial sector also continue, the disturbing developments of 1972-74 in the economic situation will be a thing of the past. It only remains to be seen that will be the impact of a higher level of Plan outlay on the operations of several sectors of the economy in the coming months and to what extent the capacity for absorption will increase significantly with the revival in capacity. The new developments in 1976-77 should, therefore, mark a turning point in the country's economy if only the grip gained in raising agricultural production is not loosened.

High cost of export credit

ON FEBRUARY 10, the Reserve Bank of India issued a circular to all scheduled banks to simplify their procedures for giving export credit. The RBI suggested that the minimum possible rate of interest should be charged in cases where preshipment or post-shipment credit was extended beyond the period stipulated for concessionary ceiling rates of interest. It added that the banks should continue to give priority to export and that there should be no complaints that they were charging unduly high interest on export credit. But how is the RBI going to make sure that its instructions are promptly and faithfully implemented by banks?

For the past many years, export promotion has been given high priority in our economic policy. The RBI's Governor has also repeatedly urged banks to deal expeditiously with the problems of export credit. But exporters continue to complain about the delay and difficulty in getting adequate credit on competitive terms. The *Economic Survey*, issued by the union Finance ministry in February, 1975, acknowledged that "there have been complaints from exporters that banks were not according due priority to export credit" and expressed the hope that this situation would be corrected. But the circular issued by the Reserve Bank on February 10 shows that banks are yet to realise the importance of providing timely credit for export at reasonable rates of interest. A standing committee, set up by the RBI, on export finance has been functioning for the past few months. This committee includes the representatives of the union ministries of Finance and Commerce, the Foreign Exchange Dealers' Association of India, the Export Credit and Guarantee Corporation, Industrial Development Bank of India and commercial banks The RBI has explained that the standing committee is expected "not only to loo into problems, as they arise out of the implementation of export credit policies but also to anticipate such problems and suggest suitable measures". But what exactly is the mode of functioning of this committee? How often does it meet, how does it maintain liaison with actual exporters, and how does it enforce its recommendations?

The latest report on Currency and Finance, issued by the RBI, gives an encouraging picture in regard to the credit made available to exporters. "The export sector", says the report, "continued to be an important segment of the priority sector". It reveals that the outstanding credit at the end of December, 1974, was Rs 771 crores or Rs 63 crores higher than the level a year ago. It points out that the increase was wholly accounted for by public sector banks whose share rose from Rs 557 crores to Rs 627 crores and that it was more pronounced in respect of post-shipment credit which rose by over Rs 61 crores, the rise in pre-shipment credit being Rs 2 crores. But since exporters continue to complain about the inadequacy and high cost of credit, the RBI should look into this matter and satisfy itself that its directions are actually implemented by banks.

The commercial banks are eligible for interest subsidy at 1.5 per cent per annum for export credit offered by them at a rate of interest not exceeding the prescribed ceiling. According to the report on Currency and Finance, the claims for subsidy under this scheme amounting to Rs 7.53 crores received from 43 eligible banks were settled during the period July, 1974, to June, 1975, of which pre-shipment credit accounted for Rs 4.21 crores and post-shipment credit for Rs 3.32 crores. The total subsidy given under this scheme since its inception up to June 30, 1975, was Rs 30.07 crores. The Reserve Bank should examine why, in spite of this subsidy scheme, banks generally are not taking sufficient interest in export and why it has become necessary to remind them again and again of the importance of export credit.

Opportunities for augmenting our exports and for industrial collaboration in various parts of the world have increased greatly in recent months but Indian businessmen can avail themselves of them only if banks play their part. It is not enough if the Reserve Bank merely lowers the rate of interest and simplifies the procedures for export credit. It is also important to ensure that our rates are competitive with those of other countries.

The Federation of Indian Export Organisations pointed out in last September that an Indian exporter was required to pay interest on an average at 15 per cent against his counterpart in the UK who paid 11 per cent and in Japan $11\frac{1}{2}$ per cent. Mr Raunaq Singh, the president of the Federation, explained how in other countries the exporters were getting more finance and at lower costs than in India. He said: "I fail to understand the special sanctity in making available to exporters money at concessional rates only for a certain period. In other countries no such period is stipulated for export finance. It is left to the bank and the customer to determine the period for which he would need funds to execute the export contracts in hand." He suggested that the system of stipulating 90 days and 180 days should be abolished and the export finance made available on the merit of each case and the period determined accordingly. He also observed that if funds made available at concessional rates were misused by exporters, stringent action should be taken against them.

It is significant to note that even the jute industry has complained from time to time about the unhelpful attitude of banks. The Indian Jute Mills Association said on January 16 this year that "if it is really intended to help the jute industry out in its worst financial crisis, the Reserve Bank of India should make its directives to commercial banks on relaxation of credit control mandatory". The Association added: "Otherwise, all such RBI directives, as widely published in the press, while creating an impressson that the needs of the industry are being taken care of, are treated by the banks as merely recommendatory. As a result, these are seldom acted upon and few mills are seen to benefit in any way".

It is understood that in Bangladesh credit facility is available for over 180 days which is extended even to one year and that the rate of interest is only about $6\frac{1}{2}$ per cent. The government of India, therefore, should take effective measures to ensure that our export efforts are not in any way handicapped due to the inadequacy of credit or its high cost.

Eastern Economist 30 Years Ago

MARCH 1, 1946

Sir Archibald Rowlands' first budget which is also the first post-war budget deserves to be commended not only for its vivid appreciation of the problems of the difficult and critical transition from war to peace economy but also for seeking to implement in the fiscal sphere the economic policies that should govern action. It has tried to translate into appropriate and definite fiscal measures the needs of an economy that has been ravaged and distorted on account of the war. The criteria by which a budget following the end of the war should be judged are how far it ensures speedy and effective rehabilitation and restoration of peace-time economy and how far it provides for conditions by which income, employment and expenditure may be maintained or at least prevented from serious decline or collapse. Judged by the above, the budget must be pronounced to be as bold and imaginative as circumstances warrant.

The maintenance of the economic health of the country and keeping up the buoyance of its economy require firm and energetic fiscal action and it is to the credit of the Finance Member that he has displayed commendable courage in adopting fiscal expedients to achieve their purpose. One of the contributions which recent economic thought has made towards clearer understanding of the key to prosperity is the relation between aggregate expenditure, private and public, and the level of employment and income. The Finance Member has shown an awareness of this intimate relation and taken steps to see that the levels of public and private capital expenditure are stimulated in every possible way, so that the inevitable fall in the combined defence expenditure of the order of Rs 600 crores compared to previous years may not result in a collapse of prices or in depression and unemployment.

Haryana : Plan outlay up

No NEW taxes have been proposed in the Haryana budget for 1976-77. The estimates show a surplus of Rs 33.54 crores on revenue account though there is an overall deficit of Rs 16-99 crores after taking into account the capital bunget and an opening deficit of Rs 8.92 crores. Mr R.S.C. Mittal, the state Finance minister, pointed out that the deficit was largely because of enhanced size of the annual Plan for 1976-77. He hoped, however, that the deficit might be reduced substantially after the receipt of additional central assistance for the schemes in the priority sector. The deficit is also likely to be reduced through streamlined tax administration leading to increase in recovery of taxes.

The Plan outlay for 1976-77 has been tentatively placed at Rs 111.15 crores for various development schemes against an outlay of Rs 101.27 crores for 1975-76. Additionally, a sum of Rs 8.81 crores is to be spent on the centrally-sponsored schemes. In fact the government hopes to increase the size of the Plan further during the course of the year. Irrigation and power, which constitute the basic infrastructure for the development of the state, receive high priority.

The number of the electricity consumers, which increased from 406,000 in 1968-69 to 754,000 in 1974-75, is expected to increase further. The introduction of high-yielding varieties of seeds and the use of chemical fertilizers have substantially increased the demand for power for running pumsets and tubewells. In order to improve the availability of power, the second unit of 60 MW thermal plant at Faridabad is to be commissioned soon, bringing the total thermal capacity in the state to 204.30 MW in 1976-77. Steps are also being taken for the installation of a third unit of 60 MW at this station. Two thermal units of 110 MW each are being set up at Panipat where work has started and most of the equipment from BHEL has been received. To make sufficient additional capacity possible, a sum of Rs 52.80 crores is proposed to be invested in power projects during the year. Out of this, a sum of Rs 20.07 crores has been earmarked for multipurpose power projects—two Beas units and Beas transmission lines.

Irriagation projects have been accorded high priority with an allocation of Rs 18 90 crores in 1976-77, to be spent for the completion of projects under way as well as new projects which have been considered necessary for the growth of the State economy. This being the mid-year of the fifth Plan, The completion of most of the continuing major and medium irrigation schemes such as the Gurgaon canal project, the western Jamuna canal project, the Indira Gandhi lift irriagation scheme, the Birendra Narain Chakravarty lift irrigation scheme, the lining of Hansi, branch, remodelling of Butana and Sunder sub-branch and the new regulator at Dadupur will be hastened. In addition to these schemes, work has been taken in hand on the Pandit Jawahar Lal Nehru lift irrigation scheme, on which an expenditure of over Rs 8.83 crores will have been incurred by March 1976. The state government has been waiting for the final decision of the central government on the state's share in surplus Ravi-Beas waters, so that work on the Sutlej-Yamuna Link scheme costing Rs 57 crores may be taken in hand. The state has provided one crore of rupees for this scheme in the budget for 1976-77.

It is expected that after the completion of these schemes the south-western parts of the state will receive new irrigation facilities which will provide relief from recurring famines. It will also help in eliminating regional imbalances and in stabilizing the level of agricultural production in the state.

The Plan provides Rs 12.94 crores for the agricultural sector during 1976-77. Additionally, centrally-sponsored schemes aggregating to Rs 5.39 crores are also proposed for implementation in this sector during the year. The target for food-grains production has been placed at 4.93 million tonnes for 1976-77 as against the output of 4.66 million tonnes during 1975-76. To achieve this target the state will have to make arrangements for the supply of quality seeds, fertilizers and other inputs for the farmers. The use of high-yielding varieties of seeds has already been popularised and during 1975-76 an area of 1.49 million hectares was covered under them. The target for 1976-77 has been placed at 1.57 million hectares. The state is laying emphasis during kharif 1976 on increasing the area and yield of rice and bajra, the two major crops of this season. The hybrid Bajra-3 variety is intended to be replaced by the new disease-resistant PHB-14. The state has proposed mass contact programmes, demostration-cum-training programmes and kisan melas to achieve this objective.

In the field of industry too, The state has made substantial progress. The Haryana Poly-steel, Hissar, and Haryana Television at Faridabad, both joint-sector projects, went into production during the current year. Besides, the Haryana State Industrial Development Curporation is setting up various other units for the manufacture of glass bottles, synthetic detergents, caustic soda and hand-tools. In the private sector, a scooter project at Murthal, two sheet glass units at Rohtak and Sonepat involving an investment of Rs 7.26 crores have been sanctioned by the central government and are likely to be set up during 1976-77. The National Fertilizer Ltd, a public sector undertaking, is setting up a fertilizer project at Panipat with a total capital outlay of around Rs 50 crores.

The Haryana State Small Industries and Export Corporation is setting up an Export Processing Zone in Gurgaon district for the manufacture of ready-made garments exclusively for export purposes in collaboration with the Trade Development Authority. The central government scheme for the grant of 15 per cent subsidy against capital investment to industrial units in declared backward areas of the state has been implemented. A total amount of Rs 21.25 lakhs was sactioned as subsidy to 45 industrial units in the state during 1974-75, and Rs 30 lakhs were earmarked for his purpose for 1975-76 while a provision of 20 lakhs has been made for 1976-77.

Capital's Corridors

R. C. Ummat

Steel plans • Drug prices • Energy requirements

THE DRAFT production plan of the Steel Authority of India (SAIL) for the next financial year—which is proposed to be finalised soon in consultation with the workers of the steel plants and the other concerned agencies such as the railways, power supplying authorities and coal producing organisations—envisages stepping up of the output from the six integrated steelworks at Bhilai, Durgapur, Rourkela, Bakaro, Jamshedpur and Burnpur to 8.2 million tonnes of ingots and 6.465 million tonnes of saleable steel. This will mean an additional production of 0.95 million tonnes of ingots (13.2 per cent) and 0.769 million tonnes of saleable steel (13.4 per cent) compared to the estimated current year's output of 7.75 million tonnes of ingots and 5.7 million tonnes of saleable steel.

capacity utilisation

Excluding the Bokaro plant, where the various units are either under construction or passing through a gestation period, the overall capacity utilisation in the integrated steelworks next year will go up to 82.1 per cent in terms of ingot steel and 85.4 per cent in terms of saleable steel. Last year the overall utilisation of capacity was 69 per cent in terms of ingots and 72.8 per cent in terms of saleable steel. The two percentages for the current year are likely to be 77.5 and 82.3, respectively.

The latest assessment of the union ministry of Steel and Mines reveals that the production of ingots at the six integrated steelworks during the period April, 1975, to January, 1976, aggregated to 5.899 million tonnes, as against the target of 6.333 million tonnes. Production during the whole of the current financial year is estimated to be of the order of 7.25 million tonnes, as against the target of 7.697 million tonnes.

The targets set for the various steelworks during the above period were nearly achieved in the case of most of the plants. Bhilai, for instance, turned 1.813 million tonnes of ingots during the 10 months ending January, as against the target of 1.869 million tonnes, Durgapur 0.812 million tonnes as against 0.825 million tonnes, Rourkela 1.03 million tonnes asagainst 1.082 million tonnes and Burnpur 0.511 million tonnes as against 0.527 million tonnes. In the case of Bokaro, the output had been of the order of 0.264 million tonnes, as against the target of 0.406 million tonnes. The Jamshedpur works too could produce only 1.469 million tonnes, as against its target of 1.624 million tonnes.

accelerated tempo

The tempo of production, which picked up a great deal after July, has been accelerated further in February. It is expected to continue at a high pitch this month. So the output of ingot steel during the current financial year is expected to be of the order of 2.2 million tonnes at Bhilai, one million tonnes at Durgapur, 1.28 million tonnes at Rourkela, 0.35 million tonnes at Bokaro, 1.8 million tonnes at Jamshedpur and 0.62 million tonnes at Burnpur, as against the yearly targets of 2.25 million tonnes one million tonnes, 1.3 million tonnes, 0.567 million tonnes, 1.95 million tonnes and 0.63 million tonnes, respectively.

So far as saleable steel is concerned, the production during the 10 months ending January has been as follows (the target for each plant is indicated in brackets) : Bhilai 1.514 million tonnes (1.472 million tonnes); Durgapur 0.581 million tonnes (0.635 million tonnes); Rourkela 0.832 million tonnes (0.742 million tonnes); Bokaro 0.138 million tonnes (0.165 million tonnes); Jamshedpur 1.270 million tonnes (1.245 million tonnes) Burnpur 0.407 million tonnes (0.418 million tonnes); total 4.689 million tonnes (4.676 million tonnes).

The output of saleable steel during the whole of the current financial year at the various steelworks (target within brackets) is anticipated to be of the following order : Bhilai 1.820 million tonnes (1.770 million tonnes); Durgapur 0.725 million tonnes (0.78 million tonnes); Rourkela1.025 million tonnes (0.900 million tonnes),Jamshedpur 1.470 million tonnes (1.500 million tonnes); Burnpur 0.500 million tonnes (0.500 million tonnes); total 5.700 million tonnes (5.700 million tonnes).

Compared to the assessment of December last, when it was feared that the achievement in respect of the production of saleable steel during the current financial year may fall short of the target of 5.7 million tonnes by about 50,000 tonnes, the latest assessment reveals that the situation has improved markedly, although the Bokaro plant is now expected to yield only 0.160 million tonnes of saleable steel, as against 0.200 million tonnes anticipated in December last (target 250,000 tonnes). The shortfall in production at Durgapur is now expected to be just 55,000 tonnes, as against 100,000 tonnes anticipated in December. Bhilai plant is now likely to produce nearly 50,000 tonnes more than the target as against the December estimate of 30,000 tonnes, and the Rourkela unit as much as 125,000 tonnes more as against 70,000 tonnes. If the latest assessment of the current year's output turns out to be correct, the six integrated steelworks will be yielding nearly 0.80 million tonnes of saleable steel more than they did last year—16 per cent increase.

Bokaro plans

Next year, Bokaro is expected to add a million tonnes to its production. The second blast furnace of this steelworks is likely to be commissioned early in April.

Disclosing the above facts, the minister for Steel and Mines, Mr Chandrajit Yadav, told newsmen last week that the government was aiming at a production of 14.5 million tonnes of saleable steel by 1980-81. The project reports of the Visakhapatnam and the Vijayanagaram steel plants, he said, were being got ready. They were expected to be submitted to the government by the end of this calendar year and would form part of the future planning.

The case of the Salem steel plant, the minister revealed, was being sympathetically considered. A decision in this regard would be taken soon.

A committee, Mr Yadav further stated, had been constituted to prepare a 25-year perspective plan for the steel industry. In the context of this plan, the expansions of the existing steel plants, including that of Durgapur, would be considered at the appropriate time.

Steel exports, Mr Yadav added, were showing an encouraging trend. They are likely to fetch Rs 220 crores worth of foreign exchange this year and Rs 250 crores worth next year. Imports of steel which have been curtailed very significantly this year, are expected to be cut down to a bare Rs 30 crores next year.

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The minister for Chemicals and Fertilisers, Mr P. C. Sethi, last week told the members of the Parliamentary Consultative Committee attached to his ministry that the State Trading Corporation had decided to reduce with effect from April 1 its margin of profit on drugs and pharmaceuticals imported by it to four per cent from its present five per cent on the c.i.f. cost. This, he expected, would have its impact on the prices of formulations made out of the basic drugs canalised through the STC.

Mr Sethi added that during the current year, the STC had reduced the prices of seven bulk drugs imported by it. The price reduction in some cases had been more than Rs 500 per kg. The drugs concerned were Ampicillin Anhydrous, Ampicillin Sodium, Ampicillin Trihydrate, Chloramphenicol Palmitate, Chloramphenicol Powder, Chloramphenicol Sodium Succinate, and Indomethacin. There had been a consequential reduction in the prices of formulations based on these drugs.

The minister revealed that the entire question of the pricing of drugs was under examination. The government had made a detailed analysis of the recommendations of the Hathi Committee and this analysis had indicated that the prices of essential drugs would go up if the recommendations of the committee were accepted. The government while taking a final decision would take into consideration the need to maintain price stability in the case of essential drugs as well as the need to ensure a reasonable return to the producers.

In the meanwhile, as a result of cost examination by the Bureau of Industrial Costs and Prices, the prices of Vitamin B-12, Riboflavin-5 Phosphate Sodium and Benzathin Pencillin had been reduced.

Mr Sethi told the members of the committee that out of the 117 essential formulations used extensively in medical practice in the urban and rural areas, about 36 drugs had been taken up for price reduction. The decision in respect of these drugs would be taken soon.

The members raised the question of industrial licences granted to foreign drug companies for the manufacture of drugs and pharmaceuticals and demanded that these companies should be compelled to produce more and more basic drugs.

The minister said that the Hathi Committee itself had recommended that the foreign companies producing formulations based on bulk drugs should be made to manufacture bulk drugs within a specified period. In accordance with the recommendations of the committee, the government had already taken suitable action to make these firms go basic. Whenever industrial licences were granted, a condition was imposed that the production of formulations would be allowed only if the firm would take up bulk manufacture from the basic stages either straight away or within a period of time. They were also required to make available 50 per cent of the bulk drugs for non-essential formulations.

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Matters concerning fuel also came under a good deal of discussion last week in the two consultative committees of Parliament attached to the ministries of Energy and Petroleum. The minister for Energy, Mr K. C. Pant, informed the members of the parliamentary committee attached to his ministry that production of coal during the current financial year was expected to exceed the target of 98 million tonnes by about a million tonnes. The next year's target he revealed, has been put at 108 million tonnes.

As a result of the improvement in production this year, the availability of coal, Mr Pant said, had eased very considerably all over the country. Some of the consumers, in fact, had asked for the suspension of supplies to them as they did not have enough storage space. The stocks of coking coal at the major steel plants, he revealed, now were at record level of over 16 days' consumption, as against just three days' consumption in December, 1974.

Mr Pant also gave some figures of the improvement in productivity in the coal industry. In the CMA fields, the output per man-shift this year, he said, was estimated at 0.66 tonnes as against 0.62 tonnes in 1974-75, in the BCCL mines around 0.53 tonnes as against 0.42 tonnes, and in the Singareni mines about 0.68 tonnes as against 0.62 tonnes. The total investment in the nationalised coal industry during the current financial year was likely to be of the order of Rs 240 crores as against Rs 130 crores last year.

marked improvement

The power availability, Mr Pant disclosed, had also shown marked improvement throughout the country except in Maharashtra, Karnataka and Madhya Pradesh where some shortages were being experienced. The situation in the western region, he, however, hoped would improve with the commissioning of a number of new generating units which were under construction. These included the Korba stages II (120 MW) in Maharashtra, the Gandhinagar thermal station (120 MW) in Gujarat and the Korla expansion and Amarkantak expansion (120 MW) in Madhya Pradesh. Nearly 2,000 MW of new capacity, Mr Pant added, would have been commissioned by the end of the current financial year.

The minister for Petroleum, Mr. K. D. Malaviya, assured the members of the Parliamentary Committee attached to his ministry that all efforts were being made to secure supplies of crude oil from the frlendly countries of west Asia to meet the current requirements. The supplies were being ensured through bilateral arrangements, as there was no indication yet of any price reduction by the OPEC. Convenient terms were being tried under the bilateral arrangements.

A contract, Mr Malaviaya stated, had already been signed by the Indian Oil Corporation with the Abu Dhabi National Oil Company for the supply of one million tonnes of crude during the current year. Iran had also agreed in principle to continue supplies. The supplies to Madras Refineries were already secured under a long-term contact with the National Iranian Oil Company. Imports to the extent of 2.6 million tonnes were expected under this arrangement this year.

An all-out effort, Mr Malaviya added, was being made to step up indigenous production of crude. The work in the Bombay High area had been expedited for this purpose.

POINT OF VIEW

Critical minimum and the multiplier

M. Mukhopadhyay

IN THE formation of Gujarat state, the entrepreneurship in Gujarat was provided the necessary challenge and it fired the imagination of the traditionally enterprising Gujarati. A new sentimental meaning was provided to the concept of setting up an industry in Gujarat. The authorities also threw open the whole state for greater industrial growth and productivity. The state took such actions as would lead to further broadening and strengthening of the entrepreneurial base.

To overcome the inadequacies of physical and material resources as well as the imbalance of structure, the state participation in certain sectors in industrial activity came to be considered indispensable. The technicians were demanding greater attention, potential for ancillaries was not fully utilised and new growth points in the large and medium sectors were to be established. It was felt that government assistance through active participation in the share capital and management of such industries and projects which were capital intensive and vital to the growth of industrial activity in the state was necessary.

catalyst role

In this effort the Gujarat Industrial Investment Corporation Limited played the role of a catalyst as the development bank providing capital investment and term loan assistance in promotion, expansion, diversification and renovation of industry with special emphasis on the creation of entrepreneurship and development of backward areas. It thus mobilised the large potential of the state in manpower, expertise and commercial genius, besides the physical and material resources.

GIIC has assisted large, medium and small. scale sectors of industry in all major items of manufacture. It has offered long term finance, underwriting support, subscription of public issues and guaranteeing of advances from other investment sources, in participation with financial institutions at national level, with the Gujarat State Financial Corporation and nationalised banks providing the balancing investment. Instead of competing with other financial institutions and substituting their efforts, GIIC has adopted a complementary role laying greater stress in a consortium approach. With an accent on inter-institutional understanding, GIIC has successfully bridged the investment gap for industrial development in Gujarat. This rapport among financial institutions at all levels contributes to rapid growth of industrial investment ensuring right dispersal and balanced development.

investment generation

It is to be noted that with critical minimum assistance provided, the actual investment generation can be over five times more than the assistance sanctioned. With GIIC assistance of Rs 28 crores sanctioned to more than 300 units in the large and medium scale sector, and Rs 6.50 crores to more than 1000 units in the small-scale sector, investment generated has been about Rs 190 crores. The assistance rendered has gone into providing ample ancillary support and a growth nucleus ensuring balanced progress in all sectors of the economy.

In the initial years of operation, a broad spectrum of small projects covering items of choice by entrepreneurs was assisted by GIIC. Now, against the national perspective of new priorities and appreciating the need for canalising the huge efforts of new entrepreneurs into those fields which require greater attention for development, a new approach has been taken. Today, the teeming millions in the most backward areas of the state are demanding greater attention for employment, for industry, and for area development. Likewise, a number of minerals and other resources available in various growth centres invite better exploitation. These resource pockets, both material and human, are now being provided the immediate focus.

Special afforts are made to identify small viable projects for implementation in backward talukas, centrally subsidised districts and other backward districts. To this end, market studies have been undertaken and it has been found feasible that with local resources and a certain critical minimum assistance a number of small projects can come up in the various parts of the state. A study of industrial potential of Sabarkantha and Panchmahals districts, has established feasibility for setting up new units for six items in Sabarkantha and 11 items in Panchmahals. Likewise, surveys are being undertaken for other backward districts.

To service the needs of backward areas of the state, regional offices are being set up to provide special attention in participation with Gujarat State Financial Corporation. A backward area cell established jointly by GIDC and GSFC has already started functioning in tee corporation and has embarked upon the initial spadework.

special campaign

Besides adopting 11 backward talukas —Dahod, Devgadh Baria, Limkheda, Lunavada, Halol, Deodar, Dhanera, Sami, Khedbrahma, Barodha and Bhiloda—a special campaign each for Sabarkantha and Panchmahals districts has been drawn up. In addition, the corporation has participated in the special campaigns already organised for promotion of industrial investment in the districts of Broach, Panchmahals and Kutch.

It is obvious that in a responsive economy the catalysing efforts of GIIC can release great potentials for industrial development. Its total sanction of about Rs 35 crores has generated investment of about Rs 190 crores. Similarly provision of a certain critical minimum assistance in the backward regions of the state can help develop a strong growth nucleus in the rural industrial economy.

Assistance rendered by the corporation or the promotion of industrial investment in backward areas upto March 31, 1975, is summed up in the Table I.

The corporation has accelerated the industrial development of 55 most backward talukas identified by the state government as needing the highest priority. The Kandla Free Trade Zone is another area where concentrated efforts are made. The industries in 56 backward talukas in various districts are entitled to concessional rate of interest from GIIC at 7½ and nine per cent for loans up to Rs 12 lakhs and above Rs 12 lakhs respectively.

The rate of interest in the other talukas of Surendranagar, Panchamahals and Broach districts—not covered by 56 backward talukas—is eight and 12 per cent for loans upto Rs 12 lakhs and above Rs 12 lakhs respectively. This interest rate structure is fully indicative of the graded assistance pattern adopted for the benefit of hitherto underdeveloped regions, in the larger interest of removing the regional imbalance of industrial growth.

Although a large portion of GIIC assistance is of late canalised into capital formation and promotion of industries in the backward regions of the state, it is

TABLE I

Aid sanctioned to Backward Districts

Backward areas	Small scale industries: No of units	Small scale industries: sanction (Rs lakhs)	Medium & large industries: No of units	Medium & large industries: sanction (Rs lakhs)
Panchamahals, Surendranagar and Broach districts where central subsidy is available for new industries	59	30.07	30	468.16
Other seven backward districts	141	65.62	42	311.20

clear that no single agency would have the capacity to effectively tackle the development of all the backward areas. As such, the various state level agencies and corporations are joined together with the total perspective and goal in view.

The important dimension of GIIC participation in the backward area development is its own large scale industrial projects being set up in these areas. For example, the Machine Tools project, the Carbon Black project, and the Cresole project, are all in backward areas or talukas. Other projects being planned in the backward regions are for tyres and tubes, alloy steel and portland cement. With the steady progress in the projects, the backward areas will generate investment of Rs 15 crores by the end of 1978 and another Rs 60 crores by the end of 1980. This would ensure the development of ancillary industries and increase employment potential.

Rational price policy for coconut

Dr. M.V. George and Gopinadhan Nair

STABLE PRICES and adequate marketing facilities are essential for the development of agriculture. This is especially true of perennial crops involving large investment and long gestation period. However, one of the most distressing features of coconut prices during the past one decade has been the abnormal fluctuations in prices from year to year. As can be seen from Table I, the wholesale prices of coconut oil has experienced 4 peaks and 4 troughs during 1964- 65 to 1974-75, despite the fact that production has remained more or less stable. As coconut in Kerala is largely a small farmer's crop and marketable surplus constitutes nearly 80 per cent of total production, its price variation affect the incomes of a large number of small cultivators.

Studies in India and elsewhere have shown that agricultural production is responsive to price changes. But in the case of perennial crops with long gestation periods, these relationships are more complex as the cultivators tend to equate the stream of incomes with the stream of expenditure over a long period. A rational price policy for coconut should take into account various factors such as the cost of production, a reasonable return on investment over a period of time, and above all considerations of parity in respect of other crops and the general price level. In this article, an attempt is made to derive a reasonable price for coconut based on these criteria.

Obviously the first criterion, even in the case of a subsistance economy, should be the cost of production. Unfortunately data on the cost of cultivation of coconut over a period of time are not available. A survey conducted by the State Bureau of Economics and Statistics in 1960-62 and the Farm management Studies by the Ministry of Food and Agriculture, government of India, during 1962-65 throw some light on this aspect, By making adjustments for the increased cost of inputs, land values and yield levels, fairly accurate estimates of the cost of production could be arrived at for the most recent period. According to the Farm Management Study, the cost of production of coconut in 1962-65 worked out to nearly Rs. 23 per 100 nuts (Table II).

TABLE I

Wholesale Price Of Coconut Oil At Ernakulam

(Rupees per Quintal)

Year	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
1964-65	268.50	266.13	263.00	272.45	283.00	307.97	315.00	314.50	334.44	326.05	376.88	394.69
1965-66	428.13	448.44	435.88	465.65	534.00	518.15	492.00	467.25	420.75	456.47	441.54	421.03
1966-67	422.66	445.35	420.26	436.02	453.24	462.99	442.65	447.17	428.19	422.97	422.14	440.44
1967-68	492.22	490.56	527.47	594.69	613.02	609.95	612.20	549.55	480.77	497.53	477.62	447-50
1968-69	451.13	494 23	510.86	500 69	490.52	456.53	441.58	427.31	423.16	415.44	412.11	483.24
1969-70	488.90	495.27	541.96	561.64	625.12	656.22	664.48	619.50	567.41	571.28	685.20	686.75
1970-71	691.69	757.96	755 99	730.36	782.23	767.44	717.84	600.55	578.05	589.35	558 65	553.04
1971-72	562.78	590.30	575.26	557.92	529.93	522.38	506.69	483.03	477.02	462.55	447.76	481.16
1972-73	570.45	550.93	549.21	555.69	587.61	587.78	578,19	641.08	645.67	715 51	773.25	800.50
1973-74	889.94	821.57	916.26	1086,9	1285.00	1290.00	1299.50	1196.75	1075.31	1146.66	1152.00	1138.78
1974-75	1119.38	1129.00	1131.25	1110 83	1182.75	1162.81	1123.28	1002.00	923.75	900.31	855.38	814.06

TABLE II

Coconut Cultivation—Distribution of Inputs Per acre 1962-63 to 1964-65

(Rs per acre)

Items	Amount
Labour charges	82.50
Green manure, compost, etc.	21.80
Fertilizers, insecticides	9.20
Rental value of land	234.00
Irrigation, land revenue, taxes etc.	4.40
Depreciation of Implements, interest etc.	3.90
Total	355.80

(Yield, 1500 nuts/acre)

Source : Studies in the Economics of Farm Management in Kerala, Directorate of Economics and Statistics, Ministery of Agriculture, government of India, 1971 and 1972.

Since then the cost of labour and other inputs such as manures and fertilizers have gone up several fold. Average wages have gone up from Rs 1.90 per manday in 1960 to Rs 6.70 in 1974. Similarly, one kilogram muriate of potash cost Rs 1.50 in 1974 as compared to only Rs. 0.36 in 1963. Since cost of labour, manure and fertilizers accounted for nearly 95 per cent of the total variable costs (excluding land), the average cost per unit was blown up by a multiplier representing the increase in the price of labour and fertilizers. Thus, the cost of production in 1974-75 would work out to Rs 81 per 100 nuts. However, in these calculations, no allowance has been made for increase in productivity during the period on the ground that such gains have been mainly offset by the fall in production consequent on the widespread prevelance of coconut disease in the state.

Another variant of the cost of production approach is the budgeting technique whereby the recommended farm practices, their costs and average yields are taken into account to estimate the per unit cost (Table III).

It is estimated that the average annual cost of maintaining a coconut garden using the level of inputs as recommended by the package of practices, come to Rs 890 per acre. To this may be added interest on capital investment for the value of land, at the rate of 11 per cent. The total of annual cost would thus work out to Rs 3090, and on the basis of an average yield of 4000 nuts per acre, the average cost per 100 nuts would work out to nearly Rs 77. This does not include the cost of management and own labour.

TABLE III

Estimated expenditure and Returns in Coconut Cultivation (Budgetted) 1974-75

(Rs per acre)

Item	Amount
Labour charges	
Basin making, ploughing etc, 10 days	80.00
Green manure, seed	30.00
Green Manure and compost	240.00
Fertilizer	540.00
Total maintenance	890.00
Interest on capital for land value at 11% on 20,000	2200.00
Total	3090.00
Yield at 50 nuts for 80 trees. 4000 nuts	
Average cost of production Rs/100 nuts.	77.25

It is only natural that the returns from coconut cultivation should be sufficient so that investment can be worthwhile. Unlike annual crops, coconut cultivation involves a stream of capital costs and a streams of benefits. Hence, it is necessary to bring them both to their present value and compare the total revenue

TABLE IV

Internal Rate of Return per aere of Coconut Garden

(Rs/acre

Years	Capital & current cost	Annual benefits	Net cash flow (—)	Net cash flow (+)	Present value co-efficient at 15%	Present value (—)	Present value (+)
1	4685	...	4685	...	8695	4073.60	...
2	1305	...	1305	...	7561	986.70	...
3	1390	...	1390	...	6575	913.90	...
4	1815	...	1825	...	5718	1043.50	...
5	2010	...	2010	...	4752	999 40	...
6	2010	...	2010	...	4323	968.90	...
7	2010	...	2010	...	3759	755.60	...
8	2265	1596	669	...	3269	219.00	...
9	2265	3192	...	927	2443	...	263.55
10	2265	4788	...	2523	2472	...	623.70
11	2265	6384	...	4112	2149	...	885.23
12 to 40 yrs.	2265	7980	...	5715	14081	...	8047.80
						9860.60	9819.75

Note : Project life estimated at 40 years, coconut price estimated at Rs 75/100 nuts obtained over the whole productive life of the coconut tree and the total cost over that period[1]. The average rate of return which equalises these two streams of total costs and total returns is known as the internal rate of return. (Table IV p. 413) It is found that the internal rate of return in coconut cultivation is 15 per cent at the price of Rs 76 per 100 coconuts. It means that at the prevailing market rate of interest—15 per cent—the price of coconut should not be less than Rs 76 per 100 nuts. Any price lower than this would reduce the internal rate of return to a level lower than the prevailing cost of borrowing capital.

It may, however, be mentioned that the cost of production approach either through the cost accounting method or the budgeting technique has its limitations. The problem of valuation of labour and management inputs, and large variations in costs from farm to farm make it unusable for policy decisions. Besides, the cost of production, based at it is, on the supply criteria, totally ignores the influence of demand in the determination of prices.

demand trends

On the other hand, the parity approach in its various forms has the advantage that it builds the effect of demand trends into price fixation and at the same time seeks to establish some relationship with the prices of the other agricultural commodities as well as the general price level in the economy. Parity may be conceived of in a number of ways, such as: (1) parity between coconut prices and other non-food crops; (2) parity with the general consumer price index, (3) parity with price of all agricultural commodities; (4) parity of prices received for coconut with the prices paid for inputs used in coconut cultivations. Using 1960-61 as the base, the parity indices for coconut have been worked out in various ways, and the parity prices for the latest year (1974) have also been computed (Table V). It shows that on the basis of parity with the general agricultural prices, the rational price for coconut during 1974 should have been nearly Rs 73 per 100 nuts. Similarly, parity price with respect to the consumer price index comes to Rs 76 and with the price of all non-food crops Rs. 91 per 100 nuts.

However, for a production-oriented price policy, a more meaningful index of parity is in relation to the prices of inputs which go into the production of coconut. Because the rate at which cultivators take up additional inputs is a function of the cost-benefit ratio. Coconut is a crop which yields some return even with a minimum application of inputs or with no inputs at all. But the cultivator would increase the use of inputs only if the value of the additional yield (marginal product) is more than the additional cost (marginal cost). Other things being equal, the cultivator is guided by considerations of parity between prices received for the product and prices paid for the inputs. Since labour and fertiliser are the major items of inputs in the cultivation of coconut, these prices have been used for computing the prices paid index. As could be seen from Table V, the parity price for coconut in relation to the prices of inputs thus works out to Rs 85 in 1974[2].

The use of a fixed base for computing parity has the obvious disadvantage that it does not reflect the changes in price and input-output relationships that might have occurred after the base period. Hence, the adjusted base method is used whereby the average prices of coconut during the past 10 years is deflated by the average change in the indices of the commodity prices for the same period to obtain the adjusted base price. This is then multiplied by the wholesale prices index of the year for which estimate is made. The estimated parity price based on the adjusted base method for coconut, thus, comes to Rs 85 during 1974.

It is thus evident that the development oriented price policy should take into account various factors influencing the demand as well as the supply of coconut. These include considerations of cost and production, a reasonable return on investment, prices of competing commodities in their resource use as well as their end use and the general trend in the economy as a whole.

For determining a rational and equitable price for coconut, various methods have been used, viz., the cost of production, net present value, parity prices in relation to other agricultural commodities, agricultural inputs and cost of living. Parity prices have also been estimated using an adjusted base method. Thus, a range of prices varying from Rs 73 to Rs 91 has been obtain, which would satisfy the norms of economic and social justice. It may, however, be added that these approaches should not be used to inflate the prices of coconut. These provide only a range and the objective of price policy should be to stabilise the farm prices and to keep them within reasonable limits to provide an element of stability to the general price level in the economy.

TABLE V

Parity Ratio of Coconut Oil with other Prices

(1960=100)

Year	Parity ratio of coconut oil with respect to prices of: All agricultural crops	Non food crops	Agricultural input (wages)	Cost of living
1960	100	100	100	100
1961	96	97	97	92
1962	104	106	95	104
1963	112	106	91	104
1964	97	104	84	90
1965	130	116	116	127
1966	131	116	110	123
1967	134	118	105	125
1968	121	115	84	116
1969	119	121	85	118
1970	144	126	110	152
1971	132	124	89	125
1972	122	117	75	107
1973	156	127	117	149
1974	159	127	139	152

References

1. The future annual margins may be discounted to their present value by means of the following expression.

$$V = \frac{M1}{(1+r)} + \frac{M2}{(1+r)2} + \frac{Mn-1}{(1+r)n-1} + \frac{Mn}{(1+r)n}$$

Where M1,Mn=margin between revenue and cost in years 1 to n; n=life span of coconut trees; r=discount rate; and v=present value or present worth.

[2]The parity price can be projected by using the formula

$$P_p = \frac{cp}{Wit} \times Wit + 1$$

Where Cp=average account prices for 10 years, Wi=average index wages (input) for 10 years and Wit+1=wage (input) index of the year for which the price is to be projected.

WINDOW ON THE WORLD

Better towns with less traffic

Jossleyn Hennessy
London

I
Important OECD Conference

"TOWNS ARE better with less traffic so long as adequate provision is made for the mobility of workers and residents and the distribution of goods".

This conclusion was reached at an OECD Conference on "Better Towns with Less Traffic" recently in Paris. The meeting, chaired by Prof. G. Scimemi of the University of Rome, opened by Ingrid Leodolter, Austrian minister of Health and Environment and attended by nearly 300 delegates from 23 countries, also endorsed limits on the use of cars and goods vehicles "when and where traffic congestion and its costs are severe and frequent."

The thinking about urban transport policy that emerged from the conference had been foreshadowed by a survey of 300 cities with population of 100,000 or more carried out by OECD. The returns show that municipalities which had previously relied largely on parking management and pedestrian areas to control traffic, are increasingly complementing these techniques with bus priorities and other measures that act positively in favour of public transport and thus can, in the opinion of the conference, *lead to an improvement in the environment.*

At the conference itself national statements of policy and case studies of seven towns—Besancon, Bologna, Munich, Nagoya, Nottingham, Singapore and Uppsala—told the same story but in much greater depth.

Nagoya, for instance, has 62 km of bus lanes used by 30 different bus routes, while both Uppsala and Besancon have bus-only streets that enable public transport vehicles to penetrate to parts of the centres of those cities that are out-of-bounds to cars. Nagoya has also made unprecendentedly wide use of techniques for protecting residential areas from through-traffic. Building on the experience of cities such as Bremen and Gothenburg, Japanese traffic engineers have brought safety from through-traffic to about 100 square kilometres of Nagoya by means of *no entry* signs, one-way system and short stretches of pedestrian streets.

However, such techniques may have the effect of merely redistributing traffic, and some cities are therefore developing techniques capable of producing reductions in traffic over extensive areas in order to stop congestion from blocking buses and damaging the service which they give. At Nottingham, for instance, traffic signals are to be used to limit the flow and number of cars entering the central parts of the town. And in Singapore, supplementary vehicle licences (i.e. permits delivered against the payment of a special charge to allow the entrance of vehicles into the central area) are being introduced, together with increased parking charges, to raise the cost of commuting by car into the city centre. Park-and-ride interchanges served by express buses and exemption from charges for cars carrying four or more persons will enable people to go on getting to and from work, even though fewer vehicles are in use.

penalties of time

Nottingham's techniques, which are due to come into operation before the end of 1975, rely on imposing *penalties of time*, which will fall equally on all motorists, while the Singapore approach which is just starting now, rests on penalties of *cost* which will inevitably fall more heavily on poorer than on wealthier motorists. The fairness of this rationing by price was questioned at the conference. A Singapore official said that his government had given careful consideration to this issue and had decided that pricing alone of all restraint techniques promised to be effective. He also noted that no exceptions—for doctors, diplomats or cabinet members—would be granted. The Singapore government, unique among authorities described in the seven case studies, is also intent on curbing the growth of car ownership.

Limits on the use of cars are in all cases accompanied by measures to improve mobility by other means. Thus both Nottingham and Besancon have introduced new city-centres bus services that link stations and car parks with the main shopping and commercial streets. Both cities have expanded their bus fleets as well, in order to increase the frequency of service. Bologna has eliminated fares for rush hour travellers. Singapore is providing places for the owners of 10,000 vehicles to park on the fringes of the inner city and then ride on by express bus.

para-transit

Experiments are also underway on new kinds of public transport called "pare-transit" that are designed to give more personal service than is possible with municipal buses. One of these involves the use of shared taxis in place of buses during evenings and at weekends. Service of this kind are in operation in Besancon and Munich. Experiments are going on elsewhere with dial-a-ride services that take travellers from door to door, and with services to help car commuters give and get lifts from their neighbours, thereby making greater use of smaller numbers of cars.

Other forms of transport are not being neglected. Nagoya has created a 284 km long network of cycleway, and a city-wide system of segregated pedestrian and cycleways in Vasteras in Sweden has led to increases in the use of two wheel transport.

While it might be thought that measures to limit the use of cars would be confined to cities where ownership levels are very high, this does not appear to be the case. Thus, Singapore, Nottingham and Besancon are all intent on comparable objectives even though the number of inhabitants per car is 15, 5 and 3 respectively. The explanation is that congestion, declining transit services, traffic accidents and mounting environmental pollution are serious at all stages in the process of urban motorisation.

The case studies presented at the Better Towns with Less Traffic Conference also revealed that traffic restraint is being pursued in cities of very different sizes, as is indicated by the population figures for four of the cities examined : Nagoya (2,300,000), Singapore (1,500,000), Nottingham (548,000), Uppsala (105,000).

A recommendation made by OECD Environment minister in November, 1974, stressed the importance of policies of rapidly implemented low-cost measures. The conference accordingly did not study long-term urban infrastructure building programmes with budget which may run into hundreds of millions of dollars. On the contrary, the measures being taken, for instance in Nagoya, to protect residents from the danger and noise of through-traffic work out at about $ 30,000 per square kilometre, while the city's entire four year programme for limiting the ill-effects of traffic and improving public transport is costing $ 28,800,000.

At Besancon the cost of extensive pedestrian areas, improvements to a diversionary traffic route ringing the city centre, new buses and a new bus depot is $ 7,684,720. At Uppsala $ 119,083 has been spent on environmental traffic management and at Nottingham $217,03 a year is being spent on running improved bus services.

The implementing of traffic limitation policies typically begins with a year of an initial decision and then goes on for three or four more years. At Besancon, however, the pace of change was faster. A new policy was announced in January, 1937, and was largely effective by October, 1974. Speed has been of the essence in Singapore and Nottingham too.

II
The Consequences

The case studies in traffic limitation specify how the new approaches to mobility tie in with other objectives of public policy, such as improving the environment and conserving energy, and also describe popular reactions. While it is clear that further study is needed to identify the precise nature of energy savings resulting from traffic limitation, opinion polls carried out in Uppsala leave no doubt about the feelings of residents at least in that city. Following the introduction of priorities for pedestrians, cyclists and buses, 63 per cent of city centre residents and users expressed themselves to be very or fairly favourable to the changes, while 79 per cent of bus passengers, 67 per cent of cyclists and, perhaps most surprisingly, 54 per cent of car drivsrs were also favourable.

The new policies have brought about indentifiable benefits. In Nagoya, for instance, the introduction of "traffic cells" designed to protect over 100 square kilometres of the city from the danger and nuisance of through-traffic, produced a 43 per cent reduction in deaths within the protected areas and on roads surrounding them. An average decline in noise of three decibels was also recorded within the cells.

The other side of the coin is revealed in cities such as Nottingham, where the new central area bus services carry up to 100,000 passengers a week, and Besancon where a 31 per cent increase in passengers was recorded in the three months after the new arrangements came fully into operation.

Changes in policy frequently require changes in administrative methods. Thus in Nagoya the new policies were worked out by a traffic management committee of councilors and engineers attached to the Prefect of Police. In Singapore a Road Traffic Action Committee was set up to design and implement new policies. In these and other

cases the emphasis has been on creating management groups with clear objectives that bridge departmental divisions.

Would these policies to limit private cars in towns, and to improve services by alternative means of transport, have a significant impact on national production or employment ? The discussions during the conference suggest that, on the whole, they would not. The drop in demand for private cars is likely to be limited because such policies are only likely in cities of a certain size where traffic problems are severe and will therefore affect only a percentage of the cars. Cities of more than 100,000 inhabitants have only 20 to 50 per cent of the cars in OCED countries.

The drop in car sales is, moreover, likely to be compensated by increased demand for buses and other transport equipment and services generated by these policies.

To limit vehicle traffic will also help to conserve energy in cities, since private motor traffic consumes more fuel than most alternative means of public transport.

One of the most important tasks for the future is to evaluate and disseminate experience with measures, such as planned congestion and supplementary vehicle licences, that are still moving from theory into practice. It is one thing to agree that towns are better with less traffic : it is another to make this new policy a matter of widespread, everyday acceptance and practice.

Disappointing growth rate in Latin America

Javier Marquez

ARGETINA SHOULD expect a substantial fall [from the 6.5% increase in its GDP achieved in 1974, and Brazil's growth rate will be half the 10% obtained last year, while Mexico's GDP may grow by 4-5%, compared with 6% in 1974. Colombia's GDP will fall short of the 6% increase last year while Uruguay's will barely exceed 1%.. True, some meduim-size countries will probably maintain their previous rate of growth, as in the case of Peru (6—7%), or even improve on their 1974 performance, as in the case of Chile (which, however, will not achieve 5%) and particularly Venezula (up to 6—7% increase in its GDP, in spite of a 25% fall in its oil production), but all these cases do not suffice to counter in any significant degree the sharp decrease in the rate of growth of the three largest countries plus a larger number of smaller ones. A 5% growth rate for the whole region seems doubtful.

Mr Javier Marquez is the Economic Advisor, Banco Mexicana, S.A., Mexico.

This turn of the GDP results from the interplay of several, sometimes conflicting, forces which affect differently the individual countries. Among them the following deserve particular mention: political unrest inhibiting investment; loss of dynamism of the industrial sector in most countries, and even out-right decreases in industrial production (as in Chile), Venezuela being an outstanding exception; very contrasting situations in building (for example, depressed in Brazil, booming in Argentina, Mexico and Peru); overall growth of agricultural production at better rates than in the past; slower growth of exports; deterioration of the terms of trade.

Inflation in Argetina this year can be described as galloping, with price increases of probably over 400%. Chile's cost of living went up 195% in the first seven months of the year, although the trend is easing. However, in the other countries of the region the conflicting efforts of labour to obtain higaer wages and of the authorities to moderate inflationary public expenditure without imparing development have resulted in a rate of inflation which, although high, is lower than that of 1974 : in Brazil the rate of inflation may fall from 34% last year to 25% in 1975; in Colombia from 36 to 20%; in Mexico from 25 to 15%, wth similar relative decreases in other countries. It is worth nothing that anti-inflationary efforts, in spite of the mild suceess, have been influential in slowing the rate of development of many countries of the region-

delayed effects

Latin American countries were affected since and mid 1974 by the delayed effects of the economic recession in the industrial world, and are also late to benefit from the slow recovery since the middle of 1975; the prices of their primary exports continue low and at times such products meet with obstacles in importing countries (e.g. import limitations for meat in the EEC) Recession or slow recovery, in industrialized countries has also harmed the exports of manufactured goods by the more advanced of the Latin American counries. In some cases, the imports of the latter are very inelastic (this applies not only to oil) and in others are stimulated by domestic development policies and continuing inflationary pressures.

The balance of payments of Latin American nations has deteriorated in practically all of them. Thus the sharp fall of Argetina's international reserves to dangereous levels, notwithstanding several devaluations and import restrictions, is a well-known fact. Brazil's reserves may well fall by $1000 million, in spite of its exchange (mini-devaluations) policy and import restraints Mexico has managed to maintain its international reserves position at the cost of a steep increase in its foreign indebtedness. Countries of intermediate size, such as Colombia, Peru and Chile, will also have a deterioration in their balance of payments situation, and their efforts to refinance their foreign debt have been all the greater in order to avoid the utilization of their already scanty reserves.

No doubt, the oil countries (Bolivia, Ecuador, Trinidad and Tobago, and Venezuela) are *relatively* free from balance of payments problems, and so are a few (such as Jamica, Haiti and the Dominican Republic) which have found in bauxite a compensating factor for the high oil price. The difficulties which

(*Contd. on p. 422*)

More oil consumption leads to greater prosperity and larger exports

In 1975, the consumption of petrol in India declined to 1.25 million tonnes. What discourages consumption of petrol is its inordinately high price. Yet petrol is vital to keeping the huge transport network and the industrial economy on the move. Reduced consumption is a grave hindrance to the growth of the economy and results in a loss to the Government.

The case for petrol price reduction

The production costs (including refining, transportation and marketing expenses) and the selling price in India show the enormous scope to reduce the petrol price which is one of the highest in the world :

	Estimated Cost of Production per tonne	Estimated Taxes & Duties and Profits	Estimated Retail Price per tonne
Imported crude	Rs. 866	Rs. 3,950	Rs. 4,816
Domestic crude	Rs. 426	Rs. 4,390	Rs. 4,816

The ratio of imported to indigenous crude being 63% to 37% the total revenue (after deducting costs) comes to an estimated Rs. 514 crores.

A price reduction by Re. 1 per litre is thus possible and warranted. The resultant loss of revenue can be off-set by more employment, higher all-round production and consumption which will bring more revenue.

Increased petrol consumption brings all-round prosperity

Every country has found out that the car is an indispensable means of mass transport and not a luxury. That is why the socialist countries are also expanding their car industries in a big way. Even a small developing country like Malaysia considers the car a necessity and consumes 25,000 cars a year. If the motor car industry has done good to the rest of the world, it can do good for us as well.

In our country too the importance of the car cannot be overestimated. Had it not been for the growth of this industry even at the present rate of reduced consumption, India would have to spend over Rs. 100 crores annually for importing cars alone. Furthermore, the motor car industry provides employment to over 15 lakhs of our people. It is the only industry which generates demand for all sorts of goods. That is why sale of car is considered the most important barometer of National progress.

The car—indispensable means of transport

In India cars alone carry about as many passengers as the railways, though for short distances. Millions of people including doctors, engineers, lawyers, executives and school children use cars daily. Moreover, taxis are used by office goers, workers, casual riders and people from all walks of life. All these people are not rich. Nor do they use it as a luxury. The car therefore is an essential means of transport for a growing number of people. And a growing transport system is essential to a developing nation's economic and cultural life.

From imports to exports

If more petrol is consumed, say, by an additional import of 5 lakh tonnes of crude in the next two years, this will mean a foreign exchange outflow of about Rs. 37 crores. But increased consumption (even allowing for a price reduction of Re. 1 per litre) will bring to the Government an extra Rs. 134 crores by way of taxes and duties. This amount used in subsidizing exports to the extent of 20% would result in an added earning of about Rs. 700 crores—a net gain of Rs. 663 crores in foreign exchange. The above import-export equation could well be extended to all other fields. The export benefit in most cases will be 3 to 20 times the cost of import. Remember, if export goes up by Rs. 700 crores, it would provide a tremendous boost to other industries. This in turn will lead to more export and revenue generation.

Japan and many leading European countries do not produce oil. They have to meet their huge domestic demand by importing oil. They have certainly not been the poorer for it. Indeed, by encouraging their car industry in every way they have attained enviable social and economic prosperity and higher living standards. The table below shows the progress made by Japan in the field of car production and our own. While Japan's car production has increased by more than 180 times over the part 20 years, India's has gone up by only about 25%.

Production and Consumption of Cars (thousand)

Years	Japan	India
1955	20	26
1960	165	30
1970	3,179	45
1973	4.447	52
1975 (estimated)	3,617	32

As a result of this gigantic effort Japan's total export of all commodities, industrial employment and per capita income have left those of India way behind as the following table illustrates :

Years	Export of all Commodities (in million US dollars)		Industrial Employment (millions)		Per Capita Income (in US dollars)	
	Japan	India	Japan	India	Japan	India
1955	2011	1288	19.0	6.1	224	57
1960	4055	1429	23.3	7.2	458	73
1970	19318	2026	33.0	9.8	1887	99
1973	36930	2946	35.3	10.8	3782	104
1975 (est)	54402	4387	36.7	11.3	4485	106

Japan has to import practically all its basic raw materials including iron ore, coal and oil. Yet it is among the world's largest exporters. Its success is due to the emphasis it has given to car manufacture. India has coal, iron ore, bauxite and plenty of oil under soil. If Japan could achieve prosperity without any natural resources there is no reason why India should lag behind. A 5000 billion dollar world market is open to us for export.

To achieve our Prime Minister's objective of removing poverty, we must ensure increased consumption for everybody. This is a tried and proven method of greater foreign exchange earning. Today the recession in the automobile industry—to which the petrol price rise is a major contributory factor—has affected all industries. The industries affected make up a formidable list—iron and steel, copper, zinc, tin, lead, chemicals, paints, textile, machine tools, bearings, electrical fittings, rubber goods, nylon etc. A large number of engineering talents, technicians and craftsmen are idle and employment of others is threatened. The over-all effect of a reduction in the price of petrol will therefore be increased production, greater employment, larger revenues and export earnings and more consumption leading to higher living standards.

Reduced petrol price is a must for greater employment and prosperity.

What is good for the automobile industry is good for you.

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beset the countries that are self-sufficient in oil, or exporting on a small scale relative to their overall exports (such as Argentina, Colombia and Mexico) have a different origin. It is the smaller countries and the more dependent on oil imports (such as Costa Rica, Panama and Uruguay) which are faced with an extremely difficult situation.

Few expect a radical change in the situation of the region as a whole in 1976. It will not be a good year for Latin America.

Europe changes gear

Derek Riley

Mr Derek Riley is Director of Economic Research, Eurofinance, Paris.

To HAVE been automatic, a special linkage—generally expected to be a revival in world trade—would have been required. This linkage has proved defective throughout 1975. The decline in world trade worsened and one government after another has felt obliged to apply ever greater stimulants to domestic demand and to run unprecedented budget deficits. These in a sense are a belated, and partly in consequent overcompensatory, response to the excise tax effect of the 1973 OPEC oil price hikes. As the initial impact of the latter was inflationary, most governments did not feel free to act immediately, fearing that they would only aggravate inflation. Delaying the action served to exacerbate the recession in 1975 ; it may add unwanted fuel to the next boom.

We thus find ourselves with an accentuated cycle. The severity of the 1974-75 setback should have dampened inflation more than in an 'ordinary' cyclical trough. Unfortunately, because the associated level of unemployment and corporate shake-out would be intolerable in advanced democracies with their powerful pressure groups, high inbuilt inflation still cannot be curbed sufficiently to allow investment to lead an upturn.

more consumption

Nevertheless, other ingredients for a 1976 upturn are now in place. The main support for the recovery must come from private consumption, as confidence returns and not least because wage rates, increasingly indexed to inflation either de facto or de jure, have typically stuck at high levels. There is considerable scope for a decline of the personal savings ratio, though this may occur only gradually as new job creation will lag the bottom of the cycle. Underemployment is widespread and (on a seasonally adjusted basis) European unemployment may not peak before next summer.

There should also be limited inventory rebuilding and some recovery for construction, in belated response to the massive past stimuli to this hard-hit sector. The main weak spot will be investment in machinery and equipment. Domestic and foreign demand will have to reach much higher levels for this component to revive on a broad front. Exports once again will disappoint.

Measures of Performance for W. Europe

(% increase, weighted by individual countries' GNP at 1975 exchange rates)

	Year-on		Closing months at annual rates	
	1975	1976	1975	1976
Real GNP	−3	2	1	6
Private consumption*	1	3	2	7
Consumer prices	13	9	11	7
Fixed investment*				
Construction	−15	5	1	10
Machinery/ Equipment	−10	−3	−5	2
Merchandise exports*	−8	−2	−3	4
Merchandise imports*	−9	−1	−3	5
Unemployment**	4	4	4.5	4
Industrial Production	−9	3	0	8

* by volume* *per cent of labour force, excluding partial unemployment

Yet, if year-on for 1976, first gear only appears to have been engaged (see the table), *during* the year second gear will be increasingly operational. Because of the abrupt drop in activity throughout 1975, in order to achieve real GNP growth of even 2 per cent Europe must expand atan annual rate of 6 per cent during most of the year. Even so, at year-end, the European economy may at best find itself only where it was in 1974.

We may anticipate that credit in most markets will remain easy throughout 1976. Despite heavy public deficits, interest rates could moderate, as there will be little demand from the private sector for fixed investment, while at the same time cash flow should be redressed from admittedly highly depressed levels.

latent inflation

Europe's economic health will appear to improve as the year advances. Lower unit labour costs should be partly reflected in lower price hikes. On a short-term horizon, inflation could appear to have been mastered. However, far from being eradicated, it will merely have become latent.

Of course, the foregoing are broad generalizations for Europe as a whole, but most can be applied to individual countries with a rule of thumb. The first countries into the recession will be the first out. The order among major European countries may thus be W. Germany, France, Italy, and the U.K. Because they are heavily influenced by these markets, the Benelux countries and Switzerland should slot in the middle. Scandinavia and Spain will trail. 1976 could set the scene for renewed bottlenecking and price tensions in 1977, but that is another saga.

Business outlook in North America

John D. Wilson

Mr. John D. Wilson is senior Vice President and Chief Economist, the Chase Manhattan Bank, N.A., New York.

BUSINESS ACTIVITY in the United States fell sharply during the early months of the year, but then began a marked improvement through the summer and autumn months. To a considerable extent this change reflected a wide swing in inventory spending. Business cut back in inventories at a record rate in the first half year, but began buying for inventory again in the second half, industrial production, Gross National Product and unemployment all reflected this swing. Gross National Product, the broadest measure of economic activity, will undoubtedly end the year in real terms slightly higher than twelve months earlier. On the average, however, real GNP in 1975 will be down about three per cent from 1974.

Looking, ahead, most estimates foresee real GNP in the United States rising on the order of six per cent in 1976, both on average and from year-end to year-end. An increase of this magnitude, however will only carry back economic activity to levels prevailing at the previous peak in 1973. In consequence, unemployment will remain a major problem. While the unemployment rate has declined from a peak of 8.2 per cent to a current level near 8.25 per cent it appears unlikely to fall below seven per cent in the coming year. This promises to make unemployment a major issue in Presidential campaign of 1976.

slower advance

In some respects the Canadian economy has fared better than that of the United States, but in others it is worse off. Real GNP on the average in 1975 will be about equal to 1974. However, in 1976 the advance is likely to be less rapid than in the US—perhaps on the order of four per cent.

The major problem in Canada hasbe en continuing inflation, with prices rising at a rate of 11 per cent or more. Rapid increase in wage rates have pushed prices steadily higher. To cope with this, the Canadian government in October introduced a system of limited wage-price controls. These will undoubtedly cut the Canadian rate of inflation in 1976, but it remains to be seen if they can be effective over the longer run.

Inflation in the United States, in contrast, showed a decided improvement during 1975. Consumer prices have risen about seven per cent during the course of the year, compared with 12 per cent in 1974. There is widespread concern that double-digit inflation may erupt again, but most forecasts foresee prices continuing to rise in six per cent to seven per cent range over the coming year.

The government provided a moderate stimulus to the US economy with tax cuts in May and June. These contributed to an increase in consumer buying in subsequent months—a development in which the depressed automobile industry has shared. The industry currently looks for sales of 9½ to 10 million cars in 1976—a decided improvement over 1975, but still far short of the 11½ million units sold in 1973.

Two areas of the economy that continue to lag are housing construction and business capital investment. Both should expand in 1976, but not vigorously. Capital investment in particular is not likely to increase markedly until the second half. At that time rising corporate profits should provide a stimulus for heavier capital spending.

Foreign trade, on the order hand, has contributed positively to the economy. Exdorts have been well maintained, while imports have declined in volume (although not in value). As a result the United States will run a trade surplus on the order of $ 10 bilion in 1975. But in 1976, with the economy expanding, imports are expected to advance more rapidly than exports. Depreciation of the US dollar in early 1975 helped foreign trade. But the dollar has now returned to a more normal relationship with other currencies.

Canadian foreign trade in 1975 has been a mirror image of that in the United States—with weak exports (particularly to the US) and a trade deficit. Canda's trade position should improve in 1976, in step with a strengthening of the US economy.

One final development bears mention—the relatively high level of interest rates in the United States. Although rates declined significantly from peak levels in 1974, new issues of high quality bonds have carried yields between 9 per cent and 10 per cent, while the prime rate of banks has fluctuated between 7 per cent and 8 per cent. Rates are expected to rise in 1976, especially as the government continues to run a huge deficit. High rates will retared homebuilding, and they may also slow the expansion in capital investment.

TRADE WINDS

Accounts and Audit Separated

THE UNION cabinet has already approved of a scheme for separation of accounts from audit in a phased manner completing the coverage at the centre by October 1, 1976. President has promulgated two Ordinances on March 1, 1975 to facilitate the separation of accounts from audit. The first Ordinance amends the first proviso to Section 10(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, so that it would be possible to relieve the Comptroller and Auditor General of the responsibility for compiling the entire accounts of the union either at once or by stages. The amendment is necessary as under the existing provisions the Auditor-General may be relieved of the accounting responsibility only of a particular service or department. Similar powers have been taken in regard to the accounts of the state governments and the governor of a state with the prior approval of the President may relieve the Comptroller and Auditor General of his responsibility for compiling the entire accounts of the state governments either at once or by stages.

Consequent on the separation of accounts and setting up of departmentalised accounts in the ministries/departments, it is necessary to transfer trained personnel with the requisite skills and experience from the organisation of C&AG to the ministries and departments. The second Ordinance provides that it will be lawful for government to transfer officers and employees working in the Indian Audit and Accounts Department and government will be assisted in this task by one or more advisory committees. The personnel on transfer will sever their connections with the Indian Andit and Accounts Department. Persons transferred will be entitled to be appointed to posts which are equivalent to those held by them in the parent department. The substantive status of permanent government servants has been preserved.

CAG's Organisation

Nearly 7500 government servants working in the CAG's organisation in different grades and scales will be transferred in the first phase of separation of accounts due to take place on April 1, 1976. Of this nearly 7250 persons will move to Directorate of P&T. The separation of accounts from audit is a means to an end. With the integration of accounts with management, as a result of separation of accounts from audit, the existing lacunae arising from externality of accounts will disappear and accounting will be an aid to cost effective management at all levels starting from the lower operational level to the ministry.

The new system would also do away with an element of duplication of accounting work now prevailing wiih the departments and Audit Offices, maintaining similar accounting records. With the proposed cheque drawing powers to Pay Offices, speedy settlement of all claims of employees as well as the citizens may be expected. When full coverage on departmentalisation of accounts in all ministries is extended by October, 1976, compilation of accounts would be speeded up thereby providing necessary inputs to Management Information System for better financial control and performance appraisal.

Review of Sole Selling Agencies

The Company Law Board is at present engaged in a detailed review of Sole Selling Agency in various industries. The future appointment of Sole Selling Agencies has already been prohibited in sugar, vanaspati, cement and paper industries. The detailed review relates to not only these four industries but some others also. Upto December 31, 1975, 58 cases out of the 226 marked for a detailed review had been taken up by the Company Law Board. The Sole Selling Agency was terminated immediately in five cases and after allowing a short period for readjustment in 20 other cases. In 16 cases the agreements were approved after making some modifications so that the terms of appointment may not be detrimental to the interest of the company. In 15 other cases, the terms of agreement were found to be reasonable and approved as such.

Undesirable Practices

The review revealed several undesirable practices such as payment of sole selling agency commission disproportionate to the cost of services rendered, appointment of partnership firms in which directors were interested as Sole Selling Agents, payment of exorbitant, overriding commission even where marketing is done through a system of sub-agents and distributors and an attempt at siphoning of the funds of the company by way of Sole Selling Agency commission.

The terms of the agreement were subjected to a close scrutiny and each case was decided having regard to the relevant factors such as the nature of the products manufactured by the company, the market share of the company in such product, the extent of competition; the interest of the Sole Selling Agents in the principal company; the interest of the directors in the sole selling Agents; the expenses incurred by the Sole Selling Agents in marketing the products and the net profits earned by the Sole Selling Agents after meeting the expenses; the nature of the services rendered by Sole Selling Agents; the extent of bulk sales and sales to government departments, etc.

Regulated by Law

The appointment of Sole Selling Agents is regulated by section 294AA of the Companies Act which was introduced by Companies (Amendment) Act, 1974. The provisions of the amendment act were brought into force with effect from February 1, 1975. In respect of the Sole Selling Agency agreements which were subsisting on that date, Sub-section (6) of Section 294 AA of the Companies Act provided that the same shall be terminated unless the approval of the Company Law Board was obtained by the Companies concerned within six months of the date of the commencement of the amendment act. The Company Law Board received a large number of applications which attracted the provisions of Sub-section (6) and (8) of Section 294AA of the Companies Act in several industries. of these 226 were selected for a detailed review by the board in a phased manner spread over 1975-76.

IDA Credit for Industrial Imports

Industrial development in India will be assisted by a credit of $ 200 million from the International Development Association (IDA), an affiliate of the World Bank. The credit will enable some 800 medium- and large-scale enterprises in selected priority industries to maintain and expand production and exports. It will meet part of the foreign exchange requirements of about $ 990 million during 1976-77 for imports of raw materials, components and spare parts and will provide $ 5 million to meet the foreign exchange cost of technical know-how and balancing equipment required for the modernization of selected industries.

The industries selected are vital to the key sectors of agriculture and power and to further development of engineering goods exports. The industries are tractors, power tillers, fertilizers, pesticides, heavy earth moving equipment, electrical generators and boilers, electrical equipment, transformers and switchgear, machine tools, commercial vehicles and automotive ancillaries. The IDA credit to India is for 50 years, including 10 years of grace. It will be interest-free, but will carry a service charge of 3/4 of one per cent to cover IDA's administrative costs.

Funds For Railway Rolling Stocks

The Finance minister, Mr. C. Subramaniam has sanctioned an additional sum of Rs 28 crores for the rolling stock programme of the railways to keep the production levels in the various supplier units of coaches, wagons and locos fully occupied. The Finance minister's decision will also helo maintain the level of employment and production in the heavy engineering sector so that continuous levels of operation and the higher production resulting in the last few months could be absorbed by the railways.

This amount is in addition to Rs 25 crores already provided for the wagon units in July last. The budget provision for the Railways Rolling Stock Programme was originally for Rs 123 crores and with the additional funds provided now and in July last the outlay for 1975-76 has risen to Rs 176 crores. The question of additional funds was discussed at a high level inter-ministerial meeting between the Finance ministry, Railway Board, Heavy Industry and the Planning Commission. The fresh allocation includes Rs 7.25 crores for wagons procurement which is in addition to Rs 25 crores provided in July, and will enable the railways to procure nearly 10,000 wagons during the current year.

The additional allottment will help the units like Jessops, Bharat Earth Movers Ltd., who supply the coaches, Bharat Heavy Electricals who supply the electrical system for the locos etc., and the wagon units in the public and private sector. The Bharat Earth Movers will be supplying 260 coaches during the current year, Jessops 207 coaches and BHEL traction motors and electrical control system for the coaches and the locomotives.

Raw Materials for Plastic Units

The ministry of Industry and Civil Supplies has taken steps to ensure the supply of essential raw materials to small-scale industries producing plastic processed goods like woven sacks, plastic film, plastic buckets, fishing nets and industrial components, etc. The decision was taken earlier at a meeting of large-scale manufacturers of high-density polyethylene and low-density polyethylene convened by the ministry. HDPE and LDPE are the two essential raw materials for the plastic goods industry. Arrangements have also been made to import these raw materials in order to ensure adequate pipeline stocks during the next few months.

Small-scale units in the backward districts will particularly benefits as a result of the steps taken by the government. There are about 4,000 units in the small-scale sector manufacturing plastic goods of various types. A large number of these are located in rural areas and backward districts. The ministry has decided that facilities of bank guarantees would be extended to these units in order to prevent locking up of capital of the small units in the rural and backward areas in despatch of supplies by the manufacturers.

Scheme for Cement Research

The Committee for Direction of Cement Research (CDCR), recently set up by the government of India, has formulated a new Cement Research Scheme for boosting scientific and technological support to the cement industry. This scheme aims at mobilising and channelising the technological talent and infrastructure available in the country. It plans to tackle R & D problems which have been already identified.

Cement Research Scheme aims to achieve the following objectives under five major R & D areas : (1) Encourage and promote the rapid growth of R & D work in cement and allied industries and develop indigenous means, methods and machinery; (2) Bring in qualitative and quantitative improvement in R & D in preserving and strengthening the existing co-operative structure between research and industry; (3) Make the recent advances in contemporary science and technology available to industry in appropriate forms through the agency of Cement Research Institute as the focal organisation; (4) Speed up effective utilisation of R & D results in cement manufacture and allied industries; and (5) Protect consumers' interests.

The five major priority areas of R & D in the cement industry are raw materials usage, production processes and operations, manufacture and use of machinery, packing, storage and distribution, and marketing and applications of cement. The scheme provides, assistance through full grants, partial grants, matching grants, loan grants, etc. The assistance provided may also be in the form of manpower and infrastructural facilities created by the Cement Research Institute of India (CRI). Some of these facilities are the best of their kind in the world.

Under the scheme, any individual claiming technical competence and institutional support can make a project proposal by clearly spelling out the objectives sought to be achieved, benefits likely to accrue, the cost and time targets. Projects which have multi-institutional or multi-organisational participation, with each participant concentrating on a specific facet of the problems, would be given preference for the purposes of assistance. Guidance and assistance would be given by the Project Monitoring Centre of the CRI for formulating their proposals.

Gunta Dam Project

The Planning Commission has accepted the Gunta Dam Irrigation Project in Uttar Pradesh, which is estimated to cost Rs 1.85 crores. The project envisages construction of a 5.7 km. long earthen dam with a maximum height of 20 metres across Gunta Nalla about 1.6 km. upstream of the crossing of the nalla with Banda-Allahabad road near village Raipur (district Banda). A gated spillway is to be constructed to route a maximum flood discharge of 650 cusecs. A contour main canal 20.7 km. long is proposed to be constructed to provide annual irrigation of 3878 hectares. The project will provide annual irrigation for 3040 hectares for Rabi and 838 hectares for Kharif.

Agricultural Field Experiments

The Institute of Agricultura Research Statistics is considering a scheme for publication of compendia on agricultural field experiments for each agricultural crop. The compendia will analytically present the data of experiments carried out at various research stations in the country and under the centra projects initiated by the Indian Council of Agricultura

Research. These compendia will be of immense use not only to research workers for planning future investigations, but also to extension workers so that they can recommend proper agricultural practices to the farmers. They would also assist the agricultural administrators in evaluating the results in different areas and disciplines so as to formulate future lines of research and development.

The Institute collects the data on the experiments and is statistically analysed and classified into different categories such as manurial, manurial-cum-varietal, cultural and irrigational for periodical publication. The compendia for each experiment details the results according to the year in which the experiment was carried out, the location, the objectives, other ancillary information etc. and gives a summary of the results of investigation.

Food Procurement

The pace of procurement has witnessed new strides following a good crop and the tightening up of measures to step up procurement, both by way of levy and price support. In the South zone of FCI, which comprises of Andhra Pradesh, Karnataka Kerala, Tamil Nadu and Pondicherry, the FCI owned over 800,000 tonnes of storage capacity and the entire available storage space is filled with foodgrain stocks.

The Central Warehousing Corporation has also made available to FCI storage space to the tune of over 350,000 tonnes. The State Warehousing Corporation have leased out to FCI about 125,000 tonnes storage capacity in all the southern states. Over and above, FCI has acquired space from private parties and the state governments to the tune of about two lakh tonnes. All these sources together have yielded a storage capacity for about 1,5 million tonnes and the entire space has been made use of by FCI and search for new godowns is in full swing.

Implementation of 20-Point Programme

The chief executives of the nationalised banks at their meeting held recently pledged to give continual impetus to the implementation of the 20-point economic programme. The meeting was presided over by Mr Pranab Mukherjee, minister for Revenue and Banking. The governor, Reserve Bank was also present. The meeting discussed the areas in which the banks had a role to play in the successful implementation of the programme. Various schemes already formulated by the nationalised banks for providing finance to allottees of land, the rural poor and the artisans were outlined. Steps to improve the implementation of the Lead Bank Scheme, Regional Rural Banks and the Customer Service also came up for discussion.

The meeting recognised that the cooperatives, commercial banks and the newly established regional rural banks should all play an active role in meeting the credit needs of the rural population by working in cooperation with other. Since it was not possible for the commercial banking system alone to reach all the cultivators individually, the meeting decided that every effort should be made to strengthen the primary cooperative credit structure.

Problem of sickness in industry and the need for banks to devise, in coordination with the financial institutions, a system for detecting incipient sickness for taking remedial measures was discussed at length. The bank undertook to revamp the machinery to implement more effectively the Lead bank Scheme in the light of the recommendations of the study group appointed by the Reserve Bank of India.

Gujarat Budget

Under pressure from the farm lobby in the Assembly, tax revenue of Rs 12.21 crores out of the Rs 32.67 crore fresh taxation proposed in the Gujarat budget for 1976-77 has been agreed to be given up. Mr Babubhai Patel, chief minister who also holds the Finance portfolio, announced in the Assembly on February 26, that the government wanted to dilute the Rs 10-crore cash crop levy mooted in the budget. It would also give up hikes in education cess, sales tax on several commodities, non-agricultural land assessment and raise the exemption limit in the professional tax from the proposed Rs 650 a month to Rs 1,000. The hike in the electricity duty would also be modified. The cash crop tax would under the modified formula yield only Rs 55 lakhs. These changes would reduce the income estimated from the fresh measures by Rs 21.21 crores, which included a reduction of Rs 9.45 crores in the yield of the cash crop levy, of Rs 25 lakhs in the sales tax, Rs 50 lakhs in the electricity duty, Rs 1.70 crores in the education cess, Rs 25 lakhs in professional tax and Rs 6 lakhs in the non-agricultural land assessment.

Reduction in Construction Cost

About 33 per cent reduction in the cost of construction and economy of about 20 per cent cement and 40 per cent steel is expected to be achieved in the construction of Janta Houses built by the Ghaziabad Improvement Trust with the technical assistance of the Central Building Research Institute, Roorkee. The reduction in the cost of construction and economy in the use of cement and steel is to be effected by adopting prefabricated panel system and other measures without loosing the functional utility of the houses and the speedy construction. A number of other new features have also been incorporated in the construction of these houses. These include : use of countrywood in door and window shutters brick water spouts for rain water and PVC Water pipe line instead of galvanised iron pipe.

The conventional system of RCC roofing has altogether been avoided and the roofing has been laid by precast brick roof panels and partially by precast RCC beams. Under this project 1550 Janta Houses for those having maximum income of Rs 350 P.M. are being constructed. The whole project is estimated to cost about Rs. 1.19 crores for which the financial assistance is being extended by the Housing and Urban Development Corporation.

Tourism Development Corporation

The India Tourism Development Corporation has declared its first ever dividend of Rs 25 per equity share for the year 1974-75. An amount of about Rs 30 lakhs representing the value of the dividend has been paid to the government of India. In its most successful year so far ITDC's net profits at Rs 73.44 lakhs registered a new record representing an increase of 92.5 per cent over 1973-74. Turnover during the year was Rs 13.12 crores against Rs 10.88 crores in the previous year. The average capital employed during the year amounted to Rs 15.31 crores and the rate of return works out at 4.96 per cent as compared to 3-64 per cent during 1973-74. The corporation has always shown a profit since its inception in 1966; its present structure as an amalgmated corporation emerged in 1969.

Several ITDC hotels have also turned in record profits. In New Delhi, the Ashoka's net profit was about Rs 53 lakhs, an increase of nearly 18 per cent over the earlier year. The Akbar earned a profit of Rs 15.4 lakhs, more than three times the figure for the previous year. The Janpath Hotel profit of Rs 16.85 lakhs is almost twice as much as for the previous year, and for the first time Lodhi Hotel has come out of the red with a profit of Rs 2.64 lakhs. The Ranjit Hotel too has done better and reduced its losses from almost Rs 12 lakhs in the previous year to Rs 5.33 lakhs during 1974-75. The Qutab Hotel earned only a marginal profit. Maintaining its run of profits, Ashoka Bangalore returned a figure of Rs 5.16 lakhs. Though some of the smaller units showed losses, their performance has improved. The total turnover of this units has increased by 70 per cent from Rs 47.63 lakhs in 1973-74 to Rs 81.16 lakhs in 1974-75. Many of these units are still in their gestation period and efforts are being made to boost their results through publicity and sales promotion campaigns.

Recent additions to the ITDC facilities have been the commissioning of the Kovalam Hotel which marked the completion of the Kovalam Beach Resort, the Airport Hotel, Calcutta, a 100-room expansion of Hotel Ashoka in Bangalore and the opening of the Bharatpur Forest Lodge to serve tourists visiting the Ghana Bird Sanctuary. A new transport unit has opened in Bhubaneswar. Two more projects are nearing completion. The first, a 50-room hotel in Patna is expected to be ready next month. A 60-room expansion of the Aurangabad Hotel is likely to be completed shortly.

Central Schemes for Fisheries

A number of central and centrally sponsored schemes launched by union government are expected to bring about a major transformation of fisheries in Tamil Nadu. The schemes cover not only such large projects as the construction of the country's biggest fishing harbour at Madras and assistance to the State Fisheries Corporation but also the development of infrastructure and assistance to fishermen including extension training facilities. Under these schemes, a medium fishing harbour has already been completed at Tuticorin for which the central government released an outright subsidy of Rs 208 lakhs.

New Projects

A deep-sea fishing harbour fully financed by the central government at an estimated cost of Rs 668 lakh is now under construction at Madras and expected to be completed by the end of 1976. Fishing harbours, are currently being constructed at Kodaikarai and Mallipatnam also, both together costing Rs 25 lakhs. Two centres have already been identified for development of operative infrastructure facilities in fishing villages along the Tamil Nadu coast. The central government has also a scheme for providing financial assistance to State Fisheries Corporation. In addition, the union government is coordi-

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

NOTICE

Notice is hereby given that the Board of Directors of this Company at a meeting held on 27th February, 1976, have declared payment of an Interim Dividend on the Company's Preference Stock for the year ending 31st March, 1976, at the rate of 3% gross. Payment will be made on 9th April, 1976, after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 20th March, 1976.

Applications for transfers received in this office up to 20th March, 1976 will, if otherwise satisfactory, be registered at the date for the purpose of participation in the above Dividend. The Registration of Transfers of Preference Stock in the Calcutta Register will remain suspended and the Register of Preference Stockholders in Calcutta will remain closed during the period from 21st March to 27th March, 1976, both days inclusive.

By Order of the Board
(S. K. NIYOGI)
Secretary

Victoria House
Calcutta 700 001.
28th February, 1976

nating the import of large fishing vessels from Mexico to be operated by the corporation.

Performance of Plate Mill

The plate mill of the Rourkela Steel Plant has achieved the annual target of 220,000 tonnes for the year 1975-76 on February 12, 1976. With the production of 10,992 tonnes so far in this month, the cumulative production of the year amounts to 220,042 tonnes. Because of the importance of plate mill products to the national economy, the performance of the plate mill is extremely creditable. The mill had been operating at and above the rated capacity for the past six months in succession since September 1975. This operation above the rated capacity has been primarily responsible for bettering the target with still one month and seventeen days yet to go.

Joint Working in Steel

Mr. J. de Givry, Chief, Working Conditions and Environment, ILO, was highly appreciative of the role played by the Joint Negotiating Committee (JNC) now known as National Joint Consultative Committee (NJCC) in the field of participative management in steel industry in India. Mr de Givry stated that he had been closely following the working of the JNC ever since its inception in 1969 and from the measure of success achieved it would be wrong to continue to call it an experiment. He expressed his views during his recent visit to India.

Gem and Jewellery Exports

Exports of gem and jewellery items from this country recorded a moderate increase during the first seven months of 1975-76 (April-October 1975) over the exports during the corresponding period of 1974-75. The exports were of the order of Rs 624 million as against Rs 561.60 million in the respective periods. Diamonds, precious and semi-precious stones and pearls constituted the specific items that recorded a notable increase in their foreign exchange realisation during April-October 1975, compared to the same period in the preceding year. Diamonds, for instance, secured as much as Rs 488.35 million as against Rs 442.25 million, recording an increase of 10 per cent.

A similar uptrend was noticed in respect of precious and semi-precious stones when the exports secured Rs 104.70 million compared to Rs 94.65 million. The increase was of the order of 10 per cent. Pearls also recorded a sharp increase at Rs 7.4 million as against as Rs 3.25 million. Besides these items, gold jewellery, non-gold jewellery, imitation jewellery and synthetic stones also recorded moderate increase in their foreign exchange earning during April-October 1975.

COMPANY AFFAIRS

Century

THE DIRECTORS of Century Spg. & Mfg. Company Limited have maintained the equity dividend at 33 per cent for the year ended December 31,1975. A part of the dividend is expected to be tax-free in the hands of the shareholders. The company is applying to the income-tax authorities to determine the quantum of tax free diviend under section 80 K of the Income tax Act. Although the company's gross sales recorded a smart rise to Rs 103.35 crores from Rs 91.71 crores, gross profit declined to Rs 18.87 crores from Rs 26.36 crores in 1974. Out of the gross profit, the directors have appropriated a sum of Rs 329.54 lakhs to depreciation reserve as against Rs 260.55 lakhs in 1974 while the allocation to development rebate reserve was reduced from Rs 121.00 lakhs to Rs 95.00 lakhs Taxation absorbed Rs 870.00 lakhs as compared to Rs 1580.00 lakhs in the preceding year. The net profit, after these allocations,was still lower at Rs 592.26 lakhs as compared to Rs 674.30 lakhs in 1974. After making other adjustments the disposable amount came to Rs 866.15 lakhs which has been transferred to the general reserve. The proposed dividend of Rs 33 per equity share, absorbing Rs 2.34 crores, will be paid in accordance with the provisions of the relevant law for the time being in force which when sanctioned will be paid out of the current profits of the company earned during the year and transferred to general reserve.

Precision Bearings

Precision Bearings India Ltd. has submitted a proposal to the government for a major expansion programme involving an outlay of around Rs 12 crores. As a result of this expansion the company's annual licenced capacity is expected to go up to 8 million bearings from 2.9 million bearings at present. This would result in a turnover of Rs 20 crores. Meanwhile the machine for the manufacture of spherical roller bearings is expected to start trial production by the end of this month. Marketing of this new bearings might start in two months thereafter. The spherical roller bearings division will add a turnover of about three crores of rupees in three to four years. Its licenced capacity is to produce 18,000 bearings per annum.

The company's performance in the current year so far is quite encouraging. Its production in the first five months of the current year were higher at Rs 2.34 crores as against Rs 1.54 crores in the corresponding period of the previous year. But sales were lower at Rs 1.25 crores as against Rs 1.31 crores. The pre-tax profit is estimated at Rs 16 lakhs as against Rs 19 lakhs. The decline in sales was due to lower in-take of orders for the period of strike and immediately thereafter owing to recession in certain industries. The present situation, however, is a passing phase and the long-term profits for the bearing industry is on the whole encouraging.

Walchandnagar Industries

Following encouraging working results the directors of Walchandnagar Industries have stepped up the equity dividend to 12 per cent for the year ended September 30, 1975 as against 7.7 per cent paid for 1973-74. The turnover during the year advanced briskly from Rs 21.85 crores to Rs 24.53 crores while gross profit too moved up sharply from Rs 142.18 lakhs to Rs 171.62 lakhs. Out of the gross profit, the directors have provided a sum of Rs 48.37 lakhs to depreciation reserve as against Rs 48.37 lakhs provided previously, while the allocation to development rebate reserve was reduced from Rs 6.51 lakhs to Rs 0.43 lakh. Taxation absorbed Rs 64.40 lakhs as against Rs 38.60 lakhs in the earlier year. The net profit after these allocations was still substantially higher at Rs 58.15 lakhs as against Rs 48.71 lakhs in 1973-74. During the year the quantity of cane crushed was larger on 2.16 lakh tonnes as as against 1.47 lakh tonnes and that of sugar produced at 2.35 lakh bags as against 1.41 lakh bags. The recovery of sugar also improved from 9.54 per cent to 10.85 per cent.

Nuchem Plastics

To commemorate the Silver Jubilee Year, the Directors of Nuchem Plastics Ltd have recommended dividend of 15 per cent on equity shares and 9.5 per cent on redeemable preference shares for the year ended September 30, 1975. In 1973-74, the company paid an equity dividend of 12 per cent. Out of the recommended dividend, 10 per cent will be paid this year on approval of the share-holders and the balance in two equal instalments. A part of the dividend is exempt from the Income-tax under Section 80K of the Income-tax Act, 1961. The receipts from sales and other income amounted to Rs 5.14 crores against the previous year's figure of Rs 5.79 crores. After adding to it, the balance in the appropriation account Rs 24,908 (last year Rs 76,243) and transfer from the development rebate reserve no longer required of Rs 1,51,412 (last year Rs 10,350) and deducing therefrom depreciation of Rs 23.35 lakhs (last year Rs 24.47 lakhs and gratuity Rs 4.80 lakhs), the balance available for disposal came to Rs 21.21 lakhs (last year Rs 21.99 lakhs).

Disposal Surplus

Out of the disposal surplus, the directors have transferred a sum of Rs 10 lakhs to general reserve as against Rs 2.12 lakhs while the allocation to preference share redemption reserve was maintained at Rs one lakh. No provision has been made for development rebate reserve as against Rs12.30 lakhs allocated previously while a sum of Rs 1.55 lakhs was earmarked for taxation as against no allotment in the previous year. This leaves a balance of Rs 8.66 lakhs, which was higher by Rs 2.09 lakhs as compared to 1973-74.

The production in all the divisions of the company suffered due to shortage of power in the early part of the year. However, in the later part, the power position eased and production also improved. During the year the ban on the export of plastic raw materials covering UF/MF Moulding Powders was imposed. Partly due to electricity shortage or partly due to ban, the exports could not be improved in spite of all efforts. The company is vigorously pursuing the government the release of raw materials at international price for export purposes The company has been awarded Top Export Award for exporting raw materials. The research and development centre continues to assist the company in improving the company's products and in the development of new processes which are being offered

› industrial units inside the ›untry and abroad.

‹esar Sugar

Kesar Sugar has suffered setback in its working dur- ›g the year ended September 0, 1975. Although sugar, roduction was a shade higher .42 lakh quintals as against .41 lakh quintals and the ugar recovery was up from :.91 per cent to 9.07 per cent he company has suffered a ›et loss of Rs 34.12 lakhs as ›gainst a net profit of Rs ›9.25 lakhs in 1973-74. Hence :he directors have decided to ›kip the equity dividend for 1974-75.

The directors attribute the loss to all round steep rise in the cost of production without adequate and timely increase in the levy prices of sugar and fall in the free sale prices as compared to last year. The distillery produced alcohol much below its capacity owing to absence of demand from the synthetic rubber factory in the earlier part of the year but the overall offtake was higher than in the previous year. The chemical factory recorded lower production and profitability owing the short-age of power, abnormal rise in the cost of furnace oil, higher wages and general recessionary conditions in the chemical market for most part of the year. Comment-ing on the current year's working the directors state that the cane supply is likely to be lower by about 10 to 15 per cent though the recovery is expected to be higher. The company is seeking an indus-trial licence for manufacture of 3,000 tonnes of soyabean oil and 11,000 tonnes of soya defetted cake and flour per annum.

Excel Industries

Excel Industries is parti-cipating in a joint sector ven-ture in association with Pun-jab State Industrial Develop-ment Corporation for the manufacture of malathion. The company has entered into a technical and financial collaboration agreement with PSIDC and a new company styled Punjab United Pesti-cides and Chemicals has been incorporated for this purpose. The new company will ini-tially have an issued share capital of Rs 80 lakhs of which Rs 20 lakhs will be subscribed by Excel industries and its nominees.

Lurgi India

In the past few years Lurgi India Company Private Ltd. has been working vigorously on the development of anodes for electrolytic processes evol-ving gas. After having tested several anode configurations successfully in its laboratories as well as in semi technical plants, the company decided to proceed further and to undertake some full scale tests. For this purpose the company installed its anodes in an 100 KA cell operating at 8.5/sq. m. The results after four months of operation have amply demonstrated that the purity of chlorine gas produced with Lurgi's anodes

is higher than that produced with normal anodes mainly caused by less graphite con-sumption. The higher purity facilitates the liquefaction of chlorine and improves the quality of liquefied chlorine by reducing the absorption of CO_2.

The Lurgi anodes cost-wise, are also cheaper. All in all, the operational output, efficiency, standard, and qua-lity of the Lurgi anodes are far higher than that of con-ventional anodes.

Nagpal Petro-Chem

Nagpal Petro-Chem has fared extremely well during the current year. Its sales in first five months of the current year have already reached the figure of 3.3 crores as com-pared to Rs 5.8 crores for the whole of 1974-75. The management's optimism stems from such favourable factors as the better plant utilisation as a result of the adequate availability of feed-stocks, the larger credit facilities and the improvement in demand. The company is planning to export its products and also to go in for the manufacture of sul-phuric acid based items. Its acid sludge decomposition plant, which is expected to improve profitability, has commenced operations. The company's profits for the cur-rent year are expected to be sufficiently large to cover in-terest charges, full deprecia-tion for the year and a part of the arrears of depreciation.

Telco

Mr. L. K. Jha, Governor, Jammu and Kashmir, presen-ted recently the Indian Mer-chants' Chamber Award for outstanding export perfor-mance during 1974 to the Tata Engineering and Loco-motive Company Limited in Bombay.

The value of TELCO's exports rose from Rs 7.3 crores in 1973-74 to Rs 13.6 crores in 1974-75, an increase of 87.3 per cent over the pre-vious year's performance, TELCO has exported over 11,000 commercial vehicles valued at Rs 59 crores to more than 30 countries around the world since it began over-seas despatches. A significant breakthrough was made in four new international mar-kets during 1974-75 ; in Suri-nam (South America), Zaire (Africa), Kuwait and Iran in the face of competition from well established European multinational companies.

TELCO, which has already won the All India Top Expor-ter's Shield for the highest export performance for en-gineering goods during 1973-74 from the Engineering Ex-ports Promotion Council, has succeeded in creating a quality image abroad for its trucks and buses which have proved their worth in many countries for fleet operations, because of their ruggedness and per-formance.

News and Notes

The **Tata Electric Com-panies** have been awarded the Indian Merchants' Chamber Award for 1974 in the field of original research, discovery and/or invention, scientific, technical or otherwise, contri-buting to the development in the manufacture through modern techniques of original Indian products.

By developing the power supply "Demand Monitor," the Annunciator, the "Hot-Line-Washing System" for outdoor high-tension electrical switchyards and the Training Simulator for training of thermal station operators, the Tata Electric Companies have made significant contributions in the field of power develop-ment and electrical instru-mentation.

All these instruments and equipment have been built with marginal imported in-puts—and with only indigen-ous know-how. They have contributed significantly to-wards import substitution by replacing imported equipment, and have saved sizeable foreign exchange and have bright exports potential. Their development is not only a major step towards our self-reliance but has added signi-ficance for productivity.

A new equipment—TR 36.12—Minimum Oil Cir-cuit Breaker—successfully test-ed at **Bharat Heavy Electricals Limited—Bhopal**—has been added to the country's range of products. This will elimi-nate import and save foreign exchange.

This breaker is suitable for a fault level of 1500 MVA at 36 kV has been designed and tested for special duties like capacitor bank switching (25 MVAR) which no other indigenously manufactured breaker is capable to perform. These are the only 36 kV breakers being manufactured indigenously at present which have been type tested for special test duties such as capacitive current upto 25 MVAR, small inductive cur-rents upto 50A, phase oppo-sition currents, etc.

The breakers are installed to interrupted the currents. Breakers being manufactured so far in India were not suit-able for breaking currents in systems involving capacitors. These breakers are used in all 33 kV systems, in all electri-city boards in all industries.

To cater to the increasing demand for the control of air pollution from industrial processes, **Indabrator** has set up a new division to pro-duce fabric filter dust collec-tors and complete air pollu-tion control systems. The company has plans to go into the control of water and chemical pollution at a later stage It proposes to manu-facture in the next three months fabric filter bags.

Rallis India is expected to pay a higher dividend on the enhanced capital than 9 per cent indicated by the manage-ment earlier. This was dis-closed by the chairman, Mr J.D. Choksi, while addressing the annual general meeting of the company held in Bombay recently. The company paid dividend of 15 per cent for 1974-75.

Rear Admiral K. R. Ramnath, A V S M, has taken over as chairman and managing direc-tor of **Hindustan Shipyard Limited,** Visakhapatnam-with effect from January 1, 1976.

At its annual general meeting held recently Mr J. Sengupta, Managing Director of **Chlo-ried India Limited,** has been elected as President of Bengal Chamber of Commerce and Industry for the year 1976.

New Issues

Ellenbarrie Industrial Gases Limited is entering the capital market on March 18 with an offer of 2,07,750 equity shares of Rs 10 each and 6,000, 11 per cent redeemable cumula-tive preference shares of Rs 100 each for public subscrip-tion. The entire public issue is underwritten. The company is setting up a factory for production of oxygen and nitrogen. The initial installed capacity is one million cubic metre of oxygen and 0.144 million cubic metre of nitro-gen. Besides, it has a prog-ramme for further expansion of 0.2 million cubic metre of dissolved acetylene in 1976-77. The project cost is estimated at Rs 109.76 lakhs which will be met from issue of share capital amounting to Rs 41 lakhs, term-loan of Rs64 lakhs from the banks, unsecured loan amounting to Rs 3.83 lakhs and Rs 92,000 being deferred payment for land.

The plant which will be set up in Kalyani industrial area, being a notified back-ward district, is eligible for fiscal benefits and central sub-sidy. The plant is expected to go on stream by April 1976.

Capital and Bonus Issues

Consent has been granted to five companies to raise capital of over Rs 40.41 mil-lion. The details are as fel-lows.

Hind Lamps Limited, Shikohabad, U.P., has been accorded consent, valid for three months, to capitalise Rs 1 lakh out of its general reserve and issue fully paid equity shares of Rs 25 each as bonus shares in the ratio of one bonus shares for every nine equity shares held.

Bagavathi Tea Estates Limited, Tamil Nadu, has communicated to the government of its proposals to issue capital under Clause (5) of the Capital Issues (Exemption) order, 1969, for Rs 2.5 million divided into 250,000 equity shares of Rs 10 each to be issued privately for each at per. The proceeds of the issue are to be utilised to repay high interest bearing loans and deposits.

Dunlop India Limited, Calcutta, has been accorded consent valid for three months, to capitalise Rs 36,666,670 out of its general reserve share premium and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Baliapatam Tile Works Limited, Kerala, has been accorded consent, valid for three months, to capitalise Rs 211,160 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus share for every three equity shares held.

Echjay Industries Private Limited, Bombay, have been accorded consent valid for 3 months, to capitalise Rs 24 lakhs out of its genral development rebate reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Dividends

(Per cent)

Name of the Company	Year ended	Equity dividend declared for Current year	Previous year
Higher Dividend			
Bombay Burmah Trading Corpn.	September 30, 1975	15.0	5.4
Bajaj Tempo	September 30, 1975	10.0	9.4
Champdany Jute	March 31, 1975	10.0	Nil
Same Dividend			
Thirumbadi Rubber	September 30, 1975	12.0*	12.0
Asian Cables Corporation	December 31, 1975	6.0	5.0
Bisra Stone Lime	March 31, 1975	Nil	Nil
Reduced Dividend			
Ramaraju Surgical Cotton Mills	September 30, 1975	Nil	12.0
Chitavalsah	July 31, 1975	Nil	10.0
Crompton Greaves	June 30, 1975	8.0	15.0
Cummins Diesel	June 30, 1975	Nil	Nil
Central India Machinery	March 31, 1975	Nil	8.0

*on the enlarged capital

EASTERN ECONOMIST

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   3. Pilani Investment Corpn. Ltd., Gwalior.
   4. Birla Cotton Spg. & Wvg. Mills Ltd., Delhi.
   5. Sutlej Cotton Mills Ltd. Amritsar.

I, R.P. Agarwala, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date : 29th February, 1976.

Sd/- R. P. AGARWALA,
Signature of Publisher.

RECORDS AND STATISTICS

Postal rates raised

TARIFFS FOR some of the Postal and Telecommunications services have been revised from March 1, 1976, with a view to meeting the growing cost of operation.

The important revisions are :

* Registration Fee will be Rs 2 as against Rs 1.25 per article.
* Money order commission will be 25 paise for every Rs 10 upto Rs 20 and 50 paise for every Rs 20 thereafter.
* Value payable posting fee will be 50 paise up to Rs 10, Rs 1 for an amount exceeding Rs 10 but not exceeding Rs 20 and Rs 1.50 for amount exceeding Rs 20.
* Insurance fee will be Rs 1 upto Rs 100 and 50 paise for every Rs 100 upto Rs 5,000. For an amount exceeding Rs 5000, the charges will be Rs 3 for every Rs 1,000.
* An ordinary telegram of 8 words will cost Rs 2 and so also a Greetings Telegram. Every additional word will cost 25 paise i.e. 10 paise more than at present.
* The number of free telephone calls allowed per annum will now be 1,000 instead of 1,200. Every additional call will cost 30 paise instead of 25 paise.
* Annual rental for a telephone line will increase by Rs. 100 per annum from Rs 500 to Rs 600.
* It will now cost Rs 100 for shifting a telephone. Installation charge for a new telephone connection will also be Rs 100.
* Charge for a Telex line will go up from Rs 2,000 to Rs 3,000 per annum.
* Charges for Trunk Calls have been revised to vary between 50 paise to Rs 20, depending on the distance.
* P.C.O. call charges is being raised to 50 paise in respect of all attendant PCOs. The coin collecting boxes are being redesigned to work on a 50 paise coin.

Tariff Revision

As a result of the tariff revision, the P&T Department expects a net surplus next year. This comes in the wake of a net loss expected during the current financial year.

The over-all surpluses from 1970-71 have been coming down progressively. But for the revision, the loss would go up further in future.

One of the main reasons for the revision has been the enormous increase in the wage bill due to the grant of higher pay and additional Dearness Allowance. Every instalment of dearness allowance costs the P&T Department additional expenditure of the order of Rs 6 crores, per annum. Consequently, the wage bill has gone up by more than Rs 80 crores on this account alone over the past two years.

Apart from raising the tariffs, the department is adopting various measures to contain the increase in expenditure like simplifying the procedures, restricting expenditure on contingencies and strict adherence to staff standards for sanction of manpower.

The Postal branch is a highly labour intensive organisation and its staff expenditure constitutes about 80 per cent of the total expenditure. The Telecommunication Branch is capital intensive, although the staff costs are als considetable.

Higher Costs

Several services have been working at a loss and the costs of operation are also on the increase.

Registration : At present the registration fee is Rs 1.25 per article. At this level of tariff, the Department is incurring a heavy loss on the service. The revised rate of Rs 2 would enable the Department to meet the cost.

Money Order : Presently, the M.C. commission is 20 paise for every ten rupees up to Rs 100 and 40 paise for every Rs 20 thereafter. The money order service is working at a heavy loss. While there is every justification to raise the M.O. commission to a level where it will be meet the cost, the Department has tried only to minimise the loss to some extent. The revised rates are :

25 paise for every Rs 10 upto Rs 20 and

50 paise for every Rs 20 or part thereof thereafter.

While the present average revenue per money order is Rs 1.28, the average cost of handling is Rs 2.43. Even after the revision, the entire money order service will continue to incur a loss.

The M.O. form will continue to be priced at five paise, by no adjustment in lieu thereof will henceforth be allowed in the M. O. commission.

Value Payable : The value payable service has also been incurring a loss. The proposed revision will result in a reduction of the loss.

Insurance : The insurance service is working at a loss. While the average revenue per unit is Rs 1.42, the cost of handling the same is Rs 2.11 resulting in a deficit of about 69 paise per unit. The proposed revision will enable the government to meet the cost.

Telegrams : At present the telegraph service is also working at a loss. Even with the proposed revision of tariffs, a slight deficit will continue. Different rates are prevalent for ordinary telegram and a greetings telegram is in no way less than that involved in handling an ordinary telegram, and therefore, the rates have been brought on par with each other in the revised tariffs. The telegram as well a greetings telegram consisting of eight words will cost Rs 2 hereafter.

Detail of Telephone/ Telex Rates

Here are some more details of the tariff revisions relating to telecommunications :

In measured rate telephone systems where calls are metered a fixed rental and a local call charge over a free limit of 1,200 calls per annum are being charged at present. The annual rental is Rs 500 and Rs 400 for exchanges of 10,000 lines and above and below 10,000 lines respectively. In view of the increased cost of equipment and cables, the annual rental is being increased by Rs 100 per line.

The number of free calls per annum will be reduced to 1,000 from the existing level of 1,200. The local call exchange beyond the free limit is being increased to 30 paise from 25 paise per call. In the flat rate systems where the calls are not metered, there will be similar increases in rates of rental.

Trunk Call Rates : The manual trunk call rates vary according to the distance between the stations and these range from 25 paise to Rs 15 for an ordinary call of three minutes duration. These charges are being revised upwards to vary between 50 paise and Rs 20/-; that is to say the (ordinary) trunk call charge for three minutes for a distance of over 1,000 kms will cost Rs 20 instead of Rs 15. The pulse duration for subscriber trunk dialling calls are also being modified.

The rental of telex are being increased from Rs 2,000 to Rs 3,000 per annum. The local telex calls for every 3 minutes will cost Rs 1, as against 60 paise at present. The long distance Telex call charges per unit period are also being raised from 60 paise to Rs 1.

Radial distance between any two exchanges or charges for unit call between any two long distance charging centres of ordinary category are as follows :

	Rs. P
Upto 20 kilometres	0.50
Exceeding 20 kms. but not exceeding 50 kms.	2.00
Exceeding 50 kms. but not exceeding 100 kms.	4.00
Exceeding 100 kms. but not exceeding 200 kms.	6.00
Exceeding 200 kms. but not exceeding 500 kms.	10.00
Exceeding 500 kms. but not exceeding 1000 kms.	16.00
Exceeding 1000 kms.	20.00

National income in 1974-75

THE 'QUICK' estimates of national income for the year 1974-75 at constant (1960-61) prices prepared by the Central Statistical Organisation show an increase of only 0.2 per cent over the previous year as against an increase of 5.0 per cent in 1973-74 over 1972-73. The net national product (national income) for 1974-75 is estimated at Rs 200,750 million at 1960-61 prices with a per capita income of Rs 341.4

The 'Quick' estimates of national income are based on the latest available data on agricultural and industrial production for 1974-75. The negligible rise in national income during 1974-75 was mainly due to the shortfall in the production of foodgrains from 104-66. million tonnes in 1973-74 to 101.06 million tonnes in 1974-75. This has resulted in a fall of 4.3 per cent in the net domestic product of agriculture sector in 1974-75 over the previous year. All the other sectors registered some increases. There has been an increase of 7.3 per cent in fishing. 8.0 per cent in mining and quarrying, 5 per cent each in construction and electricity gas and water supply, 6.1 per cent in transport other than railways including storage and 5.9 per cent in public administration. The rise in those sectors was, however, just enough to off-set the shortfall in the agricultural sector.

The per capita income in 1974-75 at 1960-61 prices has been estimated at Rs 341.4 against Rs 347.2 in 1973-74, thus registering a fall of 1.7 per cent.

At current prices the 'Quick' estimates of net national product (national income) for India stand at Rs 601200 million in 1974-75 giving a per capita income of Rs 1,022.4. The per capita income at current prices in 1972-73 and 1973-74 were Rs 700.4 and Rs 851.8 respectively.

The 'Quick' estimates of net domestic saving and capital formation for the year 1974-75 show a rate (percentage of net domestic product at current prices) of capital formation of 12.8 per cent and rate of saving of 11.8 per cent. The corresponding figures for 1973-74 are 13.0 and 12.0 respectively. The higher rate of capital formation in 1973-74 has been mainly due to substantial increase in the level of stocks held by the trading sector.

Two statements giving (i) the estimates of net national product at current and constant prices by industry of origin for the years 1974-75 and 1973-74 and (ii) estimate of domestic saving and capital formation at current prices and the percentage of the same to the net domestic product are appended.

Quick Estimate of Net National Product at Factor Cost : 1974-75

((Rs in millions)

Industry	at current prices		at 1960-61 prices	
	1974-75	1973-74*	1974-75	1973-74*
Agriculture	293240	245410	76070	79450
Forestry and logging	7510	5850	2810	2810
Fishing	5040	3250	1330	1240
Mining and quarrying	6390	4440	2560	2370
sub-total : primary	**312180**	**258950**	**82770**	**85870**
Manufacturing	86160	67170	34210	33870
5.1 registered	57170	43120	21990	21850
5.2 unregistered	28990	24050	12220	12020
Construction	26190	22220	10960	10440
Electricity, gas and water supply	3900	3720	2520	2490
sub-total : secondary	**116250**	**93110**	**47690**	**46710**
Transport, storage and communication	23440	19330	10910	10490
8.1 railways	5800	4980	4110	4050
8,2 transport by other means and storage	13950	11240	5240	4940
8.3 communication	3690	3110	1560	1500
Trade and hotels and restaurants	69960	55510	22060	21660
sub-total : transport, communication and trade	**93400**	**74840**	**32970**	**32150**
Banking and insurance	12820	10390	3730	3680
Real estate and ownership of dwellings and business services	9730	9030	5030	4980
sub-total : finance and real estate	**22570**	**19420**	**8760**	**8660**
Public administration	28820	22180	15710	14840
Other services	31530	26300	13960	13560
sub-total : community and personal services	**60350**	**48480**	**29670**	**28400**
total : net domestic product at factor cost	**604750**	**494800**	**201860**	**201790**
Net factor income from abroad	(—)3550	(—)3320	(—)1110	(—)1450
total : net national product	**601200**	**491480**	**200750**	**200340**
Population (Million)	588	577	588	577
Per capita net national product=per capita income (Rs)	1022.4	851.8	341.4	347.2

* Provisional

National Product

According to the latest White Paper on National Accounts Statistics issued by the Central Statistical Organisation, the national income for 1973-74 at constant prices was Rs 20,034 crores with a per capita income of Rs 347.2. The corresponding estimates for 1972-73 were Rs 19,077 crores and Rs 337.6 respectively. There has thus been a rise of 5.0 per cent in the total of national income and 2.8 per cent in per capita income between two years.

At current prices the national income in 1973-74 was Rs 49,148 crores with a per capita income of Rs 851.8. The corresponding estimates for 1972-73 were Rs 39,573 crores and Rs 700.4 respectively.

The present estimates are a revision of "quick" estimates issued in January. 1975. The revision was mainly on account of an upward revision in the estimate of foodgrains production (by about a million tonnes) and latest data on livestock, manufacturing industries and transport. This has resulted in an increase of 5 per cent in national income as against 3.1 per cent according to the "quick" estimates.

Agriculture and allied activity continued to account for the major proportion (42.6 per cent) of the national income. This was followed by manufacturing, electricity, gas and construction which together had a share of 23 per cent. Trade, transport and storage, and community and personal services formed 16 and 14 per cent respectively of the total.

The present White Paper besides giving the usual information on consumption expenditure, savings and capital formation, contains a set of new tables on factor incomes by industry and capital formation in different industries. Another special feature is the presentation of the detailed set of disaggregated tables on outputs, inputs and value added (by industry groups), factor incomes, savings and capital formation according to varioua categories.

Factor income payments or the distribution of national income between the factors of production, viz., compensation of employees (labour income), interest, rent, dividends, and undistributed profits (capital income) have been estimated separately for the public and private organised sectors. For the rest of the economy comprising own—account workers and unorganised enterprises and services, an addittional category of "mixed income of self-employed" has been introduced as it is not always possible in these cases to distinguish between labour and capital income.

For the economy as a whole, employees' compensation accounted for 37 per cent of the total income and income of self-employed for 48 per cent. The rest was almost equally shared between interest, rents and profits. Share of employees' compensation remained almost the same since 1960-61 suggesting that it has moved in step with total income.

Quick Estimates of Net Capital Formation and Saving, 1974-1975

		1974-75	1973-74*
1.	Net domestic capital formation (adjusted) Rs millions	85560	70970
2.	Net domestic saving (Rs millions)	79130	66600
3.	Net domestic product at market prices (Rs millions)	667800	546390
4.	Rate of net domestic capital formation/saving (per cent)		
	4.1 Capital formation as per cent of *n.d.p.* at market prices	12.8	13.0
	4.2 Saving as per cent of *n.d.p.* at market prices	10.8	12.2
	4.3 Capital formation as per cent of *n.d.p.* at factor cost	14.1	14.3
	4.4 Saving as per cent *n.d.p.* at factor cost	13.1	13.5

*Provisional

Employees' compensation in the organised sector of the economy accounted for as much as 70 per cent of the total income, profits taking the second place at 18 per cent. The share of interest payments was relatively low (about 10 per cent) and of rent almost negligible. Within the organised sector the public and private enterprises had distinctly different patterns of factor incomes. Employees' compensation in public enterprises (excluding general administration) accounted for 71 per cent and profits only for 11 per cent of the total income. In private enterprises, these shares were 59 per cent and 30 per cent repectively.

Private consumption expenditure in 1973-74 was estimated at Rs 43,062 crores accounting for 75 per cent of the gross national product. This has registered an increase of 4.7 per cent over the previous year (as against an increase of 5 per cent in national income).

There has been no significant change in the pattern of consumption, the food items accounting for 65 per cent of the consumption basket.

The total domestic savings during 1973-74 amounted to Rs 6,660 crores and the total domestic capital formation to Rs 7.0 crores. As proportions of national income, these work out to 12.2 per cent and 13.0 per cent respectively, and were somewhat less than the rates observed in the previous year (13.2 and 13.8 per cent respetively). A marked decline in construction activity mainly accounted for the shortfall.

Of the total domestic savings 76 per cent came from the household sector of which 45 per cent was held in financial assets and 31 per cent in terms of physical assets. There was a substantial increase from last year in the financial assets (of the order of Rs 1,000 crores (but a reduction in the physical assets (Rs 700 crores). Public sector accounted for 18 per cent of the total savings and the private sector only for 6 per cent but both registered marked increases as compared to the previous year.

In the case of capital formation, on the other hand, maximum contribution came from the public sector with a continuously increasing trend over the last few years. It increased from 48 per cent it 1972-72 to 56 per cent in 1973-74. The contribution of the private sector remained more or less stationary at about 12 per cent and the rest was accounted for by the household sector. In terms of user industries, organised manufacturing activity pro-

TABLE I

National Product, Consumption, Saving and Capital Formation : Summary

	Item	1960-61	1965-66	1970-71*	1971-72*	1972-73*	1973-74*
1.	net national product (at factor cost (nnp) (Rs Crores)						
	1.1 at current prices	13263	20637	34476	36535	39573	49148
	1.2 at 1960-61 prices	13263	15082	19033	19367	19077	20034
2.	estimated population (million)	434	485	541	553	565	577
3.	per capita net national product (Rs)						
	3.1 at current prices	305.6	425.5	637.3	660.7	700.4	851.8
	3.2 at 1961-61 prices	305.6	311.0	351.8	350.2	337.6	347.2
4.	net domestic saving (nds) (Rs crores)						
	4.1 at current prices	1327	2562	4524	4671	5852	6660
5.	net domestic capital formation (ndef) (Rs Crores)						
	5.1 at current prices	1808	3161	4918	5150	6149	7097
	5.2 at 1960-61 prices	1808	2506	2843	2864	3213	3257
6.	rate @ of saving (per cent)	9.3	11.2	11.8	11.4	13.2	12.2
7.	rate @ of capital formation (per cent)	12.7	13.8	12.8	12.6	13.8	13.0
8.	private final consumption (expenditure (pfce) (Rs crores)						
	8.1 at current prices	11950	18444	30461	32454	35080	43062
	8.2 at 1960-61 prices	11950	13439	16756	16994	16719	17507
9.	per capita private final consumption expenditure (Rs)						
	9.1 at current prices	275.3	380.3	563.0	586.9	620.9	746.3
	9.2 at 1960-61 prices	275.3	277.1	309.7	307.3	295.9	303.4
10.	index number (1960-61 = 100)						
	10.1 nnp at current prices	100.0	155.6	259.9	275.5	298.4	370.6
	10.2 nnp at 1960-61 prices	100.0	113.7	143.5	146.0	143.8	151.1
	10.3 nds at current prices	100.0	193.1	340.9	352.0	441.0	501.9
	10.4 ndcf at current prices	100.0	174.8	272.0	284.8	340.1	302.5
	10.5 ndcf at 1960-61 prices	100.0	138.6	157.2	158.4	177.7	180.1
	10.6 pfce at current prices	100.0	154.3	254.9	271.6	293.6	360.4
	10.7 pfce at 1960-61 prices	100.0	112.5	140.2	142.2	139.9	146.5
	10.8 per capita nnp at current prices	100.0	139.2	208.5	216.2	229.2	278.7
	10.9 per capita nnp at 1960-61 prices	100.0	101.8	115.1	114.6	110.5	113.6
	10.10 per capita pfce at current prices	100.0	138.1	204.5	213.2	225.5	271.1
	10.11 per capita pfce at 1960-61 prices	100.0	100.7	112.5	111.6	107.5	110.2

* provisional @as proportion of net domestic product at market prices.

TABLE II

Net Domestic Product at Factor Cost by Industry of Origin (at 1960-61 prices)

(Rs. crores)

	Industry	1960-61	1965-66	1970-71*	1971-72*	1972-73*	1973-74*
1.	agriculture	6580	9534	16360	16850	18020	24541
2.	forestry and logging	174	317	456	488	521	585
3.	fishing	77	122	236	257	292	325
4.	mining and quarrying	134	221	352	372	402	444
	sub-total : primary	**6965**	**10194**	**17404**	**17967**	**12235**	**25895**
5.	manufacturing	1856	3014	4770	5231	5817	6717
	5.1 registered	1071	1822	2950	3290	3712	4312
	5.2 unregistered	785	1192	1820	1941	2105	2405
6.	construction	625	1060	1893	2046	2227	2222
7.	electricity, gas & water supply	68	144	313	332	357	372
	sub-total : secondary	**2549**	**4218**	**6976**	**7609**	**8401**	**9311**
8.	transport, storage & communication	576	942	1610	1745	1760	1933
	8.1 railways	252	400	535	590	579	498
	8.2 transport by other means and storage	261	429	839	893	908	1124
	8.3 communication	63	113	236	262	273	311
9.	trade and hotels and restaurants	1294	2231	3716	3935	4437	5551
	sub-total : transport communication and trade	**1870**	**3173**	**5326**	**5680**	**6197**	**7484**
10.	banking and insurance	160	346	636	747	845	1039
11.	real estate and ownership of dwellings and business services	392	574	726	781	861	903
	sub-total : finance and real estate	**552**	**920**	**1362**	**1528**	**1706**	**1942**
12.	public administration	538	989	1635	1831	1974	2218
13.	other services	861	1307	2057	2211	2371	2630
	sub-total : community and personal services	**1399**	**2296**	**3692**	**4042**	**4345**	**4843**
14.	**total : net domestic product at factor cost**	**13335**	**20801**	**34750**	**36826**	**39884**	**49480**
15.	net factor income from abroad	(—)72	(—)164	(—)284	(—)291	(—)311	(—)332
16.	**total : net national product**	**13263**	**20637**	**34476**	**36535**	**39573**	**49148**
17.	population (million)	434	485	541	553	565	577
18.	per capita net national product = per capita income (Rs)	305.6	425.5	637.3	660.7	700.4	851.8

* provisional

TABLE III

Net Domestic Product at Factor Cost by Industry of Origin (at 1960-61 prices)

(Rs crores)

Industry	1960-61	1965-66	1970-71*	1971-72*	1972-73*	1973-74*
1. agriculture	6580	6148	8137	7986	7284	7945
2. forestry and logging	174	240	270	276	285	281
3. fishing	77	91	107	113	118	124
4. mining and quarrying	134	188	212	223	232	237
sub-total : primary	**6965**	**6667**	**8726**	**8598**	**7919**	**8587**
5. manufacturing	1856	2557	3036	3127	3265	3387
5.1 registered	1071	1585	1888	1972	2085	2185
5.2 unregistered	785	972	1148	1155	1180	1202
6. construction	625	865	1065	1093	1151	1044
7. electricity, gas and water supply	68	131	195	214	227	240
sub-total : secondary	**2549**	**3553**	**4296**	**4434**	**4643**	**4671**
8. transport, storage and communication	576	788	981	1035	1035	1049
8.1 railways	252	340	391	418	432	405
8.2 transport by other means and storage	261	352	463	487	463	494
8.3 communication	63	96	127	134	140	150
9. trade and hotels and restaurants	1294	1681	2037	2077	2126	2166
sub-total : transport, communication and trade	**1870**	**2469**	**3018**	**3116**	**3161**	**3215**
10. banking and insurance	160	223	311	348	369	368
11. real estate and ownership of dwellings and business services	392	443	477	486	491	498
sub-total : finance and real estate	**552**	**666**	**788**	**834**	**860**	**868**
12. public administration and defence	538	823	1144	1288	1367	1484
13. other services	861	1056	1247	1285	1320	1356
sub-total : community and personal services	**1399**	**1879**	**2391**	**2573**	**2527**	**2510**
14. total : net domestic product product at factor cost	**13335**	**15234**	**19219**	**19555**	**12270**	**20179**
15. net factor income from abroad	(—)72	(—)152	(—)186	(—)188	(—)193	(—)145
16. total : net national product	13263	15082	19033	19367	19077	20034
17. population : (million)	434	485	541	553	565	577
18. per capita net national product=per capita income (Rs)	305.6	311.0	351.8	350.2	337.6	347.2

* provisional

TABLE IV

Distribution of Factor Incomes (at current prices)

(Rs crores)

Year	compensation of employees	interest	rent	Profits & dividends	mixed income of self-employed**	net domestic product
1960-61	4600	430	683	894	6728	13335
1961-62	4872	498	726	992	6997	14085
1962-63	5440	576	788	1101	6998	14903
1963-64	6005	668	901	1303	8212	17089
1964-65	6755	777	978	1357	10281	20148
1965-66	7542	952	1008	1410	9889	20801
1966-67	8513	1048	1071	1393	12088	24113
1967-68	9910	1221	1082	1227	14920	28360
1968-69	10587	1404	1176	1266	14551	28984
1969-70	11601	1563	1274	1677	15926	32041
1970-71*	12612	1709	1369	1785	17285	34760
1971-72*	13489	1865	1553	2078	17841	36826
1972-73*	14635	2058	1733	2184	19274	39884

** income of own account workers and profits and dividends of unincorporated enterprises * provisional

vided the major share to capital formation (28 per cent) followed by agriculture (16 per cent).

The share of the public sector in net domestic product continued to show an increasing trend since 1960-61, and stood at 14.5 per cent in 1973-74. Non-departmental enterprises within the public sector registered the maximum rise (1.2 per cent in 1960-61 to 4.5 per cent in 1973-74). Current expenditure accounted for 68 per cent of the 1973-74 budget and capital expenditure for the remaining 32 per cent.

Selected tables from the White Paper relating to national product are given below.

TABLE V

Distribution of Factor Incomes by Public and Private Organised Sectors (at current prices)

(Rs crores)

years	compensation of employees	interest	rent	profits & dividends	value added
total@					
1960-61	2278	197	45	894	3414
1961-62	2475	234	50	992	3751
1962-63	2788	259	56	1101	4204
1963-64	3194	315	61	1303	4873
1964-65	3618	385	73	1357	5433
1965-66	4095	494	78	1410	6077
1966-67	4541	592	97	1393	6623
1967-68	5112	688	110	1227	7137
1968-69	5652	822	119	1266	7859
1969 70	6206	891	135	1677	8909
1970-71*	6928	1012	153	1786	9879
1971-72*	7656	1142	164	2078	11040
1972-73*	8492	1260	183	2184	12119
public enterprises					
1960-61	630	120	4	130	884
1961-62	705	143	4	157	1009
1962-63	801	175	6	186	1168
1963-64	890	210	7	248	1355
1964-65	1032	253	8	198	1491
1965-66	1211	299	18	226	1754
1966-67	1387	366	19	192	1964
1967-68	1609	420	22	162	2213
1968-69	1808	515	29	217	2569
1969-70	2100	535	38	295	2968
1970-71*	2419	594	47	353	3413
1971-72*	2699	630	50	477	3856
1972-73*	3080	700	59	454	4293
private enterprises					
1960-61	1110	77	41	764	1992
1961-62	1177	91	46	835	2149
1962-63	1319	84	50	915	2368
1963-64	1526	105	54	1055	2740
1964-65	1696	132	65	1159	3052
1965-66	1895	195	60	1184	3334
1966-67	2050	226	78	1201	3555
1967-68	2251	268	88	1065	3672
1968-69	2474	307	90	1049	3920
1969-70	2603	356	97	1382	4438
1970-71*	2874	418	106	1433	4831
1971-72*	3126	512	114	1601	5353
1972-73*	3438	560	124	1730	4852

@ includes public administration and defence (compensation of employees)

* provisional

TABLE VI

Domestic Capital Formation (at current prices)

(Rs crores)

	Item	1960-61	1965-66	1970-71*	1971-72*	1972-73*	1973-74*
1.	**Total Gross Fixed Domestic Capital Formation**	2156	4132	6298	7133	8067	8755
	1.1 Construction	1337	2360	3903	4240	4733	4797
	(a) Public Sector	676	1377	1755	2082	2627	2849
	(b) Private Sector	661	983	2148	2158	2106	1948
	1.2 Machinery and Equipment	819	1772	2395	2893	3334	3958
	(a) Public Sector	379	669	679	766	1047	1107
	(b) Private Sector	440	1103	1716	2127	2287	2851
2.	**Change in Stocks**	427	295	1000	763	1079	1307
	(a) Public Sector	87	170	377	362	(—)17	760
	(b) Private Sector	340	125	623	401	1096	547
3.	**Total Gross Domestic Capital Formation**	2583	4427	7298	7896	9146	10062
	(a) Public Sector	1142	2216	2811	3210	3657	4716
	(b) Private Sector	1441	2211	4487	4686	5489	5346
4.	**Less Consumption of Fixed Capital**	736	1229	2082	2279	2504	2754
	(a) Public Sector	116	217	421	459	536	644
	(b) Private Sector	620	1012	1661	1820	1968	2110
5.	**Total Net Domestic Capital Formation**	1847	3198	5216	5617	6642	7308
	(a) Public Sector	1026	1999	2390	2751	3121	4072
	(b) Private Sector	821	1199	2826	2866	3521	3236
6.	Errors and Omissions	(—)39	(—)37	(—)298	(—)467	(—)493	(—)211
7.	Total Net Domestic Capital Formation Adjusted for Errors and Omissions	1808	3161	4918	5150	6149	7097
8.	Total Gross Domestic Capital Formation Adjusted for Errors and Omissions	2544	4390	7000	7429	8653	9851

* Provisional

TABLE VII

Share of Public Sector in Domestic Product (at current prices)

(Rs crores)

	Item	1960-61	1965-66	1970-71*	1971-72*	1972-73*	1973-74*
1.	**Gross Product of Public Sector**	1538	2960	5469	6146	6803	7739
	1.1 Government Administration	735	1367	2401	2697	2926	3299
	1.2 Departmental Enterprises	586	973	1466	1596	1700	1741
	1.3 Non-departmental Enterprises	217	620	1602	1853	2177	2699
2.	**Net Product of Public Sector**	1422	2743	5048	5687	6267	7095
	2.1 Government Administration	735	1367	2401	2697	2926	3299
	2.2 Departmental Enterprises	522	890	1361	1493	1575	1602
	2.3 Non-departmental Enterprises	165	486	1286	1497	1766	2194
					per cent		
3.	**Share of Public Sector in Gross Domestic Product**	10.9	13.4	14.8	15.7	16.0	14.9
	3.1 Government Administration	5.2	6.2	6.5	6.9	6.9	6.4
	3.2 Departmental Enterprises	4.2	4.4	4.0	4.1	4.0	3.3
	3.3 Non-departmeatal Enterprises	1.5	2.8	4.3	4.7	5 1	5.2
4.	**Share of Public Sector in Net Domestic Product**	10.6	13.2	14.5	15.4	15.7	14.5
	4.1 Government Administration	5.5	6.6	6.9	7.3	7.3	6.7
	4.2 Departmental Enterprises	3.9	4.3	3.9	4.0	4.0	3.3
	4.3 Non-departmental Enterprises	1.2	2.3	3.7	4.1	4.4	4.5

* Provisional

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RAJYA SABHA TICKET, PLEASE

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Railway finances

HAVING MADE no provision in the current year's railway budget, presented to Parliament in February, 1975, for increase in the dearness allowance of the workforce as well as for such recurrent calamities as floods and cyclones and also having underestimated the escalation in the cost of material inputs—coal, steel and cement particularly—the minister for Railways, Mr Kamalapati Tripathi, could not have been expected to avoid showing a substantial deficit in the revised estimates of this year's finances of his charge. But it is encouraging to note that even after the staff costs going up by over Rs 121 crores (Rs 103 crores on account of the payment of the arrears of dearness allowance alone), the costs of material inputs overrunning the budget estimate of Rs 20 crores by approximately Rs 24.5 crores, the restoration of the flood and cyclone-damaged assets entailing an expenditure of Rs 4 crores and an increase of Rs 11.6 crores in the rolling stock maintenance bill, which, as a sequel to the declaration of emergency, helped in clearing some of the backlog of repairs, the current year's deficit has been shown at the much less dreaded figure of Rs 62.81 crores. Knowledgeable circles had feared about four months ago that this deficit, even after the evaporation of the anticipated surplus of Rs 23.03 crores, might turn out to be in the neighbourhood of Rs 90 crores. As matters stand now, the current year's deficit could have been even lower than Rs 62.81 crores by about Rs 19 crores had the payment of dues to the railways by some major consignees in the public sector been more prompt than has been the case. The budget provided for delayed payments to the extent of only Rs 6 crores. They are likely to be of the order of Rs 25 crores.

This generally heartening balance-sheet of railway finances, excluding the increase in the indebtedness to the general revenues on account of dividend liability, has primarily emerged from the wholesome trends in both passenger and goods traffic although the possibility of some attempts having been made at window-dressing in the form of deferring some payments to the next year cannot be ruled out. No serious objection, of course, can be taken to this as a sizeable amount of money is due to the railways also from some of the major consignees. Both passenger and goods traffics have been ahead of expectations. The goods traffic, inclusive of departmental traffic, at 214 million tonnes, is now hoped to exceed the budget estimate by about four million tonnes, bringing in Rs 56.93 crores additional revenue, including, of course, the additional receipts from the changes effected in the classification of certain commodities and some miscellaneous changes in November/December last. The passenger traffic is expected to yield nearly Rs 21 crores more than the budget estimate. The other coaching earnings are anticipated to be higher by about Rs 6.9 crores. The traffic trends after December are stated to have been very encouraging.

So far as the next year is concerned, the buoyancy in traffic—both passenger and goods—is expected to continue. The budget estimates envisage the railways catering in 1976-77 for an additional four per cent passenger traffic and 11 million tonnes increase in goods traffic, including the departmental traffic, compared to the current year's revised estimates. The revenue-earning goods traffic is expected to grow by 12 million tonnes. These anticipations are by no means over-optimistic. On the other hand, so far as goods traffic is concerned, the expectation may prove to be otherwise. If the hope expressed by the Railway minister that ultimately even the revised estimates of revenue-earning as well as the total goods traffic carried by the railways this year might be exceeded by three million tonnes, the net addition to goods traffic next year in terms of the budget estimate would be only 8 million tonnes, as against nearly 25 million tonnes this year. Allowance here, of course, has to be made for the setback to traffic in 1974-75 as a result of the railwaymen's strike in May that year, which influenced the traffic estimates contained in the current year's budget.

On the basis of the expectations that the revenue-earning goods traffic would go up next year by 12 million tonnes and the passenger traffic by four per cent, the 1976-77 revenue receipts at the existing fares and freight rates have been estimated at Rs 1868.47 crores—passenger earnings Rs 518.01 crores, other coaching earnings Rs 87.18 crores, goods earnings Rs 1240.28 crores and sundry earnings Rs 43 crores. Fearing that Rs 20 crores out of the above earnings may not be realised during the year, as against Rs 25 crores this year, and allowing for Rs 1551.42 crores working expenses, which unlike the current year, contain fairly adequate provisions for various cost escalations including staff costs, and enhanced allocations to the depreciation and pension funds, the net revenue, at the existing fares and freight structure, is estimated at Rs 129.23 crores. The allocation for depreciation has been raised by Rs 20 crores to make up partly the under-provision in the last two years in terms of the recommendations of the Railway Convention Committee and that for the pension fund by Rs 5.25 crores to meet the anticipated higher withdrawals. The net revenue falls short of the dividend liability to the general revenue (Rs 207.6 crores) by Rs 78.37 crores.

With a view not to resorting to borrowings from the general revenues to meet this year's dividend liability, the surcharge on goods traffic other than such commodities of essential consumption as foodgrains, edible oils, gur, shakkar and jaggery, salt and such raw materials as fertilizers and oilseeds, has been raised by five per cent on the total existing freight if the movement is in wagon loads up to 500 kms, and by 10 per cent if it is beyond 500 kms. All "smalls" traffic will bear a supplementary charge of 10 per cent. The additional surcharge is expected to yield Rs 87.35 crores, which after making up the shortfall in the dividend liability, will throw up a surplus of Rs 8.98 crores. The surplus is proposed to be appropriated to the development fund.

On the basis of the weightages accorded to the commodities exempted from the supplementary surcharge in the computation of the wholesale prices and consumer prices indices, aggregating to 28.68 per cent and 36.45 per cent respectively, and also taking into consideration that approximately 14 per cent additional weightage in the consumer prices index applicable to clothing, footwear, rail travel, medical care, education and recreation, is not affected by the supplementary surcharge, the railway ministry expects that the current price trends would not be affected at least for the poorer sections of the society. The industry, it is felt, should be able to absorb the incidence of the additional surcharge if the overheads can be brought down through expansion in production.

There is some logic in this argument, but in assessing the impact of the Railway minister's proposals on production and distribution costs, allowance has to be made for the current reduced profitability of the industrial sector. Further, expansion in production in many lines depends on how far demand picks up. This will depend on the Finance minister's taxation and investment proposals. The fairly steep increases effected recently in the communication tariffs is another factor to be taken into consideration. The cumulative effect of the increases in the railway freight rates and the communication tariffs, indeed, cannot be insignificant on production and distribution costs especially in a period of dear money policy.

A very significant revelation made by the Railway minister in the budget documents is that not only the long-distance goods traffic does not fully cover the railway costs in the case of several commodities but also the railways are estimated to have incurred a loss of Rs 122.92 crores on coaching services (primarily suburban and non-suburban passenger traffic), Rs 41.67 crores on low-rated commodities and Rs 0.6 crores on freight concessions on relief measures, despite the increases effected in fares and freight rates in the last several years. The loss on low-rated goods traffic has been as follows :

Foodgrains—Rs 10.75 crores, fodder—Rs 7.16 crores, coal—Rs 6.96 crores, salt for edible use—Rs 5.3 crores, oilseeds—Rs 2.89 crores, fruits and vegetables—Rs 2.86 crores, gur, shakkar and jaggery—Rs 1.81 crores, firewood and charcoal—Rs 1.62 crores, ores other than iron and manganese ores—Rs 1.13 crores, edible oils—Rs 0.51 crores, limestone and dolomite—Rs 0.29 crores, mollasses—Rs 0.29 crores and sugarcane—Rs 0.09 crores. While after the implementation of the 1976-77 budget proposals, the loss on the movement of mineral ores, mollasses and sugarcane will be wiped out, it can be expected to only grow in the case of suburban and non-suburban traffic and the other items exempted from the additional surcharge. An effort ought to have been made to curtail the loss at least on coaching services. The additional receipts from this source could have helped in containing the additional freight burden on industries which are facing demand recession at present. Even otherwise these additional receipts could have assisted in bringing down the indebtedness of the railways to the general revenues which is expected to grow to as much as Rs 491.50 crores by the end of March next year. The interest payments on this indebtedness are by no means small.

Although the productivity of the railways has gone up significantly this year, the scope for containing staff costs cannot be overemphasised. The fuel costs, which form the other major operating expense of the railways, of course, do no offer that much scope for economy after this year's tightening of pilferages. The containment of staff costs has a direct bearing on fresh recruitment, especially after the sizeable recruitment effected following railwaymen's strike in May, 1974.

Optimism in West Bengal

In his presidential address at the annual general meeting of the Bengal Chamber of Commerce and Industry held on February 20, Mr A.L. Mudaliar referred to some bright aspects of West Bengal's economy and also highlighted certain disquieting features. He said that last year there were increases of 13 per cent and 33 per cent in the production of rice and wheat respectively as compared to the previous year. The West Bengal Industrial Development Corporation had doubled its assistance to new industries in 1974-75 in relation to the preceding year. The outlay on the annual Plan for the state for the coming year had also been stepped up considerably. But the state's major industries continue to be confronted with serious difficulties.

Mr Mudaliar referred to the problems faced by the jute, tea and engineering industries but did not mention the automobile industry which occupied a crucial place in the economy of West Bengal. He said that the "uncertainty regarding the orders for the wagon building industry has also led to a chain of adverse repercussions on the dependant small and ancillary industries." Such repercussions have occurred also on a large number of automobile ancillaries which provide employment to several lakhs of persons.

Mr. Mudaliar said that the problems of West Bengal's major industries could not be solved by "remedies of a shot-in-the-arm variety". He observed : "What is called for is a renewal and restructuring of investments and industries. In this process aspects such as research and development must be given their due consideration so that, for example, new applications for the products of traditional industries along with more efficient processes can be identified. For this to come about at all, a perspective plan setting out the short-term as well as the long-term strategies and priorties in a clear and consistent manner will be a *sine qua non*. It is a difficult task and is apt to be long drawn out but at the same time remains compulsive; we in the Chamber would be happy to help the State Planning Board in determining these strategies."

Mr Mudaliar is, of course, right in emphasising the need for a perspective plan but how far is the State Planning Board competent to undertake this task? It is significant that though the Planning Board has been functioning for the last many years, it has rarely held any dialogue with industrial organisations on short-term or long-term planning. Has the board, for instance, made any study of the problems and prospects of the jute industry and offered suggestions regarding its programme of research and development? Even when the state was passing through the most severe crisis in power supply till recently, the Board did no seem to have played any part in evolving a sound strategy to deal with this problem.

Much publicity has been given to the fact that West Bengal's outlay in the next Plan has been substantially stepped up. This is commendable and state government and Mr Sankar Ghose, the Finance minister, deserve praise for making earnest efforts to raise additional resources. But it is worth noting that while West Bengal's outlay on the annual Plan has been raised from Rs 171 crores in 1975-76 to Rs 232 crores in 1976-77, that of Maharashtra has been stepped up from Rs 350 crores to Rs 459 crores. Even Andhra Pradesh, Bihar and Madhya Pradesh have been able to fix their Plans for 1976-77 at a much higher level than West Bengal, the figures being Rs 262 crores, Rs 242 crores and Rs 272 crores, respectively. West Bengal therefore should try to step up its outlay to still higher levels so as to be able to make a greater impact on the growth of its economy.

Mr Mudaliar referred to the problems of the Calcutta port and suggested that the central government should bear the entire expenditure of dredging the river and not merely 80 per cent of it as at present. He warned that unless the port was relieved of this financial burden, there was every likelihood of the charges being raised further. In the last year the port charges were steeply increased and these had placed the port at "a relative disadvantage". New Delhi should therefore sympathetically examine this aspect. But the port authorities should make serious efforts to improve efficiency and effect economies for which there seems to be considerable scope.

The central government should also agree to place the port of Haldia under the management of the Calcutta port. There seems to be a strong case in favour of this arrangement. As Mr Mudaliar said, "from the very beginning Haldia was conceived as supplementary to and a part of the Calcutta port for the purpose of bulk cargo handling; its separation from the Calcutta port now will be apt to accentuate the operational problems and financial difficulties of the latter which will adversely affect trade and commerce in the whole of the eastern region. I sincerely hope that these long term aspects will be given their due consideration so that Haldia can be retained as an integral part of the Calcutta port complex."

The Bengal Chamber's president while urging the government to adopt realistic policies reminded industry of its responsibility and opportunities. He stressed the need for exploiting and expanding the rural markets. He said that "imaginative marketing and distribution ideas will have to increasingly come into their own in creating new opportunities and satisfying them." He suggested that industry should make the optimum use of such scarce resources as credit through better working capital management. Mr Mudaliar also observed that "while industry must continue to strive towards that optimum product mix which results in the best utilisation of resources, there will be the need to foster this process through fiscal and other means". He referred to the "positive and purposeful approach" demonstrated by the chief minister of West Bengal and the union ministers of Finance and Commerce. Mr Siddhartha Shankar Ray gave further evidence of his pragmatic approach when he told the Bengal Chamber's annual meeting that there should be a reduction in the personal and corporate taxation in order to encourage savings and investment. He asserted that such a reduction, far from affecting the revenue of the government, would actively help to increase it by giving a strong stimulus to economic activity. Mr Ray emphasized that it was essential to increase the purchasing power of the people in the context of the large under-utilisation of industry's installed capacity. It remains to be seen how far the union Finance minister agrees with the views of the chief minister of West Bengal.

Hoechst and its research centre

Two points of great merit were stressed by Dr. Hansgeorg Gareis, director of pharmaceutical research of Hoechst AG, a reputed drug company of West Germany, during his recent visit to this country. First, that drug units which marketed their products in a hurry without guarding against even the known after-effects of their products might not have any protection from penalty. Second, the marketing of drugs under generic names was possible provided there was an agency to safeguard that no substandard drugs were allowed to enter the market. And both these issues were highly relevant in our country today because the recommendations of the Hathi Committee report in this regard were being considered by the ministry of Chemicals and Fertilisers. The ministry would do well if it bore these points in mind while finalising its view on the much publicised Hathi report because there is a high probability of increase in spurious and substandard drugs once the brand names were abolished.

The perils of marketing of drugs without studying their after-effects could best be illustrated with reference to the birth of what has popularly come to be known as thalidomide babies. In the sixties a pharmaceutical company in Europe marketed a tranquilizer which had disastrous effect on pregnant mothers because the babies born had no arms or legs. The marketing company in the UK had categorically stated that the tranquilizer could "be given with complete safety to pregnant women and nursing mothers without adverse effect on mother or child." But when the truth could not be suppressed, the company had to shell out millions of pounds for the rehabilitation of the deformed babies. The company certainly had to pay a heavy price for its indiscretion though the misery caused to the deformed babies could not be assessed in terms of money.

Again, not long ago the sale of substandard talcum powder in France resulted in the death of no less than 30 babies before its marketing was stopped. In our country also, penicillin injections resulted in a few deaths before warning could be broadcast to the medical practitioners regarding the allergy of certain persons to this highly effective antibiotic. The moral was obvious that in the field of medicine, there need not be any hurried short cuts because the consequences can be disastrous.

Realising the importance of research and development (R and D) in pharmaceuticals our country had embarked upon an ambitious programme through state-financed laboratories such as the Central Drug Research, Lucknow, the Regional Research Laboratory, Hyderabad, and the National Chemical Laboratory, Poona. The efforts in these laboratories have been supplemented by the R and D activities by companies, both in the public and private sectors, including the Hindustan Antibiotics Ltd. and the Indian Drugs and Pharmaceuticals Ltd. —both in the public sector—and the Ciba Research Centre, the Sarabhai Research Centre and the Hoechst Research Centre, all in the private sector. Many other pharmaceutical firms also undertook R and D work but the total expenditure on such activities was very small in relation to what was being incurred in some of the advanced countries. Even in a relatively small country such as Switzerland—not to speak of the USA, West Germany, Britain and France—the total annual expenditure on R and D activities in pharmaceuticals was 50 times the entire expenditure in our country after taking into account the efforts in both the public and private sectors. Consequently, the realisation has dawned in this covntry that much more needs to be done in this field.

It was in 1971 that Hoechst Pharmaceutical Ltd.—an Indian company which is not a foreign majority company—set up its research centre in Bombay. Besides being an advanced centre for pharmaceutical research, it also undertook basic research in this sophisticated field. The company had so far invested no less than Rs 5.5 crores while the German technical collaborators had rendered valuable assistance by donating equipment valued at Rs 25 lakhs. The centre is manned by Indian scientists whose achievements during the brief period have in no way been mean. In addition to the publication of a few outstanding research papers in medical journals, the research work has led to nine patents in the field of drugs. The main guidelines at the centre are : (a) screening of soil and marine samples collected from different geographical regions of India for the isolation of micro-organisms producing either new antibiotics or known antibiotics with better yields; (b) investigation of Indian medicinal plants to find therapeutically active substances. Efforts are made to isolate these active substances in a pure form to determine their structure and eventually to undertake their synthesis. Thus, the research effort at the centre is designed to investigate some of the indigenous medicinal plants so as to study their healing traits and make them available to the whole world for curing illnesses of various kinds.

For instance, from a sand sample collected from a beach in India, a culture producing Neomycin B had been isolated at the centre. Work had been taken up to develop this strain for industrial production of the antibiotic whose present requirements in our country were being met through imports. Surely, the research at the centre would ultimately be used to undertake large-scale production of Neomycin which would result in saving valuable foreign exchange for the country.

Accordiug to Prof. B. K. Bhattacharya, head of the Hoechst Research Centre, work in the centre started with only six persons in 1970 whose number at present has risen to 97. No less than 18 of them have Ph. D degrees to their credit. So far about 600 plants had been investigated. One of them *Stephania glabra* has shown interesting properties in lowering blood pressure. Stepharine, an alkaloid from the above-mentioned plant, has shown immense possibilities as an effective drug for high blood pressure cases and that is why work on its further development is currently going on at the centre.

The centre has also set up its animal house which is absolutely necessary for research in this field. In 1975, it produced 70,000 animals for use in the laboratory to test new drugs. In addition to meeting its own needs of these animals the centre has provided them for research in other research institutes. In particular, the Beagle dogs imported from Germany were supplied to other research centres for conducting toxicological studies.

While the research centre has received considerable assistance from the Hoechst AG—the German company—it is acting independently and is not an adjunct of the foreign company. It is neither supported financially by the German company nor has the foreign company any claim on its discoveries or research work. Since research is a costly business, the German company which has set up similar research centres in other countries, does assign special field to each national laboratory but its policy is that "national scientists should be working in these various laboratories having close contact with and taking advantage of the facilities and know-how available at Hoechst AG". It is indeed heartening to know that the research team at the Hoechst centre has done exceedingly good job in the past four years. In the words of Dr. Gareis, the "research unit with its scientists has reached an international standard", and it is something of which this country can rightly feel proud of.

Eastern Economist 30 Years Ago

MARCH 8, 1946

The Finance Member announced in his budget speech that it has been decided that the Financial Settlement which governs the allocation of defence expenditure between Britain and India will remain in force until the first of April, 1947. Obviously some explanation has to be offered for extending into one full peace year an agreement which was intended only for the duration of the war. Shortly after the conclusion of hostilities with Japan, HMG, it appears, asked the government of India to consider the question of terminating the settlement on 31st March 1946, but it was the government of India which pressed for its continuance for yet another year. "I want to emphasize that it was Whitehall and not Delhi that wanted to drop the Financial Settlement," declares Sir Archibald Rowalands as if the extension is a hard won advantage to India or as if because it was at his initiative, therefore, it is necessarily right. On the actual manner of allocating defence expenditure between Britain and India, opinion has been very firmly held in this country that settlement has borne rather harshly on a poor country like India, whereas propaganda in Britain has been very active to say that India has been let off lightly.

Surplus state budgets

THE EASTERN states—Orissa and Assam—came out with surplus budgets for 1976-77, though Orissa had to levy fresh taxes to avoid a deficit. New imposts in Orissa will fetch Rs 3.23 crores to throw up an overall surplus of Rs 15 lakhs while the Assam budget took credit of the opening balance of Rs 4.7 crores to close with a surplus of Rs 19.70 lakhs.

The Orissa budget disclosed a surplus of Rs 2.52 crores on revenue account, the revenue receipts and expenditure being Rs 311.35 crores and Rs 308.83 crores respectively. There was a rise in revenue over the revised estimated for 1975-76 of Rs 282.83 crores, primarily because of increased receipts from the centre. For 1976-77 the expenditure on capital account has also been raised, turning the overall accounts for the year into a net deficit, which, however, has been converted into a surplus of Rs 15 lakhs after mobilising Rs 3.23 crores through fresh taxation measures.

New tax measures include raising the general sales tax rate from five per cent to six per cent with effect from April 1, next, which is estimated to yield Rs two crores and the imposition of a cess on mining royalty to fetch a crore of rupees. The other two tax proposals are : a show tax on owners of cinema houses to yield Rs 13 lakhs and raising the minimum rate of entertainment tax from 25 per cent to 30 per cent to yield Rs 10 lakhs. The state's own tax and non-tax revenues, including additional resources mobilisation, would for the first time cross the Rs 100-crore mark in 1976-77. One of the factors contributing to this improvement has been improved efficiency in the collection of current and arrear dues. The state public sector undertakings have also been impressed upon to manage their inventories more carefully which is likely to have a healthy impact on their balance sheets.

Revenue receipts of the Assam budget for 1976-77 are estimated at Rs 187.55 crores and the expenditure at Rs189.56 crores,but shows an overall deficit of Rs 3.87 crores. The state chief minister, Mr S. C. Sinha, who also holds the finance portfolio, decided not to impose any additional taxation. There has been an improvement of the order of Rs 14.73 crores in the revised revenue receipts for the current year, which has been estimated at Rs 282.83 crores against Rs 268.10 crores in the original budget. The improvement is attributed to increased shares of income tax, receipts from sales tax, stamp duties and non-tax revenues. The revised estimate of the over-all deficit has, however, doubled to Rs 16.91 crores, due to increased expenditure on education, police and economic services.

Mr Sinha pointed out that the debt burden of the state has been rising and has become substantial now. The debt burden is estimated to touch Rs 528.04 crores by the end of the current financial year as against Rs 2.79 crores in 1950-51. He added that as against an amount of Rs 1.12 crores paid by way of payment of principal in 1950-51, the state has to pay Rs 19.53 crores by way of repayment of principal and Rs 25.30 crores by way of interest this year.

There has been an upgrading of economic activity in both the states which is reflected in their annual plans. Orissa's annual Plan for 1976-77 has been approved at the level of Rs 124.67 crores out of which the resources available to the state are estimated at Rs 81.09 crores. The state government has undertaken to improve the financial position through additional mobilisation of resources. A sum of Rs 41.81 crores is to be raised through various measures such as additional market borrowings (Rs 1.27 crores) additional central assistance (Rs 3.27 crores) and the state's share in income tax under the voluntary disclosures scheme. Expenditure for irrigation projects and flood control measures under the plan will involve Rs 21.76 crores and that for minor irrigation Rs 6 crores. For power projects and transmission lines Rs 5.33 crores have been provided. Agriculture gets Rs 4.80 crores and industries Rs 1.83 crores.

The Assam Plan for 1976-77 has been placed at Rs 72.66 crores. Resources available to the state have been estimated at Rs 63.18 crores (including central assistance of Rs 40.04 crores). The gap of Rs 9.48 crores is to be covered through additional market borrowings (Rs 1.13 crores) and additional central assistance (Rs 4 crores). As in the case of other states, Assam also hopes to receive a substantial sum as its share of income tax under the voluntary disclosures scheme. The Plan outlay for power projects, including transmission lines has been estimated at Rs 17.20 crores. For irrigation projects, flood control and minor irrigation the provisions are Rs 5.65 crores, Rs 2.96 crores and Rs 5.30 crores respectively. Agriculture (including land reforms) and industries are estimated to involve an outlay of five crore rupees each.

There is substantial evidence from the pattern of expenditure of these states that earnest efforts are being made to implement the 20-point programme. In Assam, for instance, the government has already distributed about 200,000 bighas of land among over 54,000 landless families out of the ceiling surplus land by the end of January this year. As many as 7,251 families of whom 1,985 belonged to the scheduled castes and 1,082 to scheduled tribes, had been given house sites till January this year. Steps are also being taken to meet, as far as possible, the credit requirements of the people in the rural areas, particularly the weaker sections. A special development programme has been drawn up for hill areas too. In Orissa earnest efforts are being made to lay the foundation of a more egalitarian society, through increased economic opportunities for those sections of our society which so far remained economically backward and socially poor. The rehabilitation of landless labour and development of backward areas has been accelerated.

Capital's Corridors

Breakthrough in non-ferrous metals • Crude oil requirements • Plan allocations for 20-point programme

A FORTNIGHT, ago, it was indicated in this column that the output of aluminium in the country, which is currently at an annual rate of 220,000 tonnes, may grow to about 250,000 tonnes by the middle of July. A similar breakthrough is expected in the production of two other non-ferrous metals—zinc and copper—in the next 12 months.

The capacity to manufacture zinc is likely to go up by the end of the current calendar year to as much as 95,000 tonnes from the present level of 38,000 tonnes. The Debari smelter of Hindustan Zinc Limited—a public sector undertaking—is expected to expand from its current capacity of 18,000 tonnes to 45,000 tonnes by July. Another project of this undertaking, which is under construction at Visakhapatnam, when completed towards the end of December, will add another 30,000 tonnes capacity.

marginal imports

Of the 95,000 tonnes capacity available by the end of the current calendar year, 45,000 tonnes at Debari will be based on indigenous ore. The remaining 50,000 tonnes capacity will be producing metal from imported zinc concentrates. Currently, 20,000 tonnes capacity is based on imported concentrates—at Alwaye, in Kerala, in the private sector smelter of Cominco Binani. The Visakhapatnam project of Hindustan Zinc will be the other unit based on imported concentrates. When in full production, the 95,000 tonnes capacity will yield enough zinc for meeting the country's requirement. Imports then may be just marginal.

So far as copper is concerned, Hindustan Copper Limited—another public sector undertaking—is expected to make a start for developing the Malanjkhand open cast copper mine and the setting up of a concentrator in the tribal district of Balaghat, in Madhya Pradesh, during the next financial year. The detailed project reports, both for the development of the mine and the setting up of the concentrator have already been received. A substantial allocation is proposed to be made in the next year's central budget for the execution of this 23,000 tonnes copper metal project currently estimated to cost about Rs. 100 crores.

Hindustan Copper has already commissioned recently the phase I of the mine and concentrator at Rakha, in the Ghatsila complex of Bihar. It has also commissioned the Chandmari open mine in the Khetri complex.

Although the Malanjkhand project will take three or four years to be completed, the output of copper can be expected to go up next year quite significantly with better utilisation of the current nearly 55,000 tonnes capacity. Production has picked up considerably this year also—by about 49 per cent in the case of blister copper (over the last year) and 63 per cent in the case of wire rods. Last year, copper metal output was around 14,000 tonnes.

With the commissioning this year by Hindustan Copper of the lead mine and concentrator at Agnigundala, in the the Guntur district of Andhra Pradesh, the output of this metal too should show some improvement next year. The lead smelter at Tundoo in Bihar is being expanded from 3,600 to 8,000 tonnes of metal per annum. The expansion programme is anticipated to be completed in the next few months.

* *

The latest assessment of our crude oil requirements during the current calendar year reveals that if we are able to produce from indigenous sources about nine million tonnes, we will have to import nearly 14 million tonnes from abroad. The raising of indigenous production to 9 million tonnes assumes that production from on-land resources will have to be raised to at least 8.5 million tonnes—about 750,000 tonnes more than during 1975. The remainder half million tonnes of crude oil are expected to be produced from the offshore Bombay High area where potential to yield two million tonnes per annum is anticipated to be established by the end of the current year. With Oil India producing slightly over three million tonnes from its Assam oilfields, the ONGC will be required to produce from its two on-land resources in Assam and Gujarat slightly over five million tonnes. Some small production will be available from the Digboi oilfield too.

The indigenous production caters for the requirements of four refineries—at Digboi, Noonmati, Barauni and Koyali, the later three in the public sector. The production of refined products from these refineries, therefore, can be expected to be maintained, if not slightly improved, during the current calendar year.

The crude oil requirements of the other five refineries are understood to have been more or less tied up during the recent days. The Madras refinery's requirements of 2.8 million tonnes are ensured under the long-tecm arrangement with one of its collaborators, namely the National Iranian Oil Company. The needs of Hindustan Petroleum's refinery at Trombay to the extent of 2.75 million tonnes, similarly, are ensured from EXXON under the agreement signed in March, 1974, through which the marketing and refining operations of this refinery were acquired by the government of India from ESSO. Caltex will also receive from its principals Saudi Arabian crude for processing at its Visakhapatnam refinery. To meet the requirements of the Trombay refinery of Bharat Refineries and the Cochin refinery, two agreements have been signed recently—one with the Abu Dhabi National Oil Company for the supply of one million tonnes of crude and another with Saudi Arabia for the import of 1.1 million tonnes of light Arabian crude. The Bharat Refineries' Trombay unit will also be processing the crude oil available from Bombay High and Rustom crude from the Iranian concessions in which the ONGC is a partner. But some more quantities of crude oil—two to three million tonnes—will still have to be imported for the Cochin refinery and Bharat Refineries' Trombay unit. Negotiations for filling this gap are at an advanced stage. Some quantities may be available from Iran and Kuwait. There are also said to be some offers from Nigeria and Libya.

* *

Outlays of Rs 2133.32 crores in the next financial year's plans of the states and Rs 27.56 crores in those of union territories have been approved by the Planning Commission in respect of the 20-point economic programme launched in July last. The biggest allocations have been made for power—aggregating to Rs 1265.97 crores in the case of the states and Rs 18.87 crores in the case of union territories. The next largest allocations are for irrigation—Rs 606.56 crores for major and medium works and Rs 145.51 crores for minor works in respect of states and Rs 3.36 crores and Rs 1.67 crores, respectively, in regard to union territories.

The following are the details of the allocations (Rs crores) for the various programmes in the state Plans :

Land Reforms : Andhra Pradesh 0.34; Assam 0.80; Bihar 3.40; Gujarat 0.63; Haryana 0.12; Himachal Pradesh 0.38; Jammu and Kashmir 0.55; Karnataka 4.00; Kerala 10.10; Madhya Pradesh 1.66; Maharashtra 0.18; Manipur 0.07; Meghalaya 0.08; Nagaland 0.20; Orissa 1.00; Punjab Nil; Rajasthan 0.08; Sikkim 0.45 Tamil Nadu not yet available; Tripura 0.22; Uttar Pradesh 7.50 and West Bengal 4.81; total 36.57

Minor Irrigation ! Andhra Pradesh 4.20; Assam 5.30; Bihar 1.80; Gujarat 7.40; Haryana 0.78; Himachal Pradesh 1.62; Jammu and Kashmir 3.45; Karnataka 7.30· Kerala 3.15; Madhya Pradesh 16.50; Maharashtra 19.81; Manipur 0.60; Meghalaya 050; Nagaland 0.40; Orissa 6.00; Punjab 5.03; Rajasthan 2.11; Sikkim 0.20; Tamil Nadu 8.11; Tripura 0.45; Uttar Pradesh 21.10; West Bengal 13.50; Total 145.51.

Major & Medium Irrigation: Andhra Pradesh 67.70; Assam 5.65; Bihar 48.00; Gujarat 46.63; Haryana 29.60; Himachal Pradesh 0-43; Jammu and Kashmir 7.14; Karnataka 32.00; Kerala 18.35; Madhya Pradesh 50.10; Maharashtra 86.93; Manipur 3.45: Meghalaya 0.02; Nagaland nil; Orissa 19.50; Punjab 14.90; Rajasthan 47.22; Sikkim 0.50; Tamil Nadu 14.66; Tripura 0.04; Uttar Pradesh 98.65; West Bengal 15.09: Total 606.56

Cooperation : Andhra Pradesh 4.15; Assam 1.40; Bihar 2.32; Gujarat 4.15; Haryana 2.70; Himachal Pradesh 0.55; Jammu and Kashmir 0.46; Karnataka 2.73; Kerala 0.62; Madhya Pradesh 4.85; Maharashtra 4.74; Manipur 0.30; Meghalaya 0.28; Nagaland 0.27; Orissa 3.39; Punjab 3.75; Rajasthan 0.93; Sikkim 0.15; Tamil Nadu 2.23; Tripura 0.30; Uttar Pradesh 7.50; West Bengal 3.80; Total 5187.

Power : Andhra Pradesh 106.18; Assam 17.20; Bihar 70.20; Gujarat 70.00; Haryana 45.05; Himachal Pradesh 8.90; Jammu and Kashmir 21.17; Karnataka 73.50; Kerala 22.10; Madhya Pradesh 124.08; Maharashtra 138.13; Manipur 0.90; Meghalaya 6.50; Nagaland 0.52; Orissa 55.33; Punjab 92.43; Rajasthan 35.33; Sikkim 0.93; Tamil Nadu 65.18; Tripura 3.64; Uttar Pradesh 230.10; West Bengal 72.65; Total 1265.97.

Handloom Industry : Andhra Pradesh 0.97; Assam 0.52; Bihar 0.70; Gujarat 0.04; Haryana 0.38; Himachal Pradesh 0.11; Jammu and Kashmir 0.18; Karnataka 0.70; Kerala 0.60; Madhya Pradesh 0.30; Maharashtra 0.71; Manipur 0.25; Meghalaya 0.08; Nagaland 0.01; Orissa 0.12; Punjab 0.09; Rajasthan 0.07: Sikkim 0.01; Tamil Nadu 2.13; Tripura 0.13; Uttar Pradesh 2.41; West Bengal 0.65; Total 11.16.

House Sites for Landless Labourers : Andhra Pradesh 1.00; Assam 0.25; Bihar 0.95; Gujarat 0.35; Haryana 0.11; Himachal Pradesh negligible; Jamm & Kashmir 0.10; Karnataka 2.00; Kerala 1.60; Madhya Pradesh 1.10; Maharashtra 0.45; Manipur nil; Meghalaya nil; Nagaland nil; Orissa 0.35; Punjab 0.30; Rajasthan nil; Sikkim negligible; Tamil Nadu 0,45; Tripura 0.03; Uttar Pradesh 1.00; West Bengal 0.75; total 10.79.

Apprenticeship Schemes : Andhra Pradesh 0.03; Assam 0.02; Bihar 0.03; Gujarat 0.17; Haryana 0.01; Himachal Pradesh 0.09; Jammu and Kashmir 0.03; Karnataka 0.40; Kerala 0.7; Madhya Pradesh 0-06; Maharashtra 0.73; Manipur 0 03; Meghalaya 0.03; Nagaland negligible Orissa 0.01; Punjab 0.36; Rajasthan 0.11; Sikkim nil; Tamil Nadu 0.04; Tripura 0.3; West Bengal 0.05; total 2.34.

Book Grants : Andhra Pradesh 0.06; Assam 0.13; Bihar 0.22; Gujarat 0.06; Haryana nil; Himachal Pradesh 0.07; Jammu and Kashmir negligible; Karnataka 0.16; Kerala 0.23; Madhya Pradesh 0.10; Maharashtra 0.01; Manipur 0.07; Meghalaya 0.04; Nagaland negligible; Orissa 0.01; Punjab 0.03; Rajasthan nil; Sikkim 0.04; Tamil Nadu 0.02; Tripura 0.12; Uttar Pradesh 1.00; West Bengal 0,18 total 2.55.

Aggregate Allocations : Andhra Pradesh 184.63; Assam 31.27; Bihar 143.72; Gujarat 129.43; Haryana 78.75; Himachal Pradesh 12.15; Jammu and Kashmir 39.08; Karnataka 122.79; Kerala 56.82; Madhya Pradesh 198.75; Maharashtra 251.69; Manipur 5.67; Meghalaya 7.53; Nagaland 1,40; Orissa 85.71; Punjab 116.89; Rajasthan 85.85; Sikkim 2.33; Tamil Nadu 93.12; Tripura 4.98; Uttar Pradesh 369.30; West Bengal 111.48; total 2133.32.

The details of the allocations (Rs lakhs) in the plans of the union territories are as follows :

Land Reforms : Andaman & Nicobar Islands 1.00; Arunachal Pradesh 0.55; Chandigarh nil; Dadra & Nagar Haveli 10.00; Delhi nil; Goa, Daman & Diu 50.00; Lakshadweep nil; Mizoram 0.22; Pondicherry 7.12; total 68.89.

Minor Irrigation : Andaman & Nicobar Islands 2.00; Arunachal Pradesh 25.00; Chandigarh 3.00; Dadra & Nagar Haveli 11.00; Delhi 45.00; Goa, Daman & Diu 40.00; Lakshadweep nil; Mizoram 20.00; Pondicherry 20.58; Total 166.58.

Major & Medium Irrigation: Andaman & Nicobar Islands nil; Arunchal Pradesh nil; Chandigarh nil; Dadra and Nagar Haveli 21.00; Delhi nil; Goa, Daman and Diu 305.00; Lakshadweep nil; Mizoram nil; Pondicherry 10.10; Total 336.10.

Cooperation : Andaman & Nicobar Islands 8.50; Arunchal Pradesh 32.00; Chandigarh 0.75; Dadra & Nagar Haveli 1.25; Delhi 29.00; Goa, Daman & Diu 17.00; Lakshadweep 8.50; Mizoram17.30; Pondicherry 7.26; total 121.56.

Power : Andaman & Nicobar Islands 26.50: Arunachal Pradesh 83.50; Chandigarh 60.00; Dadra & Nagar Haveli 12.50; Delhi 1372.00; Goa, Daman & Diu 215.00; Lakshadweep 12.00; Mizoram 48.00; Pondicherry 57.25; total 1886.75.

Handloom Industry : Andaman & Nicobar Islands nil; Arunachal Pradesh 3.70; Chandigarh nil; Dadra & Nagar Haveli nil; Delhi 10.75; Goa, Daman & Diu 0.15; Lakshadweep nil; Mizoram 18.70; Pondicherry 57.25; total 38.30.

House-Sites for Landless Labourers : Andaman & Nicobar Islands nil; Arunachal Pradesh 10.00; Chandigarh nil; Dadra & Nagar Haveli nil; Delhi 8.00; Goa, Daman & Diu 5.00; Lakshadweep nil; Mizoram nil; Pondicherry 10.00; total 33.00.

Apprenticeship Schemes : Andaman & Nicobar Islands nil; Arunchal Pradesh 3.00; Chandigarh 0.25; Dadra & Nagar Haveli nil; Delhi 50.00; Goa, Daman and Diu 1.00; Lakshadweep nil; Mizoram 0.40; Pondicherry 1.65; total 56.30.

Book Grants : Andaman & Nicobar Islands nil; Arunachal Pradesh nil; Chandigarh nil; Dadra & Nagar Haveli nil; Delhi 42.00; Goa, Daman & Diu 3.00; Lakshadweep nil; Mizoram 1·95; Pondicherry 1.90; Total 48.85.

Aggregate Allocations : Andaman & Nicobar 38.00; Arunachal Pradesh 157.75; Chandigarh 64.00; Dadra & Nagar Haveli 55.75; Delhi 1556.75; Goa, Daman & Diu 636.15; Lakshadweep 20.50; Mizoram 106.57; Pondicherry 120.86; Total 2756.33.

distance away from the well bore, and r_w is the radius of the well bore. Rest of the notations have the same meaning as in the earlier equation. The resemblance is so strong that it struck me that in effect the pressure build up in any well, in relation to the time function Ln $\frac{\Delta t}{t+\Delta t}$ would be very similar in form to the pressure distribution around the well bore in the reservoir in relation to the radial distance function Ln (r/r_w) under steady state flow conditions. Since it is easy to visualise the latter, this analogy placed immediately in our hands a new tool for assessing the geometry of the reservoir penetrated by any well.

These, in conjunction with the dimensional characteristics which can be inferred from pressure build-up relations, and the seismic structure contour maps, made a far more rapid and reliable appraisal possible about the amount of oil discovered, than would have been feasible from traditional geological techniques alone. As an example, one could mention the case of the Nahorkatiya Main Area, where within three years of the discovery, we were able to reach a conclusion as to the extent of the oil found which, conventional methods using progressively accumulating data took nearly 15 more years to fully corroborate.

the perspective

Up to now I have talked of the great diversity of conditions which we found controlled the trapping of oil in Assam, and on how we moved out from our initial exploration in the marginal folds of the Assam-Arakan mountain belt and struck oil in the shelf area to its front in Nahorkatiya. I have also given some indications of the complexities of the individual accumulations. It is perhaps appropriate that I should now say something about what we did to find new oil bearing areas in this region and what we are still doing in this direction.

Initial discovery in the shelf region (Nahorkatiya) was in the Barails. With Channel sands, local structural undulations and innumerable faults we had a combination which could produce virtually myriads of accumulation points, and we needed some guidelines with which to focus our attention to the most likely of these. During the initial investigations it was found that if one were to neglect the innumerable faults and construct a trend surface, enveloping the top of the Barails, one could arrive at a generalised Barail High about 10-15 Km to the WNW of the discovery well. It was initially hoped that, with oil having been found in Nahorkatiya, as it were, well down the flank of this High, a lot more oil would be found in the region of the High itself. This was unfortunately not so and most of the step-out wells in this region proved to be dry. There was thus no straight-forward relation in this area between the Barail oil accumulations and the apparent regional Barail High.

shallow depths

Quite early during our exploration in the Nahorkatia area, I had noticed that the regional Barail High (i.e. the area where the Barails were expected at the shallowest depth) did not have any anticlinal form. The structural elevation of this area was primarily fault controlled. If one took note of the direction of dip alone, one could recognise some distance to the south-east of the above regional Barail high, an area with a regional anticlinal form which beds sloped away in all directions. Furthermore, it began to appear that it was this 'fold summit' area which had the maximum concentration of oil pools.

Initially, it looked as if the oil accumulation within the Barails had taken place by migration up the flanks of a regional anticlinal feature, before the faults dissecting the latter developed into barriers to migration and raised the north-western flank of the anticline above the level of the 'fold summit'. Much of the northwesterly dip beyond the apparent 'fold summit' appeared to be primarily related to rotational movement imparted by a series of basinward downthrowing growth faults, as in Land slides, and the 'fold' did not seem to have started with any extensive NW flank as such during its early phase of development.

Even on this interpretation the hinge and its adjoining zone (now appearing like an anticlinal summit) still remains important for oil accumulations formed through the migration of oil updip from the basinward directions.

In looking for oil one cannot however be over obsessed with any particular possible control mechanism. Exploratory wells have therefore been drilled on all possible structures which have had any reasonable rationale leading to the hope of finding oil. Notwithstanding this, the majority of the oil pools discovered so far within the Barails in the Nahorkatiya region have been found to be linked primarily either with the above 'fold summit' area or with any subsidiary trapping conditions generated on its basinward flank and plunge. It follows that, as all possible major features in such situations get drilled up, there would remain less and less chances of finding further Barail oil unless it is found that there is another set of control mechanism which have led to accumulation of oil in totally different conditions elsewhere.

Another factor which affects the Barail oil accumulations in the Nahorkatiya region is the susceptability of the Barail sands to have a sudden diminution in their porosity or permeability as these are met in depth range below 3600 metres. Away from its central hinge zone, the Barails tend to be encountered at increasing depths basinwards both towards its south-easterly flank as well as towards its north-easterly plunge. As a result, a fair proportion of the oil accumulations found in the basinward direction (i.e. below 3600 metres depth) tend to be of low productivity and not unoften non-commercial.

minor accumulations

Up to now I have talked about the problems we have faced in determining where to look for oil in the Barails and how our ideas have grown in this direction. From a fairly early stage, minor accumulations of oil and gas have also been noted from time to time in the overlying Tipams. In many basins in the world, petroleum seems to be most abundant in successively younger rocks in a basinward direction.

A certain increase, both in frequency and volume, had been noticed in the oil/gas accumulations discovered within the Tipams, as the exploration progressed closer towards the geosynclinal region of the basin, but for some time these remained very fragmentary in nature and small in dimension. One problem was the lack of well defined structural highs of any significant size. Nevertheless, part of the exploration effort was switched over specifically towards finding oil in the Tipams, and, in conformity with the general trend, more oil is being found in these rocks in group of small rolls and fault blocks in an area lying immediately to the front of the Digboi-Jaipur line of folding. Further to the south-west better defined structural highs are present within the Tipams, near the shelf margin, the ONGC's oilfields at Lakwa and Geleki and substantial amounts of Tipam oil has been found in these areas. It is of interest that recently indications of oil have been found in even younger rocks (Namsang Beds) in a well drilled at the front of the next thrust slice beyond the Digboi-Jaipur line of folding.

One can thus see a certain amount of zonation in oil occurrence in the Assam Valley shelf area, both Tipam and Barail oil (possibly more of the former) being present near the shelf margin and primarily Barail oil accumulations some distance to the north-west of the above (Rudrasagar, Moran, Nahorkatiya).

Looking at this picture of zoning in oil distribution within the shelf area, the next question that occurs is, would we get oil/gas in older formations further to the north-west of the presently known Barail oil trend? Some gas has actually been found north-west of this trend in rocks tentatively identified as Paleocene, near Tengkhat in the Nahorkatiya region. A considerable distance away ONGC have also found oil close to the basement in a somewhat analogous position. In relation to the Naga Hills tectonic strike, the outer thrust of the Naga hills belt occurs in this last mentioned area much further to the north-west than in the Nahorkatiya-Lakwa region, and adjoins the ONGC find. It is possible therefore, that we may eventually also find a trend of Eocene-Cretaceous petroleum occurrences in this region, some distance to the north-west of the Barail trend.

Up to now I have talked primarily on petroleum exploration activities in Assam and what we have gradually learnt from it. Initially the team of workers involved in the higher levels of work and knowledge all belonged to the Burmah Oil Company (BOC) and were British. From the early 1930s Indian personnel became inducted more and more into these levels of work, and by the time all traditions, records and background of knowledge passed to Oil India, they had taken over the leadership.

valuable contributions

Also, in trying to keep the scope of this talk restricted, I have deliberately avoided speaking about many matters in which this particular succession of scientific teams made valuable contributions. Firstly, in the process of their oil exploration they did not restrict their geological studies to the immediate vicinity of the oilfields. They carried out extensive geological work supported by photo-geology over the Assam-Arakan region as a whole. This was backed up by intensive gravity, aero-magnetic and seismic work in specific regions. As a result, the teams were able to produce the first integrated picture of the overall stratigraphy and geology of this region.

In the process of doing this they introduced on an extensive scale the use of heavy minerals in stratigraphic correlation and made full use of Palaeontology, Micro-palaeontology and made a beginning with Palynology.

In exploration, it is a well known adage that it is ultimately the drill which finds the oil. However, contrary to popular expectations raised by such statements, the act of drilling itself does not ring a bell. The presence or absence of petroleum, the nature of reservoir rocks penetrated, the extent of porosity and pressure to be expected have to be gleaned from a series of subtle indication, cores and tests. Conventional coring and testing processes are time consuming, slow up drilling rate, and in consequence the rate at which areas can be explored and tested. The oil company teams therefore set about improving their ability to learn more and more from the subtle indicators and depend less on the time consuming processes. The fact that Nahorkatiya wells can be completed in three weeks now, when it took 11 months to drill, core and test the first well (Nahorkatiya I), bears ample testimony to the success achieved in this direction by them.

serious work

It may not be widely known that possibly the first serious scientific work on drilling muds was undertaken in India, partly in the oilfields by the BOC and partly at the Calcutta University under the former's sponsorship. In the mid-1930s, the oil company team carried out extensive studies on pressure losses in drilling mud and circulation systems which is amongst the earliest works on this topic that I have seen. They have also made extensive contributions in the integration of the then growing science of Reservoir Engineering with geology. These are only some of the directions in which the teams working in India (consisting initially of British but later completely of Indian personnel) have made important contributions.

Having talked at some length on the development of petroleum exploration technology in N E India, it is time I made some brief mention of exploration developments elsewhere in India. Perhaps the first area that needs mention in this connection is the Cambay Basin. It is long alluvium covered semi-graben shield separating the main Indian shield from the Saurashtra peninsula. Odd seepages of methane had been noticed in water wells dug in this area for many decades. Years back, the Burmah Oil Co. had at one stage evinced some interest in this area but were not given permission to work. Thereafter they found themselves tied to far too great an extent in Assam. The credit for discovering this area (in 1958) goes to Oil and Natural Gas Commission (ONGC).

Although the initial discovery itself (Cambay) turned out to be a relatively minor one, it was an event of tremendous importance. Starting off from the concrete presence of petroleum accumulation in quantity at Cambay, ONGC has been able to discover and develop a fairly large area of oil and gas fields complex, the most important of which is the Ankleshwar field (1959).

similar problems

In the process of making these discoveries, and in developing these fields, ONGC started finding many of the types of problems which I have mentioned in connection with Assam. Apart from a number of anticline dominated oilfields in this area there are many with combined stratigraphic-cum-structural control. Some fields are even giving production from zones which on first appearance would seem to be unlikely as reservoir rocks. Much skill has been developed in finding extensions and new oil pools under this environment, but progressively additions are likely to slow down as the investigations of major features get completed.

Starting off from the Cambay basin and extending offshore, a large discovery has been made in a structure, popularly known as the *Bombay High*. In eastern India, apart from the follow up discoveries made in the Upper Assam Shelf by OIL and ONGC, some gas has been found in Tripura. The exact magnitude of this is however not yet known. Elsewhere, very little success has been met with in exploration, except for some low pressure gas in Rajasthan.

Ideas on where to look for oil have travelled a long way from the days when the anticlinal theory was first propounded over a century back. During the 1940 to 1960 period in particular, a number of valuable concepts have come into being, bringing out :

a) the importance of silled basins in the generation and accumulation of *major* resources of petroleum,

b) the ability for crude oil to form even in basins with highly oxidising conditions;

c) the tendency of petroleum accumulations to get concentrated in certain

specific types of geotectonic regions (platform areas, hinge belts, central regions of basins within cratons where gravity is the controlling tectonic force, etc.);

d) the importance of hydro-dynamics and of differential entrapment in the precise location of accumulations; and

e) that petroleum does not always need an anticline in which to accumulate, even minor changes in the slope of beds and/or permeability can lead to the formation of an accumulation.

Furthermore, work on the origin of oil has demonstrated the importance of pressure-temperature relationship, to which buried sediments are subjected, in the formation of oil. More recently still, the role of released water has been brought out in the migration of oil. Also, too many continental basins have by now been found (e.g. Uinta basin of Utah, USA, inland lake deposits of Mendoza Province, Argentina, the inland basins of China, etc) with commercial accumulations to make marine environment an essential prerequisite.

advanced technology

Simultaneously with the development to the above concepts, instrumental and operational technology has advanced making it possible to obtain progressively more and more information. Initially, this consisted of improving the field geological methods and backing up petrological, palaeontological and palyonological support. Clearer insight has developed, through studies, on sedimentological environments and on how these affect various aspects of the rock types produced. Geophysical and data processing techniques have been improved to a point where, in favourable cases, it is even possible to detect direct indications of the presence of large gas accumulations. A lot of work is also being done on the detection, through geophysical and geochemical means, of indications at the surface which can be more directly linked with the occurrence of petroleum below.

More recently laboratory techniques are claimed to have been developed with which to assess the hydrocarbon source potential of rocks and the palaeo-temperatures to which these have been subjected from study of samples. These techniques should eventually enable us to:

a) obtain some idea of the likely stratigraphic ranges in which oil/gas has been generated in quantity;

b) the likely regions in which such generation has taken place; and

c) some notion about the total magnitude of such generation and therefore of the total stake involved in exploration.

We have thus by now a growing mass of concepts pointing to where accumulations should be sought and on how to seek this information. However, before these concepts can be applied, facts have to be assembled with painstaking care and displayed in the most effective manner possible. An attempt has to be made ultimately to build up for each stratigraphic interval a series of pictures, and from these to superimpose:

a) the geotectonic features of the basin and the evolution of its geological structures;

b) the pattern of lithological changes in each stratigraphic interval selected;

c) the pattern of hydrocarbon generation; and

d) the movement pattern of formation water.

If this can be done sufficiently clearly, the interaction of the pictures should indicate the best places to look for accumulations of oil and gas.

The above implies meticulous collection of much geological information and their manipulation for interpretative purposes. Computers are being brought to use for storage, retrieval and processing of this type of data, and it has been claimed that in the Muddy Sandstone of the Powder River Basin (USA) alone, this approach has successfully contributed to the discovery of 250 million barrels of oil reserves. Massive computerised data from basins have also been used to derive proximity maps for new areas to test.

major advance

For a population of over 600 millions, India produces currently only a little over eight mtpa of crude oil. This is a major advance on what it used to produce (about 0-3 mtpa) before the discovery of Nahorkatiya, but is still far short of what the country requires today and should need in the future. The recent discovery of oil in the Bombay High will make a significant contribution towards this. Also, once oil has been found in the Bombay High, a lot more is likely to be discovered in the other structures which have already been detected in that area. The country, however, is large and the demand of petroleum products has tended to grow at the rate of 9.4 per cent per annum in the past. Much more oil will therefore need to be found to meet and to go on meeting the natural growth in the country's petroleum demands.

India has a large area covered by sedimentary rocks, estimated around 1.67 million sq. kilometres, including offshore areas down to the 100 metre isobath. A substantial amount of geolgocial and geophysical work has been carried out over these areas, and many wells have been drilled. What is needed now is a marshalling of all the information available, basin by basin, with a view to assessing :

a) the relative prospects of each basin;

b) the likely whereabouts of any petroleum likely to be present in each (both areawise and formationwise); and

c) the type of further information (both where and what) to be sought from each.

Work on all these fronts is naturally an integral part of the normal operation of any exploration group, and I shall be surprised if considerable attention is not being given to these aspects by all such groups in India.

many unceratinties

It is inherent in any search for petroleum that the data points are few and the uncertainties are many. Successful identification of the right factors that control the major oil accumulations in any particular basin is therefore inevitably a difficult task. Nevertheless, concepts on where to look for oil have advanced considerably during the last three decades and, with proper attention to these concepts and proper use of modern technology and tools, we should have a much better idea of what more to expect from each basin within the next decade.

So far as I can see, one of the major problems in a number of these basins is the absence of recognisable major anticlinal features. I have already indicated that it takes very little change in either formation characteristics or in the attitute of beds to lead to accumulations of oil. An anticline happens to be only the most easily locatable feature. The hunt for such other features like stratigraphic wedges, paleodelta tapping environments, etc., need much intensive and difficult high resolution seismic work, but these should not be above the level of competency of Indian personnel. The application of some of the 'so called' direct methods of oil/gas finding may also help in some cases.

Moreover, there are areas like for example the West Bengal basin where, apart from the existence of large anticlines, most other favourable factors are present. There is therefore no other option but to hunt for the above types of subtle conditions once the target is set towards a search for *major* accumulations of gas or oil. In Rajasthan also, the anticlinal features detected are generally small in size, but there is a major basement high (the Jaisalmer Arch) and large accumulations are theoretically feasible in stratigraphic wedges against this feature.

To sum up, much has been learnt in India about oil exploration both from basic findings of research groups outside the country, as well as from the wide variety of conditions which the workers have encountered in the oilfields within the country itself. A reflection of this growth in competency is to be found in the increase of crude oil production over the years from 0.3 mtpa before the Nahorkatiya field was discovered to a little over eight mtpa as at present. With further development of the onshore fields and of the Bombay High, the expectation seems to be that a production level of about 18 mtpa will be attained by 1981. Much more, however, remains to be done, and I have little doubt that the exploration teams in India will rise to the occasion and organise their drive in such a way that they can meet the country's petroleum requirements (inclusive of its growth) in the foreseeable future.

Tea market in retrospect

N. C. Kankani

TO ATTEMPT to project or forecast the future behaviour of a commodity market is no doubt difficult, but at times, even after the event, it is far from easy to analyse the developments and patterns of a market. This is so, particularly, with reference to the tea market for 1974 and 1975.

Since 1954 tea markets have not seen any appreciable rise, except to a small extent during 1966. The rising costs on inputs in the industry especially the wage increases which alone account for a rise to 247 per cent in south India between 1967-1975 (daily wage rising to Rs 5.80 from Rs 2.35) have thus remained during this period of 20 years largely unneutralised. It was only during the second quarter of the calendar year 1974 that there was a welcome increase within a matter of from two to three weeks, which was not only unpredicted, but also unprecedented. It came as a surprise to tea brokers, tea buyers, sellers and middlemen as well the consumers.

Let us examine closely the possible causes that could have led to this price increase—nay spurt in prices—not seen for the last 20 years. No doubt, this was a most welcome and over-due change in tea prices but let us identify the causes that have led to this situation.

For any price increase to occur in the tea industry the possible causes could be the following :

Demand and supply theory—Global shortage of tea.

The boom in the prices of all commodities, led by oil and its favourable impact on tea.

Tight cash flow position with the trade.

The consumption of tea being stimulated by higher prices of other competing/substitute beverages, like coffee.

Growth in world population.

Re-opening of Suez Canal.

Uncertainty of international currencies vis-a-vis each other.

Stocks of tea in London.

A postmortem reveals that none of these factors provide a solid reason for the increase in tea prices. The detailed analysis is made below to substantiate the above conclusion :

a) **Demand and Supply** : For many years now, tea market price trends have mostly been guided and governed by the total world supply versus world demand for a particular year.

The calendar year 1973 closed with not much change in the scale, demand and supply almost matching with previous year's figures. Crop figures in the early part of 1974 were just normal and there was no cause for alarm about any possible shortage of tea in India or other producing countries to warrant any sharp jump in tea prices during mid-May to August 1974.

Without exception, all the areas and tea districts in N E India recorded higher crops during 1974 over 1973, at 390 million kg which was 21.8 million kg higher than that in 1973. Against this extra production from N E India only 3.9 million kg could be set off by lower crop from S. India resulting in 490.1 million kg for India's total crop during 1974 as against 472 million kg for 1973.

Month-wise analysis for N E India would show a steady increase in crop in all the months of 1974 with the only exception of August and December over 1973. The total crop by mid 1974, when the market got into boom conditions, was ahead by 14.7 million kg. Similar was the monthwise trend in production from South India where the crops were ahead by 5.9 million kg ending May 1974.

An FAO commodity review for 1974-75 says that although world tea output reached a new record estimated at 1.48 million tons in 1974, the increase over the previous year was "rather marginal" This clearly indicates that the world crop of tea was not smaller, but slightly larger when compared to that in the previous year.

Even if there were any temporary factors to cause an alarm, the production figures for 1974 by the year-end showed normal production for all the tea producing countries and therefore the prices that ruled during late 1973 should only have prevailed during later part of 1974, correcting the temporary upswing witnessed during mid-74 for inexplicable reasons. But this did not happen and the sharp increase in price levels obtained during mid-74 not only continued throughout the year 1974 but very fortunately continued to be so all through the 12 months of 1975, not taking any cognizance of the usual theories of demand and supply for the year 1974 and/or 1975. If anything during 1975 the levels of tea prices further improved over 1974 though very slowly and steadily. This trend is not in consonance with the theory of production and demand, within the country or in importing countries taken together.

b) Led by oil, prices of all commodities did go up due to various factors but the rise in price was step by step whereas the rise in tea-price was very much sudden and sharp and that too nine to 12 months after the spurt in oil price. Hence it cannot be considered as a reason for increase in price of tea.

c) Tight cash flow problem might lead to drying up the stocks in the pipeline with the major stockists in the trade. It can hardly create any condition for spurt in the price ; as money position is tight, no one shall be purchasing at such high prices for stock-holding.

d) The substantial rise in coffee prices may not be considered as a reason inasmuch as coffee prices rose right from January 1974 and not from June 1974 as was the case with tea. Subsequently coffee prices dropped back to early 1973 levels during September 1974 to June 1975 but no corresponding sympathetic fall in tea prices took place.

no correlation

This apart, the tea consumption within or outside the country does not show any reasonable correlation with prices or consumption of coffee. The consumption of tea within the country or export from India during 1974-75 did not show any material change and there has been no reduction in per capita consumption of coffee vs. Tea in the country. Moreover coffee prices once again saw a sharp jump from August 1975 onwards at levels still higher than the previous year but there has been no reflection of it in tea prices which are more or less pegged around the levels obtaining during mid-1974.

e) Growth of world population could be considered as one of the reasons for rise in tea prices. But how could it happen within a period of three to four months in mid-1974 only ? Moreover the total gross consumption of all countries does not corroborate this point.

f) Reopening of Suez canal should normally lead to a cut down in demand inasmuch as the supply could reach the market almost immediately and no one need to store huge stocks as storing huge stock might result in loss as tea is a perishable item. When supplies are easier and readily available the prices should come down rather than rise.

g) Uncertainties in international currencies situation could affect the prices but there is no readjustment after the uncertainties have been cleared.

h) If stocks of tea in London could have any impact on the prices in that centre, which in turn might reflect other selling centres, these figures were substantially lower during the first six months of 1973 as well as during 1972 as compared to the respective periods of preceding years and this did not reflect in improved tea prices either during 1972 or 1973.

As regards tea stocks during first half of 1974 these were almost the same as in the preceding year with very little variations worth making any impact ; instead the stock figures during the first half of 1975 were rather high in comparison to the corresponding months of preceding two years and that did not bring down the levels already established during mid-1974, and, if anything, the prices decame steadier thereafter.

worst droughts

Let us examine the situation within India. Notwithstanding all these points the monsoon failure during 1974 was unprecedented all over the country and places like Gujarat, Bihar, Maharashtra Rajasthan, Orissa and Tamil Nadu had witnessed the worst droughts in recent past. This led to lesser purchasing power with the villagers. Unprecedented power cuts in most of the states also led to a slowdown in the economy resulting in lesser employment in major as well as ancillary industries, which in turn caused lesser purchasing power with the potential as well as regular tea-drinking population of the country. This phenomenon cast gloom all over. It was just then, i.e. in mid-1974 that tea prices saw an upswing. This was in spite of colossal damage as well as loss of cattle due to extreme drought conditions resulting in shortage of milk and its availability at high price. This was accompanied by high price of sugar that prevailed during 1974 which normally adversely affects tea consumption. Even though tea is the cheapest drink in the country, the price per cup of tea became costlier particularly because of high price of milk and costlier sugar with lesser purchasing power with the major tea consuming people during 1974-75.

The living standard of people had not suddenly shot up during June 1974 onwards alone, instead it had gone up only steadily whereas the selling price of tea had shot up suddenly within a matter of a few weeks in May to August 1974.

The cost of labour, wages, pesticides, fertilisers, packing materials etc., has increased manifold over a period but in business especially where demand and supply play their role in international as well as domestic markets for a commodity like tea, the consumer would like to get his requirements at the lowest possible rate and prices of tea in its history have never been up with the increase in input costs.

Though many agencies had forecast possible shortage of teas due to shortage of fertilisers in India, in actual practice, no garden in North or South India was obliged to curtail its production due to any shortage of chemical or fertiliser during 1974. In fact the total crop from India closed at 490 million kgs for 1974 as against 472 million kgs for 1973. World crop was also higher in 1974.

Packet price of tea in Britain appears to have a bearing on this situation. It is common knowledge that the British government had not permitted packet price of tea to be raised by packeters in that country for many years despite the continual rise in price of all other commodities due to worldwide inflation. The cost of operation for packeters had been rising in the course of years and to an extent the world prices for tea also moved up, but the rise was not commensurate with the general rise in other articles. This created a situation where there was a squeeze in the packeters' margin of profit and a stage came when they did not find much charm in the packeting of imported teas and selling them either at no profit or very little profit. However, with the high investment already made in packet-industry, they could not discontinue business as overheads would to an extent be absorbed while waiting for a better time for tea packeting.

diversification activity

Many small packeters got eliminated or started diversification of their activities. No new investment was therefore made in packeting. The packeters in the meanwhile continued to press the British government to permit them a raise in their packet price to enable them to keep in business without much success.

For genric promotion of tea consumption in Britain, the tea trade contributes sizeable sums to the Tea Council but left with little attraction in this business, one of the leading packeters, Brookbond Liebig, followed by many others for the last two years, withdrew their support and contribution to the Tea Council.

The British government was not prepared to increase the packet price of national packs as, tea being the national drink, it was feared that public opinion might go against it and the issue might be used as a tool by the opposition in the elections. A stage however reached when there was little choice left with the British government but to help the tea packeters. Instead of permitting a steep rise in packet price, the British government thought it fit to grant a subsidy to packeters and also an equivalent increase in packet price partly in May and partly in August-September 1974. The idea was, that the consumer would not have to carry the full burden of the increase in import prices of tea. The UK government allowed the blenders to revise the price of their packets by 12P per lb in May 1974. This was followed in August by a subsidy of 2P per ½ lb packet, equivalent to 17P per kilo, i.e. Rs 3.50 per kg.

These steps taken by the British government led to a reasonably good margin becoming available to packeters, who, in turn, started a spree in buying and expanding their market activities. They vied with one another in capturing markets by buying more teas from producing centres even at higher rates before the peak prices were reached. Faced by rising tea prices emanating from this major country, blenders and major buyers from all over the tea world were forced to increase their price levels. Other buyer countries in the main auction centres of the world had also to raise the limits to get their requirements. The new equation of exchange rates for other than sterling compelled buyers in sterling to raise their limits as other currencies were in a better position to get their requirements at their old rates.

The fear of *consortium approach* developing amongst the tea producing countries and the very useful part played by our Tea Board on various occasions could also have forced the overseas buyers of Indian tea to offer higher prices during 1974 as well as 1975. The price rise thus established during the second quarter of 1974 seems to have found its new levels for good.

This development had obviously no relevance to the demand and supply position of tea as there was no shortage in the second quarter of 1974 to warrant a sharp and unprecedented rise, which was not anticipated by producers or buyers or brokers in any part of the exporting or importing countries.

For South India tea it came not a day too soon as there was a steep wage hike and also all round increase in the prices of various inputs such as fertilisers, fuel, packing materials, chemicals, etc. But it must be clearly understood that earlier none of the foreign buyers had at any time increased the price of tea to accommodate the producers. Input costs in tea have never been a guiding factor for the determination of its price. The importers had never thought it their business to see whether the producer made sufficient profits so long as he (the importer) got his requirements at the cheapest rate possible.

It can more or less justifiably be concluded that the new price levels reached as a result of the rise in packet price by British government and the subsidy granted by it are of a longstanding nature and these levels have become the norms for any further rise or fall in the tea prices due to usual causes in world tea industry. This is well brought out by the subsequent trend in 1975-76, in spite of the fact that world production was maintained almost at a steady level.

Food industry vs world hunger

Jossleyn Hennessy
London

I

8,000,000,000 by 2000 A.D.

THE EXPERTS estimate that the population of the earth will rise from 3,600 million to between 7,000 and 8,000 million before 2,000 A.D. i.e., it will about double in the next 25 years. Every five days brings a million more mouths to feed. This despatch will take five days to reach India by which time another million humans will have been born. The experts consider that this population explosion cannot level out until some time in the next century ; stabilisation will be slow to come. Food production will have to be at least doubled by 2,000 A.D. if everybody is going to be fed—but adequately whether fed is another question.

substandard diet

The average diet today in the countries of the Third World, which means three-quarters of the world's population, is substandard both in quantity and quality of caloric intake. So, to provide nourishment and not just food, for the world's population in 2,000 A D, to double present production will not be enough : output will have to be tripled or even quadrupled. Even assuming that this can be done, it will, also, remain true that the countries where the need is greatest are not necessarily geared to produce all their own food—e.g. south west Asia and Africa. These regions are by and large, committed to imports which mostly come from the USA and Canada. Unless the necessary supplies are contributed free of charge—unlikely if present practice is any guide—there will have to be a long term, worldwide economic reform to enable the Third World countries to pay for their food imports in foreign currency which they have earned themselves.

The problems of nutrition are complex. Agricultural policy is only one factor. The problems present a macro-economic and daunting challenge : they demand long-range planning, the closest cooperation, and above all the goodwill of governments and international organizations. To make the necessary calories available is not enough : the food supplied must include the nutritional elements essential to man and, in addition, it must be acceptable to the life-long eating habits of the people in the various regions. In global terms, the achievements of agriculture are already impressive. Despite the enormous population growth, consumption per head has improved significantly over the last decades. Unfortunately, the situation has deteriorated in the last few years. In the world as a whole, we now have about 30 days' worth of food reserves. Given below are the ways and means to increase production.

1. Present production could be more efficient by more rational methods of storage and preservation, cutting down on waste, and improving distribution. The so-called "short circuiting" of the food chain could come into play here (eleminating the inefficient animal link in the conversion of vegetable matter into acceptable food).

2. Land under cultivation can be expanded. Particularly in the tropical and sub-tropical regions large reserves of uncultivated land exist. But to put them under the plough would cost vast outlays of time and money,

3. Productivity increases (improved harvests) are the best chances of boosting production. The possibilities include the development of new plant strains, a measured increase in the use of fertilisers and pesticides, more and better mechanisation and education of farmers. The agricultural sector in developing countries characterised by subsistence farming must be restructured and industrialised. Sheer investment is not the whole answer—planners almost invariably forget that farmers must be given incentives in higher incomes and assured markets.

4. Fish yields could be raised, although on a world scale fish provides a bare five per cent of man's protein requirements. The United Nation's Food and Agricultural Organization thinks that it is possible to double the present 70 million ton catch, but other experts think this is over optimistic.

5. Synthetic foods, particularly the micro-biological conversion of petroleum derivatives and waste products. But the amount of research still to be done—particularly in the matter of taste—I personally would regard a petroleum derived chapatti with suspicion—means that such foods are not likely to be available for some twenty years.

II

Food Industry's Contribution

What can the food industry do to help to ensure that the world's future inhabitants have enough to eat ?

The food industry is an intermediary between farmers and consumers. The food industry's role is to assure the farmer of an adequate market—which in itself is essential for the industrialisation of agriculture. Another vital role is to give support for the creation of an agricultural infrastructure, particularly in the developing countries. Most of the impetus and initiative here comes from the major international firms in the food industry, which have to satisfy the needs of their foreign production centres as well as meeting the requirements of local markets. In Central and South America for instance, Nestle encouraged and sometimes sponsored the dairy industry decades ago.

The activities of the multinationals in the developing countries should be welcomed for their help in bringing about industrialisation, as well as their efforts to improve local production. Nestle has set up more than 80 factories in states classified as developing countries by the United Nations, and Nestle also operates other factories under management contracts.

The degree to which the private enterprise of the industrialised countries participate in the progress of the developing countries—by investment—strengthens their ability to overcome nutritional difficulties, whether through better production or outside supplies.

Private firms were responsible for the original initiatives in this field, but over the years varied patterns have evolved in the form of cooperation between private businesses and government authorities. Sometimes, although now less frequently, this cooperation relies solely on capital supplied by private enterprise. Cooperation commonly takes the form of joint ventures with private local companies or with the government. Sometimes the capital remains wholly in local hands, and the cooperation takes the form of a management contract or straightforward licensing arrangements tied in with technical aid. This is particularly popular in the European states.

The international organisations are entering the picture increasingly as private enterprise's second or third partner. Most prominent is the FAO and its offspring the Industry Cooperative Programme (ICP). The ICP was started in 1966 to promote direct cooperation between the agriculture, forestry and fishing industries and government. The ICP's partners at its start in the private sector totalled 18, including Nestle and Unilever. Today the total is 103 companies.

strong influence

The food industry is not the only business sector contributing to agricultural expansion in developing countries. Chemical companies are also to the fore in pesticides, insecticides and fertilisers. There is widespread lack of appreciation of the strong influence of the oil crisis on agricultural prices. For certain agricultural products, e.g. wheat and maize, some 30 per cent of the caloric yield is indirectly derived from petroleum. The greater part of this energy expenditure is consumed in the production of synthetic fertilisers : some $6,000 million of of the 1975 production costs went for oil. In the USA, the farm sector accounts for five per cent of total energy consumption, and if we add the energy expended in processing and transporting foods, the figure reached is between 15 and 20 per cent.

It would not be surprising if the oil producing countries turned to home production in future for an increasing part of their synthetic fertiliser needs. By-products of their petroleum extracting and refining now wasted (such as in flaring) could be used. The experts expect that the populations of the OPEC countries will seek to upgrade their nutritional standards by building factories to process food products. Here, again, cooperation with the international private enterprise industry in food would secure the necessary technical know-how.

The seeds industry is having a growing impact on companies engaged in agrochemicals. Its contribution—the basis of the "green revolution"—consists in the developing more resistant, high-yield strains adapting plants to unfavourable soils and climates.

III

"Short Circuiting" Food Chain

About a third of production is devoted to animals rather than to people because of the demands for milk and meal. It takes 15 lbs of vegetable protein to produce two lbs of animal protein in the form of beef. This huge burden on agricultural production could be appreciably lightened if we could multiply the share of vegetable protein going straight to the consumer. This would entail the production of top quality liquid and solid products, which could be partial substitutes for milk and meat. There are two problems : vegetable protein (as contrasted with animal protein) does not contain all the components needed by the human body (such as lysine and methionine). The necessary supplements can be produced artificially but (as I suspected in imagining what a petroleum-derived chapatti might taste like) there is a big problem yet to be solved in producing taste, texture and the other assorted factors that make up an appetising meal.

Alternatively, the food industry might succeed in contriving a synthetic product which would be both adequately nutritional and satisfy prevailing tastes. Whether the development of synthetic proteins would eliminate the world food shortage in the short run is a matter of dispute, but the solution of individual problems is now within reach, as is exemplified in Nestle's efforts in south east Asia to produce a completely vegetable-based milk.

The production of synthetic foodstuffs using micro-organisms, yeasts and microbes is prominent on any list of possible ways of expanding food production. There is nothing new in this, as beer, yoghurt and cheese illustrate. Micro-organisms reproduce at an extraordinary rate and they contain substantial proportions of amino acids, specifically lysine. They themselves feed on sugar, cellulose, natural gas and petroleum derivatives (paraffin, metahnol, ethanol and methane). Bacteria and yeast can be grown on these items with the aid of additional chemicals. The micro-organisms are, after being killed, subjected to purification yielding powder which can be used in the synthesis of foods,

The hopes that sueh techniques could produce foods cheaper than can now be grown on the farm depended on the low prices of petroleum in the past. Since then, not only has the price of oil shot up but the environmental burden created by industrial processes have been increasing. The micro-organisms maintain temperatures of around 40 degrees centigrade (104 degrees Farenheit) and the large amounts of heat that they generate during production must be dissipated, which requires large supplies of cooling water and cheap petroenergy.

When synthetic foods will become a reality is not yet known. The practical applications up to now have been restricted to the production of cattle feed. I myself spent the earlier years of my childhood on a farm in Sussex. In winter, the cows were fed with oilcake and I am in a position to say that it tasted extremely good and quite possibly accounts for the profundity of my economic insight. On reflection, however, I believe that the oil in these cakes was of vegetable not mineral origin. So, more power to the elbows of Nestle and Exxon who have been working together for years to develop a technique for producing synthetic human foods. Once this research is successfully completed, it will still take time for the new product to gain the approval of the US Food and Drug Administration, and it will doubtless take still more time to perfect a suitable farm of the product to make it appeal to the palates of the consumers in the villages around Delhi and sybarites who dine and dance at the Imperial Hotel so conveniently close to the offices of "*Eastern Economist*".

Sources and acknowledgements : The foregoing summarises a report in the latest issue of *Prospects*, the business news survey published by the Swiss Bank Corporation (Aeschenvorstadt, Basle), but the Swiss Bank is not responsible for the wording of my summary nor for my interspersed comments.

And now a drought in western USA

Vienna

E. B. Brook

THE MOST ominous sign among a year's portents, unremarkable for cheer is the increasing drought in the western wheat belt of the USA. The damage caused by dry weather during the planting season followed by all too scanty snow has exposed a sizeable part of the world-important American wheat crop to erosion. High winds are causing the dry earth from western Texas to Nebraska to move and the crop, which has achieved little early growth, is being destroyed. An official estimate of the damage has put it as high as 100 million bushels and it could go higher.

The drought affects only part of the American wheat belt but it may mean a 10 per cent drop in the final harvest which, though not at all catastrophic in itself, could mean a sizeable tightening of the world's food supply this year. The threat to world food caused by only a partial drought in the US corn area is increased disproportionately by the facts of frequent insufficient harvest yields in the former corn basin of eastern Europe and the Soviet Union, with the USSR becoming a massive importer of many grades of corn from the USA and Canada, the frequent partial dependence of China on Australian wheat yields and the certainty of large grain import requirements to much of Asia, Africa and parts of South America.

political factors

The risk is increased also by political factors. In a presidential year in the USA the White House is more than usually unlikely to take any decisions which would increase the inconvenience of the American citizens and voters. There is no likelihood of a grain shortage in the USA but lower yields could easily raise domestic prices and exports to any area would, in that case, be an unusually telling factor in making prices to the American consumer more expensive. No president defending his office would willingly allow this circumstance to occur. Although crop forecasts can change with surprising speed, the American outlook for this summer and autumn, just before the October elections, will make response to Soviet purchase offers and the requirements of the most populous countries unusually restrained.

temporary circumstances

The temporary circumstances of drought in part of the American wheat lands poses some threat to supplies this year ; more significantly it foreshadows what will almost unavoidably become a crucial international problem within ten years—the threat of mass starvation in many countries. The most threatening fact is that food production in the USA, Canada, Australia and western Europe is unlikely to increase much more whatever the policies followed by governments, the Common Market or the economic decisions of farmers and their organisations. The genetic improvement of all plants is coming near to its limit, most available arable land is already employed and irrigation water is becoming less plentiful. If the USSR has, by purchase, built up some food reserves, it has done so at the expense of US grain reserves. With the communist countries becoming grain importers instead of exporters there is considerably less left for countries obliged to import to avoid hunger if not starvation. Unfortunately, with only a few years to go before crop yields are forced to their maximum, there is not yet sufficient agreement among exporting and importing countries to create anything like sufficient global food reserves.

The supply of essential food has become increasingly tied up with political attitudes—there is shockingly loose talk by those in the USA, who should know much better, of the use of food as a foreign policy weapon. Blackmail or pressure by food would not only be a foolish and immoral approach, it would, as similar efforts have shown from time to time, produce lingering hatreds that lead to international violence a century after their cause has disappeared. Not less, the irritation caused by the "food as a policy weapon", politicians are deflecting attention from the infinitely more important and urgent proposals for preparing massive transfers of capital and fertilizers to new farming areas—such as the Sudan and almost the whole of south-east Asia.

The great corn-producing states must have a leading part to play in such transfers and the comparatively small farmers of west Europe must cease considering which crop is the most profitable and concentrate on those which are most needed. At the moment land under potatoes, the west's basic vegetable, is shrinking to half its usual acreage because the crop does not pay big profits. Not less, the great collectives and state farms of east Europe must speedily find ways to avoid such shocking loss of harvested grain by spillage, insufficient storage space and sheer indifference. Much of east Europe's import of grain supplies is avoidable ; much of west Europe's concentration on the profitable and relatively easy dairy farming keeps tens of thousands of acres under grass when it could be producing grain crops.

lack of cooperation

The overall attitude of the major producing countries—both in manufactures and food—is that of supplying and then lending to enable payment for supplies. There is very little sign of this attitude changing to the transfer of capital and means of production seen as ultimately inevitable in agriculture. The major lender, the USA, has in recent weeks given signs of being less cooperative. May be with elections and the wisdom of playing to the gallery in mind, the Committee of Congress that appropriates funds for all forms of foreign aid has voted for the first time, to reduce the amount that the USA has agreed to contribute to the World Bank. The USA is already in default in meeting its obligations to the Bank. An even deeper reduction was made in the US contribution to the Asian Development Bank and and in the contribution to the World

Bank's "easy loan" affiliate, the International Development Association.

Similarly, there appears to have been considerable scaling-down in the USA's ideas about the detailed plan agreed upon by developing countries several years ago at a conference in Manila. Instead of some degree of debt moratorium the plan, as it be presented in May to the UN Conference on Trade and Development in Nairobi, will be no more than a very moderate set of proposals. With the US Congress extremely reluctant about any debt service waivers or cancellations, the plan is likely to propose different solutions for debts to governments of industrial countries, debt to the World Bank and other international lending agencies and debt to private banks and exporters. Following the Nairobi meeting there is likely to be a meeting of debtor-creditor states which industrially developing countries with good credit rating can decline to attend. One problem faced by some borrowing countries is that in the next few years they face a huge number of loan maturities which most of them have no means of satisfying.

The only new offer from the lending side at present comes from the European Investment Bank, the Common Market's long-term financing institution. Hitherto the largest part of the EIB's lending has been made to Common Market states. In future the Bank will considerably develop its activities outside the Market but, even so, its loans are likely to be restricted to Market-associated countries and to the 46 African, Caribbean and Pacific states linked with the Market under the Lome Convention on economic cooperation and assistance. It is not surprising that GATT, in its preliminary assessment of world trade this year remarks, concerning industrially-developing states, that payment for oil only accentuates their growing problem of financing current account deficits.

With an overall world prospect of only gradual recovery from recession this year and the uncertainties induced by elections in the USA and in west Europe's economically strongest state, Federal Republic of Germany, there is little prospect of more understanding approaches to industrially developing countries' problems. But the real risk of world food shortage not too far ahead and the need for more than temporary means of meeting it must induce a more constructive approach.

TRADE WINDS

Cess on Jute for R and D

The Government has levied a cess on jute manufactures with effect from March 1, 1976, for a period of one year. The proceeds of the cess will be utilised by the Development Council of Jute Manufactures, to be constituted shortly, for the purposes of research and development. The rates of the cess is Rs 6.30 per tonne of carpet backing, Rs. 3.75 per tonne of sacking, jute twines and yarns, and Rs 2 per tonne of cotton bagging. The rate for hessian and other jute fabrics is Rs 4.50 per tonne.

Production Targets

The Development Council will utilise the proceeds of the cess for discharging its functions which include recommending targets for production, coordinating production programmes and reviewing progress from time to time; suggesting norms of efficiency for eliminating waste, obtaining maximum production, improving quality and reducing costs; recommending measures for securing the fuller utilisation of the installed capacity, for improving the working of the scheduled industry, particularly of the less efficient units. The Council will also promote arrangements for better marketing and help in the devising of a system of distribution and sale of the produce of the scheduled industry which would be satisfactory to the consumer.

Other functions of the Council will be to promote standardisation of products, to assist in the distribution of controlled materials and promote arrangements for obtaining materials for the scheduled industry, to promote or undertake inquiry as to materials and equipment and as to methods of production, management and labour utilisation, including the discovery and development of new materials, equipment and methods and or improvements in those already in use, the assessment of the advantages of different alternatives and the conduct of experimental establishments and of tests on a commercial scale.

The Council will also promote the training of persons engaged in the scheduled industry, undertake scientific and industrial research into matters relating to production and to the consumption or use of goods and services, promote improvements and standardisation of accounting and costing methods and practice and undertake the collection and formulation of statistics. Another duty of the Council will be promoting adoption of measures for increasing the productivity of labour including measures for securing safer and better working conditions and the provision and improvement of amenities and incentives for workers.

Aluminium for Small Units

The Department of Civil Supplies and Cooperation has decided, in consultation with the Department of Mines and Metals, that the units in the small-scale sector engaged in the manufacture of AA & ACSR Conductors, who have got orders from the State Electricity Boards/D.G.S & D., will receive material direct from the producers without any formal allocation. The Development Commissioner, Small Scale Industries, has already assessed the capacity of small-scale units engaged in the manufacture of AA & ACSR Conductors. A list of such units will be intimated to the main producers of the metal who will give the material to the small-scale units *pro rata* of monthly capacity of the units. This procedure will not apply to other requirements of the small-scale units such as manufacture of wires and cables, etc. for which the existing procedure will continue.

The procedure came into effect from March 1, 1976, and will continue to be followed till April 30, 1976. Thereafter the position will be reviewed.

Excise on Asbestos Cement Products

The government has decided to withdraw their tariff values of Asbestos Cement Products with effect from March 1, 1976. This decision has been given effect to by issue of a notification dated March 1, 1976. As a result of withdrawal of tariff values of Asbestos Cement Products, these products will be assessed to Central Excise duty w.e.f. March 1, 1976 in accordance with the provisions of Section 4 of the Central Excises and Salt Act, 1944.

Loans for Power Transmission Lines

The central government has given loan assistance of Rs 5.3 lakhs to Nagaland for construction of Loktak-Dimapur 132 KV line. With this, the total assistance made available to the state during the current financial year for the three inter-state power transmission lines, now under construction, comes to nearly Rs 1.93 crores. A little over Rs 1.89 crores out of nearly Rs 1.93 crores are for Loktak-Dimapur transmission line and the balance is for Dimapur-Mariani and Dimapur-Bokajan lines.

The union government has also sanctioned a loan of Rs 11 lakhs to Andhra Pradesh for construction of Ennore-Nellore 220 KV power transmission line. With this the total assistance made available to the state during the current financial year for Ennore-Nellore line comes to over Rs 1.77 crores. The Centre has so far given a total loan assistance of nearly Rs 2.85 crores to the Andhra Pradesh Government for construction of various inter-state power transmission lines. The other power transmission lines under construction in the State are Munirabad Hampi, Upper-Sileru-Balimela and Hampi-Gooty lines.

Preference for Indian Technology

The ministry of Industry and Civil Supplies have decided to give exemption from the licensing provisions of the Industries (Development and Regulation) Act in regard to items of manufacture based on the technology developed by laboratories under the Council of Scientific and Industrial Research, Indian Council of Agricultural Research, Indian Council of Medical Research, Defence Research Laboratories, Department of Atomic Energy, Department of Space, ministry of Railways and such other laboratories owned and managed by the central government. Such exemption will, however, be subject to an appropriate certificate from the Department of Science and Technology so as to ensure that the technology developed is basic to the manufacture of the proposed product and is not merely peripheral to it. It would also be a condition that the item of manufacture is not reserved for either the public sector or for exclusive development in the small-scale sector and also not governed by special regulations for which prior permission would be required.

Such exemption facility will

COMPANY AFFAIRS

Coromandel Fertilisers

COROMANDEL FERTILISERS has reported excellent working results during the year ended Decembes 31, 1975, with sales and profits recording impressive improvements over the preceding year. The equity dividend too has stepped up steeply to 22 per cent as against 12 per cent paid for 1974. Out of the proposed dividend 12 per cent will be paid immediately while the balance will be paid on a deferred basis. It has also been indicated that the whole of the dividend will not be subjected to deduction of tax at source following the recent judgments of the Supreme Court and the Andhra Pradesh High Court.

Sales during the year shot up to Rs 47.84 crores from Rs 43.73 crores while gross profit recorded a smart rise to Rs 17.59 crores from Rs 13.66 crores in 1974. Out of the gross profit, the directors have appropriated a sum of Rs 5.11 crores to depreciation reserve as against Rs 4.66 crores while the allocation to development rebate reserve was reduced to Rs 4.71 crores from Rs 6.75 crores in 1974. A sum of Rs 7.77 crores was transferred to general reserve as compared to Rs 2.25 crores in the preceding year. The amount required for payment of dividend is Rs 2.11 crores and will be paid out of the profits for the year retained in general reserve.

Indian Aluminium

The Board of Directors of Indian Aluminium Company Limited, have recommended payment of a dividend of Rs 1.63 per fully-paid ordinary share. This dividend will be disbursed in accordance with the provisions of the Companies (Temporary Restrictions on Dividends) Act 1974, as applicable, that is, Re 0.90 per fully-paid share as immediate dividend and the balance of Re 0.70 per fully-paid share in two equal instalments of Re 0.35 per fully-paid share on July 5, 1976 and July 5, 1977, together with statutory interest on the net amounts of the deferred dividends. In respect of partly-paid Ordinary Shares, the above dividend will stand reduced in proportion to the amount paid up on the date of declaration. The Directors have also recommended a dividend of Rs 6.25 per preference share.

With an improvement in power supply, Indal was able to increase its production of metal during 1975. Primary cold metal production by the Company in 1975 was 77,975 tonnes as compared with 66,935 tonnes, in 1974. Indal's sales, including excise duty, totalled Rs 894.5 million in 1975 compared with Rs 673.0 million in 1974. Profit before provision for taxes and transfer to development rebate reserve was Rs 87.1 million as compared with Rs 60.0 million in 1974. Net profit after taxes and development rebate reserve was Rs 44.5 million as against Rs 34.0 million.

Higher excise duties and increases in basic selling prices arising out of increased power costs and other adjustments linked to the new pricing and distribution policy for aluminium, introduced by government in July 1975, have led to a softening in the demand for commercial and household uses of aluminium. Sales of electrical conductor grade metal, on the other hand, have been dependent on funds allocated by government for the country's power transmission and distribution programme. Primary producers have thus been faced with severe liquidity and other problems associated with steadily increasing inventories. As a temporary measure, government has recently permitted exports on a limited scale.

The Company's Annual General Meeting will be held on April 23, 1976. The company's register of members and share transfer registers will be closed from April 1 1976 to April 23, 1976, both days inclusive.

Indian Petrochemicals Corp.

Indian Petrochemicals Corporation has reported significant improvements in its working results during the year ended March 31, 1975. Sales multiplied more than five times, jumping from Rs 5.22 crores to Rs 27.48 crores. The working of the company during the year has resulted in a gross profit of Rs 10.89 crores. After providing Rs 2.83 crores for depreciation and Rs 0.04 crore for development rebate reserve, the disposable surplus amounted to Rs 8.02 crores. After adjusting the carry forward loss of Rs 7.78 crores, the balance of Rs 0.24 crore has been carried to the general reserve. No provision has been made for taxation as no liability is anticipated on this account. Since the surplus is marginal, no dividend has been proposed.

Production of DMT, Orthoxylene and mixed-Xylenes during the year was 13,344 tonnes, 7,898 tonnes and 1,533 tonnes respectively as compared to the previous year's figures of 5,169 tonnes, 7,92[illegible] tonnes and 1,928 tonne[illegible] Sales during the year amoun[illegible] ed to DMT-12,174 tonnes Orthoxylene - 6,551 tonnes mixed-Xylenes - 1,677 tonne[illegible] The company has been abl[illegible] to meet the entire domesti[illegible] demand for the products.

During the year und[illegible] report all the units of th[illegible] aromatics plant have bee[illegible] operated. In the case of th[illegible] DMT unit it could be de[illegible] monstrated during the yea[illegible] that, given the uninterrupte[illegible] availability of utilities and th[illegible] supply of the main ra[illegible] materials, namely Paraxylen[illegible] and Methanol, full utilisatio[illegible] of rated capacity was achiev[illegible] able. The propane refrigera[illegible] tion compressor, which wa[illegible] commissioned after repairs i[illegible] March 1974, has been operat[illegible] ing satisfactorily. A stand-b[illegible] compressor has been ordered The Orthoxylene and Para[illegible] xylene units have also bee[illegible] shown to be capable of opera[illegible] ting at a high percentage o[illegible] rated capacity and steps ar[illegible] being taken to further increas[illegible] capacity utilisation.

The projects approved fo[illegible] implementation by the com[illegible] pany continued to progres[illegible] during the year. The expen[illegible] diture up to 1973-74 wa[illegible] about Rs 31.66 crores includ[illegible] ing Rs 21.25 crores incurre[illegible] in 1973-74. The activities o[illegible] the projects gained momentum in 1974-75 and the expendi[illegible] ture incurred in that year wa[illegible] about Rs 43.5 crores. Furthe[illegible] increase in the momentum i[illegible] expected in 1975-76 and th[illegible] expenditure on the projects i[illegible] likely to be approximatel[illegible] Rs 100 crores.

The projects being im[illegible] plemented involve a consider[illegible] able amount of indigenou[illegible] design and detailed engineer[illegible] ing as well as purchase[illegible] equipment and constructio[illegible] on a very large scale. Thi[illegible] necessitates detailed planning in their execution.

Feasibility reports for th[illegible] manufacture of polyviny[illegible] chloride and acrylates hav[illegible] been submitted to the govern[illegible] ment. Feasibility studies fo[illegible] the manufacture of Propylen[illegible] xide/Glycol and Toluene extraction are under preparaion.

The R & D department as made contribution to the nproved functioning of the romatics plant. Work has een in progress on the utiliation of by-products and ecovery of higher value aterial. Civil works on the rst phase of the building for ne Research & Development entre were completed during ne year under report. Furishing of the laboratories and nstallation of utility lines are n progress.

Mahindra and Mahindra

The recession in automoile industry has hit hard the erformance of Mahindra and Mahindra Ltd during the year nded October 31, 1975. Although sales were a shade higher at Rs 56.83 crores as gainst Rs 56.25 crores, gross rofit declined to Rs 2.27 rores from Rs 2.93 crores in 1973-74. Notwithstanding the etback in profits and profitbity the directors have stepped the equity dividend to 10 er cent for 1974-75 as against ine per cent paid in the preeding year. Out of the proposed dividend four per cent ill be paid immediately while he balance will be paid on a eferred basis.

The directors have maintained the appropriation to depreciation reserve at Rs 113 lakhs while taxation claimed Rs 19 lakhs as against Rs 30 lakhs in 1973-74. No prosion has been made for conngency reserve as against Rs 4 lakhs provided previously. After adjustments here is a disposable surplus f Rs 120 lakhs as compared Rs 168 lakhs in 1973-74. ut of this, a sum of Rs 12 lakhs was allocated to develpment rebate reserve while e balance of Rs 108 lakhs as been transferred to geneal reserve.

While the measures taken by the government have been ongularly effective in curbing e inflationary trend, the rigid control on the expansion of money supply in the country, high interest rates, contraction of expenditure on non-development account as well as severe curbs on development expenditure and virtually no large-scale purchases of consumer durables have led to the inevitable result of causing a demand recession in many industries. The impact has been particularly noticeable in the automobile industry, the off-take of whose products was further affected adversely by the high price of petrol brought about by steep increase in prices of crude as well as heavy government taxation.

Despite these adverse circumstances, the company sold 9,731 Jeep vehicles in the year under review, compared to the sales of 12,028 vehicles in 1973-74. Problems resulting from lower sales were met by strict economy measures and by rationalizing the structure of management. To meet the changing pattern of demand, greater emphasis was placed on research and development activities, which enabled the company to introduce the first diesel truck in the market in early 1975, followed by the introduction of the diesel Jeep in September, 1975.

In spite of the recessionary conditions, the steel division has been able to show improved performance during the year under review, while sales of the instrumentation division were maintained at the previous year's level. The electronics division has commenced commercial production of capacitors at Nasik, and the production of potentiometers and connectors is due to commence later during the current year. The machine tool division has fared fairly well, adding several new local and foreign equipment lines to the portfolios of agencies handled by it. Exports have declined from Rs 360 lakhs in the previous year to Rs 160 lakhs due mainly to curtailment of vehicle purchases by UNICEF and WHO in India, following the steep increase in the price of petrol.

Gujarat Machinery

The Gujarat Machinery Manufacturers, a major producer of industrial machinery is one of the few engineering units which has fared well notwithstanding recession in the economy. Its sales have expanded to Rs 2.94 crores during the year ended September 30, 1975 from Rs 2.40 crores in the preceding year while gross profit too mounted up to Rs 38.66 lakhs from Rs 29.33 lakhs in 1973-74. The directors have recommended a higher equity dividend of 12 per cent for 1974-75 as against 10 per cent paid in the preceding year. The company has developed a new frit which can withstand temparature beyond 240 degree centigrade. In the industrial machinery section it now manufactures sophisticated machinery such as heat exchangers, driers and process equipment for polymer and other fibre plants.

Jg Glass

Ballarpur Industries has secured the MRTP clearance for acquiring 51 per cent of the equity shares of Jg Glass Industries Limited, Pimpri. Besides they have agreed to assist the Jg Group both financially and with management expertise. As a result the company will be deriving considerable benefits by its close association and assistance from a leading industrial group such as the Ballarpur Industries.

The company produced 59.88 million vials during the year ended June 30, 1975. But for the power cut, which at times was 50 per cent, the company's performance would have been much better.

It is heartening to note that the third I.S. machine has also been commissioned and the very commissioning of this machine will increase its production capacity by a straight 50 per cent. The impact of full production of all the three machines will be increasingly felt both during the current year and in the years to come. With the assurance from the government for the flow of continued power supply for its full requirements and with the installation of a second stand-by imported generating set the company looks forward to substantial improvements in its performance in the coming years.

Usha Martin Black

Usha Martin Black (Wire Ropes) Limited, south east Asia's largest manufacturer and exporter of steel wires and wire ropes, has bagged the Regional Exporter's Trophy 1974-75 in the eastern region. The trophy was presented by Prof. D.P. Chattopadhyay, union minister for Commerce at a formal function of the Engineering Export Promotion Council held in New Delhi recently.

During the past 10 years, UMB has exported its products to more than 40 countries including countries such as the UK, the USA, the USSR, Yugoslavia and Australia. The company's products have been recognised in international market for their quality. More than 60 per cent of its wire rope production was exported in 1974. In order to keep abreast with the latest technology, it has promoted a research institute—Usha Scientific Research Institute.

A look into the past performance of the Company would convince that there has been a commendable rise in its exports—from Rs 1.37 crores in 1973 to Rs 4.70 crores in 1974. The target for 1976 has been pitched high, hoping to reach over Rs 6 crores following diversification programme undertaken by the company. The company has bagged an order in 1975 for Rs 45 lakhs approximately from a Yugoslavian firm for supply of transmission wires to a third country—Zambia—on deferred payment basis. It hopes to secure similar orders from other developing countries too.

The company has been recognised as an Export House and as such it, besides its own products, also exports products of other manufacturers, like chemicals, ready-made garments, castings, etc.

News and Notes

Gwalior Rayon and Hindustan Aluminium Corportion will jointly participate in a Rs 25-crore caustic soda-chlorine projects to be set up in the joint sector in Bihar. The Bihar State Industrial Development Corporation on the one hand and Gwalior Rayons and HINDALCO on the other, will be equal partners in the project and both the sides together will hold about 51 per cent of the capital of the new company which will implement the project. The remaining 49 per cent of the capital will be offered to the public.

The sale and repurchase prices of the units of the Unit **Trust of India** were raised by 20 paise each to Rs 10.95 and Rs 10.65 per unit respectively with effect from March 2.

Mr N. F. Cope has been appointed Managing Director of Goodyear India replacing Mr Parks Chrestman, who has left India to take up an assignment with Goodyear International Corporation,

Mr. Cope joined Goodyear Canada in 1949. He has held a number of top financial positions in Goodyear companies in Argentina, Philippines. Great Britain, Australia and Brazil. Mr Cope was Goodyear India's Finance Director from 1962-64. Until this new appointment, Mr Cope was also the Comptroller of Goodyear International Corporation.

The **Garment Exporters Association** organised a three-day Indian Garment Fair 1976, at Ashoka Hotel from March to March 7, 1976. The fair was inaugurated by Begum Abida Ahmed. The fair is designed to promote the ex

...ort of autumn/winter garments. So far, India's garment exports have been predominant for summer/spring season.

Though our country was a late starter in the export of apparel yet it has carved a pride of place for itself in the international markets. The ever-increasing demand for Indian garments abroad is an encouraging sign. The garment exports, it is heartning to note have made a big leap forward in recent years. From negligible figures, regular exports are expected to reach Rs 150 crores during 1975-76 and there is every possibility of the shipments crossing the Rs 200 crore mark during 1976-77. The garment manufacturers are hopeful of hitting the Rs 1000 crore mark by 1980. This may sound somewhat over-ambitious but the target should be taken rather as an indication of the immense potentiality which ready-made garments already hold in overseas markets than as a firm commitment.

The garment industry has pleaded for the abolition of excise duty on ready-made garments and for the liberalisation of imports of modern machinery and equipment. If the plea made by the industry for these incentives are provided, it will go a long way in building up the markets for Indian garments, whether cotton, woollen or blended fabrics.

New Issues

A new Rs 5.42-crore project is being set up in the Cannanore district of Kerala for the manufacture of aluminium electrolytic capacitors. It has been undertaken by the Keltron Component Complex promoted by the **Kerala Electronic Development Corporation (KSEDC)**. The company holds an industrial licence for producing 18 million capacitors per annum on the condition that 75 per cent of the production would be exported for a period of five years.

The company has entered into a technical collaboration and purchase agreements with N. V. Sprague Electromag, Belgium, a subsidiary of Sprague Electric Company of North Adams, Massachusetts, USA. About 60 per cent of the production capacity is proposed to be sold to Electromag.

Commercial production is expected to commence towards the end of 1976. The capital outlay of Rs 5.42 crores is proposed to be met by equity and preference capital (Rs 1.63 crores), privately placed debentures with LIC and UTI (Rs 60 lakhs) and term loans (Rs 3.19 crores). The promoters will take up equity shares of Rs 73 lakhs. The company will issue some time next month 7 lakh equity shares of Rs 10 each and 20.000—11 per cent redeemable cumulative preference shares of Rs 100 each at par. The entire public issue will be underwritten by financial institutions, including insurance companies.

Transformers and Electricals Kerala (Telk) will offer shortly to the public, 8,55,052 equity shares of Rs 10 at par. The issue is being made to finance a part of the Rs 5.64-crore expansion programme. The company has been promoted by the government of Kerala, Kerala State Industrial Development Corporation Ltd and Hitachi Ltd. Hitachi is the technical collaborator and as per the terms to the collaboration agreement the share in the equity will be to the extent of 26 per cent of the total paid-up capital. Telk is manufacturing since May, 1966 at its plant at Angamally (Kerala) power transformers and it has already expanded the capacity to take up the manufacture of transformer components, namely, bushings and on-load tap changer, current transformers and potential transformers. The company's expansion is expected to be completed by the second quarter of 1976. The directors are of the opinion that barring any unforeseen circumstances, the profit accruing from the existing and the new plants would enable the company to pay reasonable dividends on the entire equity capital, as proposed to be increased.

DIVIDENDS

(Per cent)

Name of the company	Year Ended	Equity dividend declared for Current year	Previous year
HIGHER DIVIDEND			
Hercules Hoists	August 31, 1975	13.0	9.0
Walchandnagar Industries	Septr. 30, 1974	12.0	7.7
Vaikundam Rubber	December 31, 1975	16.0	12.0
Emco Transformers	Sept. 30, 1975	10.0	5.0
Indian Aluminium	December 31, 1975	16.0	9.0
Fort Gloster Industries	March 31, 1975	12.0	Nil
Gramophone Co.	June 30, 1975	21.0	12.2
Panchura Estates	June 30, 1975	5.0	Nil
SAME DIVIDEND			
Davangere Cotton Mills	March 31, 1975	12.0	12.0
Cowcoody Estates	June 30, 1975	12.0	12.0
REDUCED DIVIDEND			
Deccan Sugar & Abkhari	May 31, 1975	Nil	12.0

RECORDS AND STATISTICS

Economic Survey : 1975-76

THE PRE-BUDGET Economic Survey for 1975-76, presented to Parliament on March 8, 1976, by the Finance minister, Mr C. Subramaniam, strikes an optimistic note in assessing the outlook for the next financial year.

The Survey notes the exemplary way the country has tackled successfully the grave economic crisis of 1972-74 characterised by stagflation and points out that such positive developments as the declining trend in prices, the favourable prospects for economic growth in the current year and the much greater emphasis on economic discipline since the government launched the New Economic Programme, have now cleared the decks for the pursuit of a more purposeful growth-oriented strategy in the coming year.

The Survey describes the sustained declining trend in the general price level as the "most significant achievement" during the current year. It notes that the wholesale price index for the week ended February 14, 1976 shows a fall of 8 per cent as compared to the level 12 months ago. Similarly, the latest available consumer price index for December 1975 shows a fall of 6.1 per cent compared to the index in December 1974.

Listing the positive achievements of 1975-76 the Survey forecasts that national income would rise by 5.5 per cent in the current year, savings ratio and investment rate would be higher, total production of foodgrains would be close to the target of 114 million tonnes and industrial production would record an increase of 4.5 per cent. It also notes the improvement in the performance of the central public sector undertakings whose pre-tax net profit jumped to Rs 312 crores in 1974-75 compared to Rs 148.7 crores earned in 1973-74.

The Survey records the buoyancy in the revenue collection and market borrowings and the success of the Voluntary Disclosu and market borrowings and the success of the Voluntary Disclosuer Scheme. But notwithstanding these improvements, the Survey observes that taking into account five instalments of additional dearness allowance sanctioned during the year to government employees and increase in development outlays in the post-budget period, the deficit in the central budget for 1975-76 is expected to be higher than envisaged earlier at Rs 247 crores.

Investment Front

The Survey refers to the improvement in the price situation and expresses the opinion that government could take some measures in stepping up the Plan investment in 1976-77 without undermining the price stability. It also stresses the need to take advantage of the encouraging trends in the procurement of foodgrains and the comfortable foreign reserve position for taking some well calculated risks in a major thrust of the investment front.

The Survey, however, warns that industrial growth rate cannot be stepped up simply by relaxation of fiscal and monetary discipline even *though these policies have to respond quickly to changes in basic economic conditions.* A viable strategy for sustained growth of industrial production must involve an increase in investment, improvement in agricultural productivity and the more determined export drive.

Discussing the prospects for agricultural output for 1976-77 the Survey states that the all-round improvement in supply of vital inputs as power, fertilisers and high quality seeds should augur well for the growth of agricultural production in the coming financial year.

The Survey expects that these encouraging developments will be further supplemented by the successful implementation of the target of 5 million hectares of additional area under major and medium irrigation, expansion of rural electrification and further utilisation of water potential by expeditious settlement of inter-state water disputes.

Industrial Growth

The Survey points out that the rate of growth in industrial production would have to grow more than twice as fast as in the last 10 years if the country has to sustain an overall rate of economic growth of 5.5 to 6 per cent.

Identifying the areas which need sustained efforts to impart dynamism to the country's growth prospects the Survey enumerates them as a progresssive increase in the rate of domestic savings; a more vigorous programme for export promotion and efficient import substitution; increased production and more effective arrangements for equitable distribution of basic wage goods and more effective measures for ensuring that the poorest sections of our society share adequately in the fruits of economic progress.

The Survey points out that although the mass poverty that prevails in our country cannot be removed in a short period of time, yet given the necessary political will and exercise of strict economic discipline, we can hope to soften considerably the harsh contours of extreme poverty. In this context the Survey urges that it is necessary to build on the positive results achieved in 1975-76 particularly after the launching of the New Economic Programme so as to work out a comprehensive medium term strategy for self-sustained growth.

Favourable Trends

The Survey notes that the economic performance in 1975-76 was facilitated to a considerable degree by favourable weather conditions. In this context the Survey warns that the present favourable trends in the economy should not lull us into any false sense of complacency about the magnitude of the task that lies ahead in our quest for a more dynamic economy.

The Survey lays great stress on the fact that the removal of the wage goods barrier to accelerated growth is vitally linked to the performance of our agricultural sector. It emphasises that an effective solution to the problems of rural poverty and under-development can be found only in the framework of an integrated strategy for rural development based on detailed analysis of local needs, resources and potentialities.

Emphasising the need for strengthening of arrangements for production and procurement of foodgrains, the Survey warns that in the light of recent trends in world production and trade in foodgrains, excessive reliance on imports should be discouraged. As a means of increasing agricultural production, the Survey stresses the need of accelerating the programme for the development of major command areas, the progressive improvement in production technology and the provision of appropriate economic incentives for its adoption by the farmers.

Public Savings

The Survey emphasises the need to augment public savings and in this connection refers to the need to earn a high rate of return on investment in the public sector through efficient utilisation of available capacities supplemented by more rational pricing policies. It stresses that the acceleration of economic growth in a regime of price stability in the year to come is crucially dependent on our ability to work out new strategies for mobilising domestic savings, for reduced incentives for generation of block money, and for encouraging greater plough back of surplus incomes into socially productive channels.

The Survey suggests that in planning for faster industrial growth we must take note of the fact that the first phase of import substitution having beed completed a substantial increase in industrial production can be secured largely on the basis of high demands for mass consumer goods—made possible by higher agricultural productivity and through faster evpansion in industrial growth.

Exports

The Survey indicates that pursuit of the nationally agreed objectives of self-reliance demands that our export grow at an annual rate of 8 to 10 per cent in volume terms and that there is reduced dependence on imported sources of energy. In this connection it commends the efforts now made in the field of oil exploration and notes that the medium term prospects are fairly promising. While noting that in the last two years a serious attempt has been made to streamline export policies and procedures, the Survey emphasises that much remains to be done so as to ensure that growth of *new capacities for export proceeds at an adequate pace.*

The Survey to the success of the government's anti-inflationary policy, resulting in a sustained declining trend in the general price level, as the most significant achievement during the year. The success is all the more praiseworthy, according to the Survey, as it has been achieved despite a severe deterioration in our terms of trade since 1973 due to sharp increases in import prices of such sensitive products as fuel, food and fertilisers. The Survey's assessment is that price stability is likely to be accompanied by a substantial improvement in the overall rate of growth of the economy in 1975-76. It also highlights the many gains due to the growing emphasis on strict economic discipline since the launching of the New Economic Programme in July, 1975.

National Income

The rate of growth of national income which had averaged 3.3 per cent during the fourth Plan period, increased by only 0.2 per cent in 1974-75, which happened to be the first year of the fifth Plan. However, in the light of the record agricultural production and uptrend in industrial output, the Survey's prognosis for 1975-76 is that the national income would rise by 5.5 per cent. The Survey is optimistic about the growth performance of the economy in the next two or three years because of the determined efforts that are now being made to accelerate the pace of agricultural production and to improve the performance of the public sector.

Net domestic savings and net investment expressed as a percentage of net national product at current prices declined from 13.6 per cent and 14.4 per cent respectively in 1973-74 to 13.2 per cent and 14.2 per cent in 1974-75. The Survey attributes the decline in domestic savings to inflationary pressures which afflicted the economy in 1972-74. However, the Survey anticipates that the revival of economic growth in 1975-76 will be accompanied with some increase in savings ratio. Likewise, investment rate is also expected to go up in 1975-76 in view of the large increase in plan outlay.

Agricultural Production

The Survey records that the index of agricultural production declined by 3.1 per cent in 1974-75. However, there has been a welcome reversal in this trend following a record bumper kharif crop of about 70 million tonnes in 1975. According to the Survey, the coming rabi crop promises to be a good one following favourable weather conditions and comfortable supply position of agricultural inputs. In view of these favourable factors, the Survey anticipates, that the total production of foodgrains during 1975-76 would be close to the target of 114 million tonnes.

Discussing the prospects for commercial crops, the Survey states that with the exception of raw jute, the outlook for most other commercial crops is highly encouraging. While raw cotton production might stabilise at the record level achieved in 1974-75, production of sugarcane (in terms of gur) might show a marginal improvemsnt in 1975-76 over last year's production The production of major oil seeds is expected to be around 10 million tonnes.

Stagnant Growth

While analysing the behaviour of agricultural production in the seventies, the Survey has drawn pointed attention to the sluggishness in agricultural production since 1971-72 which has been primarily responsible for stagnation in the growth of national income and further, has given risen to inflationary pressures. Inspite of the highly favourable weather conditions during 1975, the Survey notes, the output has been only marginally higher than the previous peak level of 68.9 million tonnes reached in 1970-71. In the words of the Survey, this indicates "the unfinished task that lies ahead in modernising our agriculture".

Discussing the problem of modernisation of Indian agriculture, the Survey has called for a judicious blend of technological progress and institutional reforms. Enumerating the key elements under the former such as adequate water supply, liberal use of fertilisers and progressive improvement in the quality of seeds, the Survey, in particular, emphasises the need to speedily achieve the target of bringing 5 million hectares of land under major and medium irrigation included in the New Economic Programme. The Survey has also expressed concern at the current trend in the consumption of fertilisers which have not been encouraging despite price reductions and has called for determined efforts to accelerate the rate of growth of fertiliser use.

Regarding institutional reforms, the Survey commends the renewed emphasise on speedy implementation of land reforms and enforcement of the laws relating to the minimum wages of agricultural workers as part of the New Economic Programme as means to ensure a fairer distribution of the fruits or economic progress in rural areas. Expressing satisfaction at the progressive increase in the institutional credit to rural sector, the Survey states that the starting of rural banks will further supplement the existing facilities particularly to the small and marginal farmers. The Survey adds that the success of rural banks would largely depend upon the quality of the supervisory staff manning these banks.

Industrial Production

The Survey observes that industrial production which has declined by 0.2 per cent in 1973-74 recovered in 1974-75 and showed an increase of 2.5 per cent. On the basis of available data for nine months in 1975-76 and the prevailing trends, the Survey forecasts an increase of 4.5 per cent of industrial production for 1975-76. There has been significant increases in the production of such vital industries as coal, iron and steel, cement, nitrogenous fertilisers, electricity generation, aluminium and vanaspati. On the other hand, cotton textiles, industries producing consumer durables, and some branches of chemical industries like plastics have shown a declining trend.

According to the Survey, the slackness in consumer demand for some industrial products is responsible for the declining trend in the production of some of these industries. But the Survey points out that the reasons for slackness in the demand for the products of these industries, however, differ from industry to industry. In this context, the Survey warns that industrial growth rate cannot be stepped up simply by relaxation of fiscal and monetary discipline even though these policies have to respond quickly to changes in basic economic conditions. A viable strategy for sustained growth of industrial production must involve an increase in investment, improvement in agricultural productivity and a more determined export drive.

New Measures

The Survey has also described the various measures taken to stimulate industrial investment especially since the launching of the New Economic Programme. In this connection, the Survey refers to the relaxation of price controls on a number of industrial products, extention of dual pricing to aluminium, delicensing of 21 industries, permission of automatic growth in capacity for selected engineering industries and quick disposal of applications for diversification, expantion, etc.

A heartening features in the industrial scene referred to in the Survey relates to the industrial relations which have shown distinct improvement following the appeal by the Prime Minister to workers and management to resolve industrial disputes without resort to strikes and lockouts. In consequence, the man-days lost through industrial disputes have come down dramatically from 0.83 million in July, 1975 to 0.13 million in September, 1975.

Public Distribution

The Survey considers the success achieved by the country controlling the price level is impressive. The whole sale price index for the week ended February 14, 1976

shows a fall of 8 per cent as compared to the level twelve months ago. Although the price level showed a rising tendency in the first quarter of 1975-76, the intensification in the drive against hoarders, black marketeers and smugglers since July, 1975 brought firmly under control the rising trend.

According to the Survey, the behaviour of Consumer Price Index (1960=100) has been more or less in line with that of the Wholesale Price Index, though with some time lag. The latest available index i.e., December, 1975 at 306 shows a fall of 6.1 per cent compared to the index in December, 1974.

The Survey observes that on amount of an excellent kharif crop as well as continued vigilance by the government on the activities of hoarders and speculators together with the encouraging procurement of foodgrains in the current year should enable the price level to remain stable during the remaining months of 1975-76. This should enable the government, in the opinion of the Survey, to take some well calculated risks in stepping up the plan investments in 1976-77 without undermining this price stability.

The Survey reviews in detail developments in the operation of public distribution system and price policies. It notes that the pace of procurement out of the recent kharif crop has been satisfactory. On present indications, the level of procurement of rice is expected to exceed the target of 4.6 million tonnes.

The Survey points out that government have displayed an increasing degree of flexibility in dealing with the complex issues raised by price and distribution controls. While the accent of policy has been to do away with price and distribution controls. where they have become unnecessary, their continuance has been found imperative in some other cases to maintain price stability, particularly in respect of agricultural commodities which enter into the wage goods basket. Similarly, support prices have been enhanced, on the recommendations of the Agricultural Price Commission, in respect of jute and cotton with the objective of ensuring adequate protection to the farmers. While commending the flexible price and distribution policies of the government the Survey, hastens to caution that in a predominantly agrarian economy like ours, fluctuation in agricultural output could easily upset price stability. It has, therefore, emphasised the need of strengthening the system of procurement and public distribution of mass consumption good such as foodgrains.

The Survey notes that, having accomplished the task of arresting the price rise, the major emphasis of government, fiscal and monetary policies during 1975-76 has been to provide a stimulant to investment and growth. With this object in view, the Central budget for 1975-76 has provided incentives to promote savings and to divert them to sectors of high priority. The Annual Plan outlay for 1975-76 was stepped up by more than 23 per cent over that of previous year's level and subsequently, later in the year, further allocations have been made for outlays on irrigation and power.

The Survey records that during the first nine months of 1975-76, all major taxes of the central government like income and corporation taxes, customs and excises showed considerable buoyancy. External assistance is also expected to be higher than budgeted. Under the Voluntary Disclosure Scheme the total income and wealth disclosed amounted to Rs 744 crores and Rs 834 crores respectively aggregating Rs 1578 crores. Income tax and wealth tax payable on these disclosed amounts are estimated to be Rs 241 crores and Rs 7.7 crores respectively. As already, Rs 159 crores of income tax and Rs 4.2 crores of wealth tax had been paid and Rs 4.9 crores have been invested in government securities. Notwithstanding these improvements in receipts, the Survey observes that taking into account five instalments of additional dearness allowance sanctioned during the year to government employees and increase in development outlays in the post-budget period the deficit in the Central budget for 1975-76 is expected to be higher than envisaged earlier at Rs 247 crores.

Public Sector

Performance of central public sector undertakings in 1974-75 recorded further improvement. Their pre-tax net profit jumped to Rs 312 crores in 1974-75 compared with Rs 148.7 crores earned in 1973-74. Inventory levels were considerably reduced and the return on capital employed showed a marked rise from 5.2 per cent in 1973-74 to 7.8 per cent in 1974-75.

Reviewing the State governments' finance, the Survey commends their resource mobilisation efforts in 1974-75 and in 1975-76 which yielded Rs 358 crores and Rs 198 crores respectively. However, it points out that in view of the mounting developmental and non-developmental expenditures of the states, it is necessary for them to exercise greater financial displine and intensify their efforts at resource mobilisation; particularly through taxation of the prosperous farm sector. Review the performance of state governments' commercial undertakings the Survey notes with concern the continuing losses on irrigation works and the inadequate returns from investments in electricity undertakings. In the context, it stresses the need for suitable revision in rates and tariffs in these fields so as to make these undertakings financially viable and earn adequate surplus for fresh invesments.

Monetory Discipline

In its appraisal of monetary and credit trends in the economy during 1975-76, the Survey notes that while continuing emphasis on monetary discipline, credit policy has shown with due flexibilito in responding to the changing economic situation. Discussing the credit policy for the busy season of 1975-76, the Survey states that the policy seeks to maintain adequate monetary discipline while facilating on increase in production. While there has been a selective liberalisation of credit, the broad structure of interest rates has been left unchanged. In pursuance of this policy, the Survey states, a series of measures were taken by the Reserve Bank. Thus the R B I has withdrawn the advice given to banks in November 1973 regarding additional margins on book debts and inventories. The minimum limit for prior credit authorisation has been raised from Rs one crore to Rs two crores. The maximum interest on term loans by banks has been fixed at 15 per cent for periods beyond three year. With the restructuring of the existing system of cash credit accomodation into a loan component and a cash credit component, the system of levying a commitment charge of one per cent has also been withdrawn. While initiating action for progressive application of the recommendation of the study group to frame guidelines for follow-up of Bank Credit, the Survey observes that the need for flexibility has been recognised by the Reserve Bank and as such the commercial banks have asked to implement the most important recommendations of the group viz., norms for inven tories and receivables, in a phased manner in respect of industries suggested by the group.

The growth in money supply which declined from 15.4 per cent in 1973-74 to 6.9 per cent in 1974-75, according to the Survey, might be higher than last year. In the current financial year, till February 13, 1976 money supply has increased by 7.5 per cent. Monetary resources i.e., money supply plus time deposits, have also grown by 11.0 per cent upto February 6, 1976, when compared with 8.8 per cent in the corresponding period of 1974-75. The Survey states that on account of improved prospects on the production front, the expected increase in money supply is not likely to upset price stability. Nevertheless, it emphasises the need to finance the additional investments with minimum recource to deficit financing.

Foreign Trade and Balance of Payments

Reviewing the foreign trade and the balance of payments during the year, the Survey refers to the deterioration in India's trade balance despite the vigorous efforts made at export promotion. The deterioration in the balance of trade in 1974-75 has been attributed, in the Survey, to the steep rise in international prices of food, oil and fertilisers which resulted in the trade deficit going up from Rs 432 crores in 1973-74 to Rs 1164 crores in 1974-75. In consequence, the Survey notes that sizeable borrowings from the IMF amounting to Rs 484.7 crores had to be arranged to cushion the impact of deterioration in our trade balance. During the first nine months of 1975-76, according to the Survey, while our exports have amounted to Rs 2690 crores showing an increase of 14.6 per cent, the import Bill at Rs 3803 crores yielding an increase of 23.1 per cent over the previous year has resulted in a trade deficit of Rs 1113.8 crores as against Rs 743.2 crores in the corresponding period of 1974-75.

The Survey refers to the various efforts made during 1975-76 to promote exports through increasing the competitiveness of Indian exports and by streamlining procedures for payments of duty drawback and incentives. The survey states that renewed emphasis is being placed on expanding exports of growth items like engineering goods, chemicals and allied products as well as finding potential export items from the kitty of traditional and non-traditional items produced in the country. According to the Survey, as a result of these efforts the export volume this year is expcted to grow by 7.8 per cent.

The Survey observes that the determined action taken by the government against smugglers and other anti-social elements in indulging in illegal transactions in foreign exchange has had a favourable imact on India's balance of payments on invisible account. The Survey, make a reference to the change instituted in the country's exchange rate system since September 1975, whereby the exchange value of the rupee is changed periodically with reference to a suitable weighted average of the exchange rate movements of the currencies of India's trading partners. Among the measures taken to strengthen our balance of payments, the Survey notes the scheme introduced since November, 1975 to encourage Indians and aliens of Indian origin abroad to maintain deposits accounts in certain foreign currencies and to claim interest and repayment in the same currencies. The Survey's forecast is that the aid in pipelines as also actual disbursements in 1975-76 might. be higher than last year Taking all these factors into account, the Survey's prognosis is that the country's foreign rerserve position is unlikely to experience any serious strain during the current year.

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Spring in the air

THE CENTRAL budget this year, like the spring-time in the capital with which it coincides, seeks to reconcile a general spirit of venturesomeness with certain attitudes of circumspection. (Spring in Delhi could be lively, but would never thrust its neck out.) The Finance minister is relying heavily on increased levels of public investment for administering reflationary stimulants to the economy. At the same time he is planning to minimize inflationary risks by continuing to keep a tight rein on monetary policy as well as by rationing fiscal reliefs or incentives to the private sector. The success of this strategy would depend on the capacity which the proposed programmes of public investment in the new fiscal year are able to demonstrate for reviving the level of demand and promoting better utilization of industrial facilities in the short period, while helping to build basic or productive long-term assets for the national economy. Public spending had not always been effective in the past in squeezing full value out of the budget rupee, but it is still possible that our experience in the future may be agreeably different. For one thing, performance in the public sector is becoming more cost-conscious and result-oriented and, for another, emerging conditions of relative price stability should help to improve the conservation as well as the more economic utilization of resources earmarked for projects in the public sector.

The Finance minister's proposals for easing the burden of income-tax and wealth-tax have naturally arrested attention. Although it was generally expected that there would be concessions, the reliefs have nevertheless caused agreeable surprise because this is the second central budget in three years which has attempted to reverse the historic trend of steadily rising rates of progressive taxation of income- or wealth. Far more significant than the specific money content of the reductions in the burden of income-tax or wealth-tax is the fundamental change of direction in fiscal thinking which these tax-changes signify. Although Mr C. Subramaniam himself has thought it tactful to emphasize the advantage of this lowering of income tax and wealth-tax rates as a means of rendering tax evasion less profitable, what matters really is that it is now being recognized that the policy of disproportionately progressive taxation being employed to gather resources for the public exchequer or reduce economic disparities in the community has been disproved by its demonstrated futility. It is to be hoped that this turn in economic policy will lead to the firming up of constructive and responsible fiscal policy-making over the coming years. Should this prove to be the case, the pips would not have squeaked in vain.

There has been some disappointment in business circles over what are regarded to be the Finance minister's ministrations to the corporate sector. Discontent, in this context, could be easily exaggerated. Besides other reliefs, such as the raising of the threshold for the determination of chargeable profits for surtax from 10 per cent to 15 per cent of the capital employed, the Finance minister has granted the facility of an investment allowance towards the cost of acquisition of new machinery and plant. While it may be argued that bolder fiscal initiatives might have been justified for promoting large-scale investment in industrial expansion, it should be borne in mind too that it was not very long ago that the government took the decision to abolish the system of development rebate on the ground that it had outlived its utility.

The Finance minister has resisted the argument that stagnant or declining levels of demand for industries producing essential or other goods, particularly consumer durables, should be stimulated by substantial reductions in central excise duties over a wide range. His proposals in this area have consequently been guarded and, in some cases, feeble and have not aroused much enthusiasm. While there could be difference of opinion over the extent to which a general lowering of excise duties could promote the reflationary objective or restore profitability to industries which are sick or otherwise unable to cope with the market situation, it could still be said that the Finance minister might have shown more understanding than he has in dealing with certain hard-pressed industries the needs of which have been pointedly pleaded.

Broadly speaking the central budget has reassuringly affirmed the government's resolve to be vigilantly watchful of inflation hazards while not allowing itself to become a prisoner of exaggerated fears of a revival of inflationary pressures. The budget decisions and measures, when considered in their revenue and expenditure aspects taken together, form an acceptable combination of a tribute to stability and an investment in growth. The policies continued or initiated in this budget should help to sustain the trend towards purposive liberalism which is increasingly becoming the dynamic principle in the government's management of the national economy.

Climate for investment

AT A press conference in the capital on March 13, Mr Otto Wolf Von Amerongen, leader of the 14-member West German business delegation said that he was fully satisfied with the discussions which he had with the ministers and the senior officials of the government of India, and that, in his view, there was a favourable climate in India for the inflow of private foreign investment. He was impressed by the flexibility in approach exhibited by the government to various issues raised during the discussions and he was convinced that the policies of the government of India were not anti-investment. Like the government of any other independent country, the government of India had laid down guidelines in regard to foreign private investment but there was ample room for discussion and where a foreign company made out a strong case, the government was willing to negotiate the terms and conditions on which new foreign investment would be allowed.

For instance, the government of India had stipulated that new ventures were welcome provided 60 per cent of their total production was exported. Mr Amerongen was given to understand that this percentage was "negotiable". If it were not so, then it would operate as a hindrance, added Mr Amerongen. Recalling the recent recession in the world markets—and West Germany had not come out of it completely as yet—he said that to meet the obligation of 60 per cent exports would be well-nigh impossible at a time when West German companies themselves were finding it difficult to fully utilise their domestic capacities. Agreeing to set up units with such a high export obligation will amount to jeopardising the export possibilities of the parent West German company, added Mr Amerongen. Moreover, the West German companies would like to control the management of joint ventures so that there was no fall in the quality of the products manufactured by them.

Even in regard to the application of the Foreign Exchange Regulation Act (FERA) to old joint ventures, Mr Amerongen was given to understand that there was room for negotiation in difficult cases. It followed that the dilution of foreign equity would not be insisted upon if a company was able to put up a convincing case. "The government of India did not have a doctrinaire approach in these matters", said Mr Amerongen. Therefore, on his return to West Germany, where he is the President of German Chamber of Commerce and Industry (Bonn), he said that he would advise the German businessmen to go to India and help in the establishment of new units which used high technology and also had export possibilities. The easy availability of skilled labour and relatively low wages were two positive points in favour of India besides the fact that inflation had been controlled and prices during the past one year had recorded a fall of seven per cent. The West German industrialists will certainly be encouraged to have a second look at the Indian market in view of the explanations given to the Bonn team.

Mr Amerongen emphasised the fact that it would be wrong to conclude that flood-gates of new investment would be opened up once he returned to his homeland. The small and medium German companies which were seeking outlets in foreign markets had the whole world open to them and had spotted certain countries in Africa and Latin America where the prospects for investment were perhaps more attractive. The decisions in regard to future investments would be taken by the West German companies after taking into account a multiplicity of factors. One thing, however, was clear that West German businessmen had nothing against the public sector in India and they would be willing to set up joint ventures even in the state sector. Mr Amerongen cited the example of West German steel-makers who have currently joined hands with the USSR in setting up the steel plants there.

The West German delegation's visit to this country had been timed to allow it to participate in the celebrations associated with the 20th anniversary of the Indo-German Chamber of Commerce. At a function in Bombay on March 10, Mr. P.K. Sanyal, chairman of the Indo-German Chamber of Commerce and managing director of BASF, welcomed the delegates and in an impassioned speech sought "understanding from both sides." Said Mr Sanyal : "Prospective foreign investors complain quite often that the terms and conditions offered by India are very rigid. This reference usually is with regard to the minute scrutiny of the technology offered and the high export obligations imposed. In this context it has to be borne in mind that this country is fairly advanced in many fields of technology, and the selective approach of the government should not therefore be compared with that of other developing countries. With regard to the imposition of high export obligations, whilst I fully share the view that an unrealistic demand is undesirable and often fruitless, the prospective foreign investors should appreciate the problems of the country. India

has a chronic shortage of foreign exchange and therefore everything possible has to be done to improve the balance of payments position. I entreat the intending German investors to bear this in mind".

Thus, Mr Sanyal made it abundantly clear that our country stood apart among the developing countries and had decided to be selective in seeking partnership in joint ventures. With facts and figures, he also illustrated the point that the export earnings of Indo-German ventures in recent years had been far more than the remittances made by way of dividends and profits. These ventures also assisted our country in hastening import substitution. It was because of the positive achievements of these joint ventures that our country was keen to extend the area of collaboration, though on a selective basis. A clear proof in support of this contention was available from the fact that out of 274 collaboration agreements approved by the government of India, no less than 59 were Indo-German ventures —testimony to the thesis that West German interest in this country had not declined.

The president of the Federation of Indian Chambers of Commerce and Industry (FICCI), Mr Harish Mahindra, and other members of the FICCI informed Mr Amerongen that investment was growing at a rapid rate following the remarkable improvement in production and the stabilisation of prices. What was more, the government was committed to increase production, savings, investments and exports and this would brighten up the opportunities for both domestic and foreign investment. Also the procedural delays in clearing the foreign investment proposals had largely been overcome and there was an element of flexibility in the government's approach to allowing majority participation by foreign capital particularly in high technology, export-oriented industries. These were potent reasons favouring the inflow of private foreign investment in this country and in the view of the FICCI the West German industrialists would find the climate for investment quite favourable.

Surplus budget for West Bengal

WHILE PRESENTING the budget of West Bengal for 1976-77 on the March 1, Mr Sankar Ghose, the Finance minister, referred to the "remarkable improvement" in the state's financial position. He is, of course, justified in making this claim. The state has not only wiped out all past deficits but has produced surplus budgets for two years in succession. The year 1975-76 was expected to end with a net surplus of Rs 27 lakhs but the revised estimates put this figure at Rs 69 lakhs though the Plan expenditure during the year increased by Rs 28 crores from Rs 171 crores to Rs 199 crores. The total revenue receipts for 1976-77 are Rs 596.23 crores against Rs 557.44 crores in the revised estimates for the current year, an overall increase of Rs 38.79 crores. The revenue expenditure for 1976-77 is estimated at Rs 569.86 crores against Rs 541.94 crores in the revised estimates for the current year. The total provision for capital expenditure for 1976-77 is Rs 82.15 crores compared to Rs 64.30 crores in the revised estimate for 1975-76. The net result for 1976-77 is an estimated surplus of Rs 2.92 crores.

Mr Sankar Ghose explained that in order to have a Plan outlay of Rs 232 crores in 1976-77, it was necessary to resort to additional taxation of about Rs 11 crores. In 1974-75, the state increased the size of the Plan from Rs 90 crores to Rs 150 crores and mobilised additional resources of Rs 24 crores. In 1975-76, about Rs 12 crores were raised by fresh taxes and the size of the Plan was increased to Rs 171 crores.

Mr Ghose said that to finance a large Plan of Rs 232 crores in the next fiscal year, new taxes of Rs 11 crores would be required. The new levies proposed are an increase in stamp duty, additional surcharge on motor vehicles tax, imposition of a rural employment cess, a tax on advertisement slides and an urban land tax on built-up land. The objective of these levies is, of course, commendable. But will the state government take sufficient care to ensure that the proceeds of these taxes are effectively spent ?

Mr Ghose said that the receipts from the surcharge on motor vehicles tax would be kept earmarked in a road maintenance fund and that they would be utilised only for the purpose of road repairs and maintenance. Roads in Calcutta and other parts of West Bengal have been in an appalling condition for the past several years not so much because of lack of funds but because of systematic neglect of repairs. Lately, the authorities have started to improve the roads but unless the right materials are used and regular maintenance is ensured, there will be further and faster deterioration.

Mr Ghose revealed that the rate of motor vehicles tax in West Bengal was much lower than most other states. For instance, the annual motor vehicles tax (including the goods tax) for a 7-tonne vehicle in Bihar is Rs 2380 and in Orissa Rs 1870 compared to Rs 1085 in West Bengal. If this is the case, should the Finance minister have exempted buses and taxis from the proposed surcharge ? Would they not have willingly paid this levy if, as a result, there is substantial and permanent improvement in the condition of roads which would help them to save money on heavy repairs ?

The Urban Land (Ceiling & Regulation) Act, 1976, seems to have created uncertainty and anxiety among Calcutta's citizens. While the basic objective of the government is appreciated its anomalies and ambiguities, which were perhaps inevitable because of hasty drafting and hurried enactment, have been causing concern not merely to the affluent sections of the population but even to those in the middle income groups. Housing activity in Calcutta has never been vigorous and legislation, it is feared, may give a set-back to it, at least for the time being. It is in this background that Mr Sankar Ghose has introduced the urban land tax. He said, "As a follow-up measure of this Act (the Urban Land Ceiling & Regulation Act), and in the light of the guidelines of the government of India, the state government proposes to impose in urban agglomerations of the state after a certain period a land tax on vacant land, and immediately an urban land tax on built-up land and land appurtement thereto where such land is in excess of certain specified limits, and further to impose a development charge on urban land when such land is developed at a cost exceeding a specified amount, and a conversion charge when land beyond a specified limit is proposed to be utilised for a more beneficial use compared to the existing use." The state government should exercise caution in implementing this proposal in order to ensure that house building does not suffer and Calcutta does not become more congested.

Mr Ghose's budget is also notable for many tax concessions. The taxable quantum for manufacturers under the West Bengal Finance Sales Tax Act has been raised from Rs 15,000 to Rs 25,000. Intending manufacturers of goods covered by the Sales Tax Act have been allowed to make tax-free purchase of equipment, machinery and raw materials for setting up new industries. New small units, starting production after March 31, 1976, have been exempted from the liability to pay tax under the Sales Tax Act. The products of certain cottage industries like glass bangles and conch-shells have also been exempted from sales tax. The octroi on commercial vehicles has been reduced from three per cent to ½ per cent. Performing arts such as music, dance, ballet, circus and puppet shows have been exempted from entertainment tax but this concession will not apply to cinema and cabaret shows. New cinema houses which agree to reserve a specified percentage of the annual show time for films produced in West Bengal will be given a subsidy equivalent to the entire proceeds of the entertainment tax for a period of three years. The local sales tax on television sets has been reduced from 15 per cent to seven per cent and the inter-state sales tax on such sets sold in the course of intra-state trade from West Bengal from four per cent to two per cent. Besides, all sporting events have been exempted from entertainment or amusement tax.

Many of these concessions are well-conceived especially those which are meant to give a fillip to the growth of small industries. But the Finance minister seems to have gone too far in sacrificing revenue. For instance, should music performances and all kinds of sports be wholly exempted from entertainment tax? Mr Ghose said that "sports are perhaps more popular in this state than anywhere else." If so, would not the government be justified in deriving some revenue from this source? It cannot be argued that those who patronise dance, music, ballet and similar events belong to the vulnerable or poorer sections of the population. Mr Ghose could therefore have lowered the entertainment tax on such activities instead of giving complete exemption. The people of Calcutta and other parts of West Bengal are yet to be provided with basic amenities like adequate supply of filtered water, housing, and reasonable transport facilities. In this situation, is the government justified in foregoing revenue by giving concessions in tax to those who can easily afford to pay?

West Bengal's economy at present is certainly in a much better and stronger position than before. But industrial progress is yet to gather momentum in a big way. Mr Ghose regretted that 73 applications involving an investment of Rs 112.23 crores were pending with New Delhi and another 161 applications involving delicensed items with an investment of Rs 55.12 crores were pending with different registration authorities. But what should be a greater cause for concern is the plight of many major industries like jute, wagons and other engineering industries. Surprisingly, Mr Ghose's 70-page budget statement made no mention of these industries which are crucial to the state's economy especially from the point of view of employment.

Indo-GDR ties strengthened

The recent visit to this country of Mr Wolfgang Rauchfuss, deputy prime minister of the German Democratic Republic (GDR), has resulted in not only strengthening the bonds between the two countries but has also shown the way for cooperation in new areas. The ministries of Industry and Civil Supplies, Petroleum, and Shipping and Transport have already spotted areas wherein increased collaboration between the two companies could be mutually beneficial. In order to give concrete shape to proposals which have been mooted by both the countries, India and the GDR have agreed to hold discussions through working groups of the two countries. The Indo-GDR joint Commission which would be meeting in this country in autumn, would take the necessary steps to conclude agreements on all proposals acceptable to both the countries, particularly the setting up of joint ventures in third countries for which the scope is unlimited. At a reception hosted by the Indo-GDR Friendship Association, Mr Rauchfuss is reported to have assured his country's support in consolidating the economic independence of this country.

Mr T.A. Pai, the union minister for Industry and Civil Supplies, has proposed a barter agreement between the two countries regarding the import of 109 modern textile machinery for the sick textile mills of the National Textile Corporation (NTC)—a public sector undertaking—against a firm commitment to export textiles to the GDR. While it will bring about the modernisation of the NTC and is expected to change it into an economically viable company, the

GDR will be assured of a regulated supply of cotton textiles of high quality. In this way, both the countries would complement each other's efforts. According to Mr Pai, the area of complementary production could be extended to a number of industries including machine tools but for all these industries, long-term arrangements between the two countries would need to be worked out.

Also, there was a distinct possibility of the two countries collaborating in the completion of joint ventures in third countries. India and the GDR had already made a beginning in this regard by agreeing to set up a grain silo and three flour mills in Iraq. Mr. Pai is said to have told Mr Rauchfuss that for joint ventures in third countries, India had the capability to undertake the civil works and to supply skilled manpower as well as equipment needed for these works.

Mr K.D. Malaviya, the union minister for Petroleum, told Mr Rauchfuss that there were sufficient opportunities for both the countries in the field of the petroleum industry. This country, he said, would soon let the GDR know about its requirements of this industry: the manner and extent of collaboration could be worked out later.

Only recently an agreement to supply five ships to this country was signed between the Shipping Corporation of India and the GDR. The opportunity to discuss with Mr Rauchfuss further possibilities of cooperation in shipping and transport was seized by Mr G.S. Dhillon, the union minister for Transport and Shipping. Mr Rauchfuss agreed with Mr Dhillon that India could obtain from the GDR equipment for ports and ship-building and the two countries could also launch a long-term programme of cooperation in this highly specialised area.

Mr Rauchfuss visited the computer centre of Engineers India Ltd. (EIL) where a third generation computer (EC 1040) supplied by VEB Kambinat Robotron, a GDR public sector undertaking, has been installed. The EIL has imported this computer from the GDR for computational requirements of design and consultancy work relating to some of its projects such as refineries, petrochemicals, fertiliser plants, offshore engineering and non-ferrous metallurgy. Bulk of the cost of this computer would be repaid through the export of computer software in which the EIL has specialised knowledge.

Mr Rauchfuss expressed the view that India and the GDR could also extend the area of their co-operation to the manufacture of mini-computers.

It may be stated here that the GDR currently is a leader in eastern Europe in regard to per capita Gross National Product (GNP). The annual foreign trade of the GDR and Poland in terms of dollars is almost the same even though the population of the GDR is roughly half of Poland. Even in comparison to the USSR, the GDR has scored both in GNP and foreign trade on per head basis. Again, between 1970 and 1975, the per capita monetary income in the GDR rose by 27 per cent; with stability in prices, it brought about a substantial improvement in the level of living of the people.

The GDR plan for the five years ending in 1980 envisages a rise of 27 to 30 per cent in national income, 34 to 36 per cent in industrial production, 30 to 32 per cent in productivity, and 24 to 25 per cent in goods transport. The GDR has also plans to expand its foreign trade, especially to the developing countries such as India, Iraq, Algeria, Syria, Iran and Brazil. Currently its trade with these countries is roughly one-eighth of its total trade.

In view of the expected expansion in the economy of the GDR and its policy of extending trade relations with the developing countries, particularly India, there are immense possibilities of multiplying our collaborative efforts in the coming years. Responsibility for this rests squarely on the Indo-GDR Joint Commission.

The uncovered budgetary gap

Rajasthan and Madhya Pradesh are among those states which have made only partial attempts to mobilise additional resources to wipe out budget deficits for 1976-77. They, have, therefore, failed to cover their respective gaps. Additional taxes to the extent of Rs 8 crores in Rajasthan budget are likely to reduce the overall deficit to Rs 11.19 crores. In Madhya Pradesh, an additional tax revenue of Rs 16.89 crores may bring down the budgetary deficit from Rs 51.69 crores to Rs 34.80 crores. Both the states, however, have high hopes of the centre coming to their rescue in filling the uncovered gap.

The Rajasthan Finance minister, Mr Chandanmal Baid, while presenting the budget in the state assembly indicated that the deficit after the new levies was expected to be covered by additional receipts on account of state's share in central taxes and residual deficit through appropriate measures of economy. He therefore, was confident that the year would not close with a deficit. Mr Shyamsundar Narayan Mushran, the Madhya Pradesh Finance minister, also seemed to rely upon some additional revenue that would accrue to the state as its share of income tax and union excise duties. Moreover, saving in expenditure of the order of Rs 3 crores was to be effected through economy measures which include revision of rules regarding the use of government motor vehicles and strictness regarding the sanction of new posts. Mr Mushran has taken credit for Rs 14.80 crores on account of these two factors and hoped that the remaining deficit of Rs 20 crores would be met through the drawal of ways and means advances from the Reserve Bank against the state's holdings of central government securities.

The measures announced in the Rajasthan budget for the mobilisation of additional resources for the state include

Capital's Corridors

R. C. Ummat

Procurement of foodgrains • 1976-77 export prospects • Electronic exports • Credit for jute • New oil find

WITH THE procurement of rice out of the last kharif crop having aggregated to 4.594 million tonnes by March 6 itself, the union ministry of Agriculture expects that the total procurement during the current (1975-76) kharif marketing season may go up to 5.3 million tonnes—about 7 lakh tonnes more than the target fixed in October last in consultation with the state chief ministers. The procurement up to March 6 had exceeded the quantity procured in the corresponding period of the previous season by as much as by 1.926 million tonnes.

The procurement this year has outstripped the last year's levels in all states except Kerala and Maharashtra. By March 6, it had been of the following order in the various states ('000 tonnes): Andhra Pradesh 631.5, Assam 203.8, Bihar 52.9, Gujarat 21.7, Haryana 448.6, Jammu and Kashmir 40.9, Karnataka 131.3, Kerala 13.9, Madhya Pradesh 207.6, Maharashtra 48.1, Orissa 129.3, Punjab 1137.7, Rajasthan 24.5, Tamil Nadu 683.3, Uttar Pradesh 615.7, West Bengal 184.3, and others 18.9.

favourable comparison

This compared with the following evels of procurement ('000 tonnes) in the previous season upto the above date: Andhra Pradesh 404.6, Assam 87.4, Bihar 45.8, Gujarat 10.1, Haryana 226.7, Jammu and Kashmir 25.2, Karnataka 78.1, Kerala 15.3, Madhya Pradesh 115.3, Maharashtra 55.9, Orissa 34.3, Punjab 353.5, Rajasthan 8.0, Tamil Nadu 300.9, Uttar Pradesh 236.9, West Bengal 115.2, and others 16.3.

Several states had exceeded the rice procurement targets set for them. These included Assam, Haryana, Punjab, Rajasthan, Tamil Nadu and Madhya Pradesh. The following were the targets ('000 tonnes) set for the various states: Andhra Pradesh 1,000; Assam 130, Bihar 100; Gujarat 50; Haryana 350; Jammu and Kashmir 50; Karnataka 200; Kerala 80; Madhya Pradesh 350; Maharashtra 175; Orissa 225; Punjab 1,000; Rajasthan 10; Tamil Nadu 600; Uttar Pradesh 550; West Bengal 400; others 30.

Wheat procurement during the 1975-76 rabi marketing season too has progressed quite well. It aggregated to 4.075 million tonnes up to March 6, as against just 1.9076 million tonnes during the corresponding period of the previous rabi morketing season. Allowance here, however has to be made for the fact that in the 1974-75 marketing season, wheat procurement was not done on monopoly basis. The private trade was allowed to operate and was required to surrender to the government only a part of its purchases.

marked improvement

With the current rabi crop having progressed satisfactorily so far in almost all the growing areas, the procurement during the next rabi marketing season is expected to show a marked improvement over the 1975-76 season. Knowledgeable circles feel that it may be at least five million tonnes.

With imports in 1975 aggregating to nearly 7.5 million tonnes of foodgrains and the procurement from within the country progressing well, the food situation during the next financial year is expected to remain comfortable.

Meanwhile, the Soviet Union is understood to have agreed to the repayment of its two million tonnes wheat loan made available in 1973, when we faced an acute shortage of food supply due to a sharp setback to indigenous production as a sequel to widespread drought and imports became difficult owing to spurt in international prices, in the form of exports of non-traditional goods from here instead of in wheat. The loan otherwise was to be repaid in kind over a five-year period beginning from 1976.

In view of the satisfactory progress of the current rabi crop, the wheat procurement price for the ensuing marketing season is not expected to be changed from the current level. An additional argument for maintaining the price is that fertilizer prices were significantly reduced before the rabi sowings to contain farming costs. The Agricultural Prices Commission in its report on rabi procurement, which was submitted to the union ministry of Agriculture last week, is understood to have pleaded for the maintenance of the status quo in regard to the wheat procurement price. In its judgement, the procurement target can be fixed around 5.3 million tonnes.

The union government also is not in favour of any relaxation of the current restrictions on the movement of wheat at least for the time being. It thinks that the current restrictions will have to be continued in the interest of maximising procurement which will help in building up a buffer stock.

* *

In a quick assessment of the export prospects for 1976-77, the Federation of Indian Chambers of Commerce and Industry has come to the conclusion that exports next year can be stepped up from an estimated level of about Rs 3,800 crores this year to nearly Rs 4,450 crores, notwithstanding a significant decline likely in the sales of sugar, jute manufactures, silver and cashew kernels, including cashewnut shell liquid. If a price increase of three to four per cent is assumed, the total value realisation from exports next year might be even around Rs 4,600 crores.

The exports of sugar are expected to decline from about Rs 462 crores this year to Rs 388 crores and those of jute manufactures from Rs 250 crores to Rs 225 crores. Silver exports, it is felt, may go down from Rs 200 crores to Rs 180 crores. Cashew kernel exports may show a fall of Rs 5 crores—from Rs 101 crores to Rs 96 crores.

The assessment covers primarily 29 items which form nearly 90 per cent of our export trade. Excluding the above four items, all the other 25 items are expected to yield higher export earnings. The sharpest increases are anticipated in the earnings from iron and steel—from Rs 110 crores to Rs 250 crores; leather and leather goods—from Rs 200 crores to Rs 300 crores; and textiles (cotton, art silk and rayon as well as handloom products)—from Rs 325 crores to Rs 430 crores.

Export of other items (in crores of rupees) are anticipated to grow to the following levels (the estimated current

year's exports are given in brackets): engineering goods 450 (400); tea 260 (240); iron ore 240 (190); gems and jewellery 140 (110); marine products 120 (106); unmanufactured tobacco 110 (100); basic chemicals, pharmaceuticals, cosmetics, etc. 140 (100); oilcakes 85 (75); chemicals and allied products 113 (72), spices 75 (70); wool and woollens 96 (65); processed foods 67 (60); coffee 60 (58); HPS groundnuts 80 (55); mica and mica products 30 (25); manganese ore 21 (20); coir and coir products 20 (18); coal 25 (18); plastic and linoleum 22 (18); shellac 16 (15). An increase of Rs 55 crore is expected in the exports of other miscellaneous items—from Rs 317 crores to Rs 372 crores. These figures do not take into consideration the likely price rise of 3 to 4 per cent referred to above.

helping exports

The study has called for higher production to help the export drive by creating surpluses, even if it means a tightening of the belt on the home front. "The emphasis in future", it says, "should all the time be on restraining the pull of the home market through fiscal and other measures rather than giving too much emphasis on the compulsive element". It also calls for a "bold and imaginative approach in the creation of industrial capacity" so that if many units come into existence and are unable to exploit the domestic market, they will perforce follow an aggressive export policy.

The study suggests that measures of cash compensatory support should be allowed on a long-term basis. While in the short run, it says, there is no escape from grant of cash assistance, from the long-term point of view new modes of tax incentives for export promotion are desirable. Profits attributable to exports, it has been suggested, should be taxed at a concessional rate. In the case of the corporate tax-payers, such profits may be taxed at a flat rate of 30 per cent and in the case of non-corporate tax-payers only 50 per cent of the profits from exports may be taxed. Time, the study adds, has come for the adoption of a forward-looking approach to exports by way of major liberalisation of credit for exports. In the case of deferred payment exports, long-term credit facilities need further review.

* *

A three-pronged strategy has been formulated by the department of Electronics for expanding exports of electronic items. Firstly, after a considerable analysis of the world markets and the capabilities of our industry, 24 products have been identified as having good export potential. These include: (i) antennae and antenna hardware; (ii) capacitors—electrolytic, ceramic, paper, plastic film and tantalum; (iii) connectors, plugs and sockets; (iv) loudspeakers; (v) microphones; (vi) fixed resistors—carbon film, wire wound and metal film and metal oxide; (vii) variable resistors; (viii) variable capacitors; (ix) semi-conductor devices, including integrated circuits; (x) receiving valves; (xi) crystals; (xii) relays; (xiii) printed circuit boards; (xiv) transformers, coils and chokes; (xv) electronic calculators—desk top and pocket size; (xvi) transistor radio AM/FM; (xvii) auto radios; (xviii) casette taprecorders; (xix) P.A. and Hi-Fi equipment; (xx) TV receivers, including portable ones; (xxi) oscilloscopes; (xxii) digital instruments; (xxiii) battery eliminators; and (xxiv) power supplies.

Secondly, the development of the Santa Cruz electronic export processing zone at Bombay is being pursued vigorously. By the end of the current calendar year, nearly 20 units are expected to go into production in this zone. They will be exporting X-ray equipment, electronic watches, integrated circuits and other conductor devices, test instruments, mica capacitors and tape-recorders.

Thirdly, the public sector corporations, particularly Bharat Electronics and the Indian Telephone Industries, which have already secured some contracts for the export of radars and telephone switching equipment are attuning themselves more and more to catering for exports.

computer software

There is also considered to be good scope for the exports of computer software. Till the end of last year, exports of computer software had been effected to the Soviet Union, the United States, Canada, West Germany, Spain, Australia, New Zealand and Iran. Exports to the Soviet Union are expected to be nearly doubled to Rs 1.5 crores this year.

Between 1968 and 1974, electronic exports went up from about Rs 3 crores to as much as Rs 9.5 crores. Of the latter, about Rs 4.4 crores worth were exports of data processing equipment and about 10 per cent of sophisticated equipment and components, particularly in the fields of tele-communication and professional quality public address systems. The exports of professional quality public address systems were primarily from the small-scale sector.

* *

In its interim report submitted to the ministry of Comerce last week, the Bose-Mullick Committee on jute has disfavoured a cut in the production of Jute goods even though exports were not up to the mark. On the other hand, it has recommended liberalization of credit for mills facing financial trouble, especially the "weak" mills.

In an informal talk with pressmen, last week, Mr Bose-Mullick revealed that the Indian Jute Mills Association had not been able to prove that there was overproduction of jute goods. The fears of the industry about shortage of raw materials too were unwarranted. The latest reports indicated that in the end of the season, we will have a comfortable carry-over of raw jute.

As regards credit, Mr Bose-Mullick expressed the view that banks could adopt a liberal approach in the interest of keeping up production as well as exports.

final report

The final report of the committee, Mr Bose-Mullick disclosed, was expected to be submitted by the end of next month. It will deal with its other terms of reference, which included problems of individual units whose closure seemed to be imminent, the need for modernization and replacement of machinery, research work relating to production of jute, development of new markets, prevention of speculative movements in the prices of jute goods and ensuring of the stability of prices.

Mr J. P. Goenka has been appointed chairman of the Jute Development Council. The council was formed some time ago to administer the cess to be collected from the jute manufacturing units to finance research efforts.

Talking about the deliberations of the Parliamentary Consultative Committee attached to the ministry of Commerce, Mr Bose-Mullick said that the minister for Commerce, Prof. D. P. Chattopadhyaya, had told this committee that the government proposed to take over sick and closed tea gardens for five years in the first instance and then for another two years on annual extensions, if necessary. Legislation to this effect is envisaged to be introduced in Parliament during the current session.

* *

The minister for Petroleum and Chemicals, Mr K. D. Malaviya, disclosed in Parliament last week that the Oil and Natural Gas Commission had discovered another offshore oilfield about 70 Kms. west of Bassein, a suburb of Bombay. Like the Bombay High structure, oil has been found in the new area in a 71-metre thick limestone structure. This is considered to be very significant Drilling has been accelerated. The potential of the field will be assessed fully when the exploratory well is completed to the projected depth of 2,300 metres. The discovery was made at a depth of about 1,714 metres.

POINT OF VIEW

Rural business of LIC

Dr M. N. Mishra

One of the aims of the nationalisation of life insurance business was to spread it to rural areas where people were not getting the benefit of this social scheme. In order to spread life insurance in rural areas and to ensure better access to policy holders in these areas, the Life Insurance Corporation has posted additional field officers, opened new offices, provided better facilities for payment of premiums and organised increased publicity through literature and posters in regional languages, films, mobile vans, broadcasting and participation in local exhibitions.

Rural insurance in an intensified form was undertaken in certain development blocks of Rajasthan and Bihar since 1958. Similarly, in the year of 1959, Assam, Andhra Pradesh, Uttar Pradesh and Madhya Pradesh introduced this scheme through development blocks. In other states, this scheme was started in 1961.

close cooperation

In the project areas, the field officers of the corporation work in close collaboration with the respective state governments and block development and village panchayat officers. Where facilities for medical examinations are not available, policies can be issued without undergoing medical examination, but subject to a limit of Rs 2,000, on the sum assured and other safeguards as to age, term of insurance, etc. In areas, where government doctors are available, these doctors can examine cases up to Rs 5,000 irrespective of their experience and appointment.

With a view to providing facilities for the collection of premiums and other dues in those rural areas where there are no banking facilities, a pilot scheme was introduced in Rajasthan in March, 1962, for collections through rural post offices. The scheme was confined to those rural and branch post offices which were doing savings bank work. The scheme is now operating throughout the country.

The share of rural new business to total new business had increased from 36.5 per cent of total policies in 1961 to 38.5 per cent in 1962-63. Thus the year 1962-63 experienced the maximum rural business. The share of this business has declined thereafter. The percentage share in total business had also gone up from 30.5 per cent in 1961 to 31.8 per cent in 1962-63. So, the year 1962-63 gave the maximum rural business not only in terms of number of policies but also in terms of assured amount. The average percentage of these two years was 37.5 per cent of total policies and 31.2 per cent of total business. It is disappointing that the share of the rural business whether in terms of policies or in terms of sum assured has not increased after 1962-63.

During the period of fluctuating growth (1963-64 to 1969-70), the number of policies issued in rural areas was declining. It went down from 5,85,000 in 1963-64 to 4,61,000 in 1969-70. The decline was not only in absolute terms but also in relation to total policies. The percentage of policies issued in rural areas to total policies went up from 35.7 in 1963-64 to 36.2 in 1964-65, but declined to 35.9 in 1965-66 and further to 35.8 in 1967-68. The lowest percentage was 32.9 in 1968-69.

The sum assured in rural areas went up from Rs 20.9 crores in 1963-64 to Rs 251.76 crores in 1969-70 with slight fluctuation. The minimum amount was Rs 197.84 crores in 1964-65. It shows that the sum assured was increasing in rural areas, although the sum assured as compared to total new business was not increasing; on the reverse it was declining gradually. The percentage of sum assured in rural areas to the total new business went down from 30.2 in 1963-64 to 24.5 in 1969-70.

Fluctuating incomes, low education and inadequate faith in insurance in rural areas perhaps are hindrances to the increase in rural business. The corporation has made attempts to overcome these difficulties. But much greater efforts apparently are required to carry the message of insurance to the countryside.

Table I

Share of Rural New Business to Total New Business

(In percentages)

Year	Share in total policies	Share in total business
1961	36.5	30.5
1962-63	38.5	31.8
Average	37.5	31.2
1963-64	35.7	30.2
1964-65	36.2	28.7
1965-66	35.9	28.0
1966-67	36.0	28.7
1967-68	35.8	28.2
1968-69	32.9	25.5
1969-70	33.0	24.5
Average	35.1	27.4
1970-71	31.4	22.9
1971-72	31.6	23.1
1972-73	31.9	21.4
1973-74	31.3	19.2
1974-75	31.8	14.9
Average	31.6	20.3

The average number of policies issued was 5,17000 and the total average sum assured was Rs 223.93 crores during the period 1963-64 to 1969-70. This reveals that the number of policies as compared to the average policies had declined whereas the assured sum as compared to the average sum had increased. The average percentage of rural policies to total number of policies during this period was 35.1 and the average sum assured was 27.4 per cent. This comparison also discloses that the rural business had been declining whether in terms of policies or sum assured.

tough competition

During the period of competitive progress (1970-71 to 1974-75), the rural business of the LIC faced tough competition from banks. After the nationalisation of 14 major commercial banks, branches of these banks started to be opened in rural centres which provided incentive to save more in the form of bank savings. The share of rural insurance in total policies declined from 31.4 per cent in 1970-71 to 31.3 per cent in 1973-74, although there had been a slight improvement in 1974-75 when the percentage went up to 31.8. During this period fluctuation in the share of rural policies in the total policies was the least. But so far as the share in total business was concerned, it went down from 22.9 per cent in 1970-71 to 14.9 per cent in 1974-75. There was a slight increase in 1971-72.

The number of policies issued by and the sum assured at the rural centres have recently gone down from 6,43000 policies and Rs 498.17 crores sum assured in 1973-74 to 5,72000 policies and Rs 464.27 crores sum assured in 1974-75. Thus, the rural business of LIC has considerably declined during the period of competitive progress.

The blame for this certainly goes to the corporation, although there are certain basic difficulties in advancing insurance business in rural areas. The impediments are fluctuating incomes, migration of rural population to urban areas, small faith in insurance and competition from the profitable saving schemes of banks and post offices. Surely the LIC has to exert more to attract business in rural areas. When the banks and post offices are able to attract large business, the LIC too should be able to do better through evolving suitable schemes.

It is very disappointing that the average share of rural business in the total business of the LIC went down from 31.2 per cent in the period of early growth—1961 to 1962-63—to 27.4 per cent in the period of fluctuating business—1963-64 to 1969-70—and further to 20.3 per cent in the period of competitive progress—1970-71 to 1974-75. The percentage of rural population is still 70 per cent of the total population of the country. No significant change has occurred in the rural set up. It is a pity that the number of policies issued as well as the sum assured in rural areas have gone down in 1974-75.

Zone-wise Rural Business: The rural business in the southern zone has been the maximum since the nationalisation of life insurance. This is evident from the fact that the percentage of rural policies to total policies was 47.2 per cent in 1961, 40.0 per cent in 1969-70 and 38.3 per cent in 1972-73. The rural business amounted to 42.5 per cent. 32.0 per cent and 29.1 per cent during the corresponding years.

It clearly reveals that the southern zone was more willing than other zones to issue policies to rural population and was very active in spreading insurance business in rural areas. The minimum percentage of rural business was in the western zone; the percentage of rural policies to total policies was 24.3 per cent in 1961. 23.1 per cent in 1969-70 and 22.6 per cent in 1972-73. Similarly the share of sum assured was 17.7 per cent in 1961, 14.3 per cent in 1969-70 and 12.6 per cent in 1972-73. The lowest rural business in the western zone was evident from the high concentration of business in urban areas in and around Bombay. It reveals that the Bombay division alone was procuring more business than that of a small zone. Evidently rural business was much less in the western zone. It indicates that rural population in the western zone was not well-educated and well-settled.

The rural business in the northern zone could have been higher with a coverage

Table II

Zone-wise Rural Business

Zone	1961		1969-70		1972-73	
	Per cent of total policies	Per cent of total business	Per cent of total policies	Per cent of total business	Per cent of total policies	Per cent of total business
Northern	35.6	30.1	22.5	16.9	23.2	16.4
Central	39.6	33.4	39.8	33.5	36.7	23.4
Eastern	33.4	28.2	36.1	29.7	36.6	29.1
Southern	47.2	42.5	40.0	32.0	38.3	29.1
Western	24.3	17.7	23.1	14.3	22.6	12.6
Total	36.5	30.5	33.0	24.5	31.9	21.4

Table III

Index of Rural Business and Agricultural Production

Year	Total Rural Business (Rs. crores)	Per cent to total Business	Index: Rural Business (1963-64=100)	Index: Agricultural Production (1963-64=100)
1963-64	209.40	30.2	100	100
1964-65	197.84	28.7	84.5	110.7
1965-66	220.62	28.0	105.4	92.2
1966-67	217.22	28.7	103.7	92.3
1967-68	235.46	28.2	112.2	112.2
1968-69	235.12	25.5	112.2	110.5
1969-70	251.76	24.5	120.2	117.9
1970-71	296.37	22.9	141.5	126.4
1971-72	375.90	23.1	179.5	106.0
1972-73	441.45	21.4	210.5	115.1
1973-74	498.17	19.2	237.9	126.7
1974-75	464.27	14.9	221.7	N.A.

of more village population, but it was at the lowest except that of one zone. This does no credit to the northern zone where it could not muster enough rural business in spite of bright prospects. In 1969-70, the percentage of rural policies as compared to its total policies was the lowest in the northern zone among all the zones.

Rural insurance business is linked with agricultural prosperity. Rural business had increased from Rs 209.4 crores in 1963-64 to Rs 251.76 crores in 1969-70 and further to Rs 498.17 crores in 1973-74. So, the index number of rural insurance had increased from 100 in 1963-64 to 120.2 in 1969-70 and further to 237.9 in 1973-74. Similarly, the index number of agricultural production had increased from 100 in 1963-64 to 117.9 in 1969-70 and further to 126.7 in 1973-74. Although, there was no parallel effect on the rural business due to change in agricultural production, it is certain that the increase in agricultural production stimulates rural insurance. The increase in rural insurance was not only due to increase in production, but to other reasons also such as effective propaganda. If in 1964-65, rural insurance business declined in spite of increased agricultural production, the reason could be slackness on the part of the insurance workers. Moreover, the increase in production would stimulate business in the subsequent year and not in the same year. After 1966-67, the rural insurance business improved significantly although the agricultural production had a fluctuation increase. However, the increase in rural insurance business was always higher than the increase in agricultural production.

Management by objectives

L. N. Maheshwari & Rakesh Sharma

THE LAST 15 years have seen exponential growth of research, discovery, and invention in the field of physical sciences and similar efforts have been made in the social sciences. Recent work in the field of human motivation and performance and in organisational behaviour has produced findings that have given us a new insight into how people really work and how managers should manage to allow the greatest possible creativity and innovation towards the accomplishment of organisational goals.

Dr. Cari Rogers of the University of Chicago puts it this way: "In a time when knowledge, constructive and destructive, is advancing by the most incredible leaps and bounds into a fantastic age, genuinely creative adaptation seems to represent the only possibility that man can keep abreast of the kaleidoscopic change in his world...A generally passive and culture bound people cannot cope with the multiplying issues and problems, unless individuals, groups, and nations can examine, construct and creatively devise new ways of relating to these complex changes, the lights will go out......Not only individual maladjustment and group tensions, but international annihilation will be the price we pay for a lack of creativity".

useless methods

Dr. McGregor of MIT says; "Management by direction and control whether implemented with the hard, the soft, or the firm-but-fair approach fails under today's conditions to provide effective motivation of human effort toward organisational objectives. It fails because direction and control are useless methods of motivating people whose physiological and safety needs are reasonably satisfied and whose social, egoistic, and self-fulfilment needs are predominant".

defined results

Management by objectives is a system of management in which every department and every individual is working towards achieving defined results in key areas of accountability during a specified period of time. Thus, rather than operating in a day to day, week to week, or year to year basis and at the end of the period simply working back to see what happened, management by objectives determines ahead of time what the organisation wants to achieve. Thus it is not a system which emphasizes crisis points at the expense of everything else. As stated, it assumes that certain basic performance requirements are met on a continual basis in all key areas of a job.

Some additional important assumptions should be understood. First, this definition assumes that the manager has identified the areas of the job or departmental activity where certain results are sought. Second, the definition assumes that for each specified area of accountability, certain minimum acceptable standards of performance have been set. Finally, the definition assumes that a concerted effort is always made to reach new levels of achievement by identifying and overcoming problems that hinder accomplishment.

Thus, there is a difference between the concept of management by objectives and ordinary standard setting. Some of these differences can be summarized as follows:

1. Standards are static; once set, they tend to remain fixed. Objective-setting is that new goals are constantly set and some additional improvement is always sought.
2. Objective-setting tends to cut across the whole spectrum of departmental functions rather than just a few areas.
3. Standards often reflect levels of performance which are adequate but not necessarily maximum; objectives call for the best that a department or an individual can give.
4. Objectives are accompanied by plans for their achievement. They are concerned with making things happen that might otherwise not occur. Standards are usually used to measure performance after the fact.

The tie between the concept of management by objectives and motivation is a strong and basic one. Much of the rationale of the concept is rooted in the idea that it is a way of unleashing the full motivation potential in people so that they can make the maximum contribution. The high degree of individual motivation is triggered by structuring the work situation so that people can best satisfy their own needs as they work towards the objectives of the unit.

Although there are many facets to providing the climate in which employees can satisfy their needs, when clear objectives are established, an employee has a

constructive purpose in his work. As a result of this, personal morale will be high. Reasonable and clear objectives and high motivation go hand in hand. Clear objectives give purpose, meaning, vitality and direction to the work that people do. They contribute significantly to mental and emotional involvement and foster the type of personal commitment desirable for each person.

In addition to the influence of objectives on individual motivation there are also some general department-related advantages to objective setting. First, when a manager sets departmental objectives, he is taking a step towards making things happen that might otherwise not occur. For the same reason that a navigator on an airplane must develop a flight plan to help a safe and on-schedule arrival at his destination, a manager must set objectives if he expects the department to accomplish its mission.

Second, objectives focuss attention on results. They direct the stream of total effort towards achievement of specific goals and restrict random activity and ad hoc decisions. Without objectives, there is likely to be a tendency for the total operation to lack direction.

Third, objectives encourage efficient and economic operations. Costs are minimised because of the emphasis on consistency. Joint effort is substituted for uncoordinated piecemeal activity, an even flow of work replaces an uneven flow, and deliberate decisions take precedence over snap judgements.

keeping on track

Finally, objectives facilitate control and serve as a yardstick against which to measure accomplishment. The purpose of control is to ensure that events conform to plans and to make things happen that might otherwise not occur. If objectives are defined clearly, they aid in keeping the department "on track" by providing definite direction on a continuous basis.

The development of departmental objectives is a step-by-step process, with each succeeding step an elaboration and refinement of the previous one. Given below are outlines of a procedure which, when followed, can result in a meaningful department plan for accomplishment and growth. However, what appears on paper to be a rather simple and straightforward process is, in actual practice, a time consuming and difficult one.

1. The foremost task here is that the major areas, where the manager must concentrate his own managerial efforts in a planning, organising, directing and controlling sense, are delineated.

2. Delineate the specific activities which should be carried out in each area.

3. Performance accountability in major areas is identified.

The rationale behind this approach is two-fold. First, it crystallises in a general way the overall function, purpose, or service of the department as it relates to both the organisation as a whole and to other specific departments with which it is closely allied. Second, the groundwork for the integration of effort between departments is laid and also the basic guideline for interdepartmental activity begin to take shape.

quantitative measures

For each area of responsibility, a specific measure of successful performance should be established: where possible, these figures should be quantifiable in terms of numbers, percentages, time or some other type of figure. In most cases it is possible to develop this type of measure. The preciseness, of course, varies, but some measure is better than none at all. Where no quantification of any kind is possible, it is desirable to develop a series of specific statements which describe the general conditions that will exist when the area of responsibility has been adequately met.

Once the specific objectives have been set, the question of how to achieve them becomes paramount. Achievement does not occur by accident but rather is the result of well-formulated plans and programmes. In developing plans to accomplish results, the following steps are suggested :—

1. Identify the problems or areas of difficulty which must be overcome for improved achievement.
2. Having identified the problem areas, the manager must now determine what might be done to overcome these difficulties.
3. From the list of what might be done, it can be determined what will be done. Which items are key factors ? Where is the biggest pay-off of effort concentrated ? This recognizes that there is a limit to the amount of attention and effort that can be given to an operation and also that there must be some degree of correlation between effort and eventual payoff.

The list of what might be done to overcome a given problem often can be divided into two parts : those things that involve adjustments, and those over which the department itself has control. Initially, the latter should receive the attention. It is easy for the manager to say that achievement of results is out of his control, but this is seldom altogether true. Although reaching the maximum level of accomplishment may depend on the interdependent action of several departments, there is usually a considerable amount that can be done on an interdepartmental basis.

When more than one department must be involved, it is desirable to set a shorter-range objective reflecting what can be achieved with improvements within the department itself—and a longer-range objective which would reflect the results desired if cooperative action is taken. Definite plans and target dates should then be set to achieve the shorter-range goals while laying the groundwork for longer-range achievement.

What are Euromarkets ?

Jossleyn Hennessy
London

I

An International Market

ONE OF the most striking developments in international finance in recent years has been the emergence of the Euro-market. From insignificant origins, they have grown into a major force to be reckoned with by all large borrowers and lenders of money, and by the world's monetary authorities. Euromarkets have been largely responsible for changing the face of European commercial banking and of the policies of European central banks. This report outlines the reasons for the existence of the euromarkets, the technical aspects of their operation, and their influence on the development of banking and monetary policies in western Europe.

Although the eurodollar market is the best known of the euromarkets, it is today far from being the only one. The eurodollar market now includes a variety of other currencies: eurosterling, euro-deutschmarks, euroswissfrancs, etc. The eurodollar market has also extended from a simple banking or money market and now covers bonds as well. Eurobonds are issued, bought and sold in dollars in some European currencies or even in artificial accounting units.

The euromarket is the closest and best thing that the world has to a truly international capital market. Although there are plans for currency unions and combined capital markets in Europe, they are unlikely to come into existence; anyway there already exist in the euro-markets several of the features sought in a monetary union. The market is able to absorb massive transactions beyond the scope of most national capital markets. It has developed a structure that has withstood considerable strains over the last two years, including the collapse of a major international bank and the large rise in the price of oil. This has led oil surplus countries to deposit on a truly massive scale in the euromarkets and the deficit countries to borrow from it in like amounts.

Nor is the market only European. "Euro" means non-US rather than exclusively European. The market did, it is true, originate in Europe—in fact—under the tolerant gaze of the Bank of England, but a eurodollar can exist anywhere outside the USA where there are no regulations preventing domestic banks from accepting deposits denominated in dollars.

A good starting point for a description of the working and functions of the eurodollars markets is to define them. Let us start with eurodollars : a euro-dollar is a deposit denominated in US dollars in a bank outside the USA. Thus a dollar deposit in a London bank is a eurodollar but more significantly dollar deposits in a foreign branch of a US bank are also eurodollars.

Nor does it matter who is the depositor or the eventual lender of the dollars. The depositors can be in the USA or Europe or anywhere else in the world; the same goes for the borrowers—and eurodollars still stay eurodollars. Thus both US and European depositors can, to some extent create or extinguish eurodollars by their choice of what bank they deposit with. If they put their deposit in a bank in the USA they are ordinary dollars but once outside the USA they are eurodollars.

eurodollar deposits

How does the eventual borrower affect the issue ? He does not—with one exception. If the original bank relends eurodollar deposit to another non-US bank then another eurodollar deposit is created, because there is another dollar deposit outside the USA. But if the original bank relends to anyone else, including a US bank, on new eurodollars are created.

The same is the true of other currencies, though here some interesting points arise. An old theory about the eurodollar market was that it was the counterpart of a US balance of payments deficit. This notion was dear to the French under General de Gaulle. It is, of course, true that the eurodollar market expanded enormously during a period of US external deficit, but the proposition is nonetheless an oversimplification. If a euromarket is the counterpart of a balance of payments deficits, how is it that there is a large eurodeutschmark market, when West Germany has had persistently large surpluses, and how is it that there is a weak and small eurosterling market, when the UK has been traditionally in large deficit ? Clearly there is more to the old theory than this and much of the argument depends on the definitions.

II

The Distinction

There is in fact a world of difference between mature eurocurrency markets such as the eurodollar market, and rudimentary markets, such as the eurosterling market. Although the mature currency markets began life and operated in much the same way as the rudimentary eurocurrency markets do now (they are no more than a minor addition to the national money markets), this is no longer the case with the eurodollar market, which has grown into a full-fledged market in the own right. The important distinction here is whether the market has its own particular and individual source of loan demand or whether it simply serves the domestic market.

Let us consider a specific example. The eurosterling market is small, but so far as it exists it is operated in Paris. The way that a eurosterling deposit is created is when a non-UK resident makes, e.g. a 3-month deposit in a Paris bank. The Paris bank's problem is that because the market is so limited, there are no solid borrowers of eurosterling and the bank cannot therefore make a eurosterling loan to one of its customers. Thus the only asset that the Paris bank can acquire with its 3-month sterling deposit is another bank deposit, which means that it must relend the funds to a UK bank (because UK residents other than banks are forbidden to borrow sterling from abroad). As a market this is crude: it is essentially a redeposit market because it has no borrowers who are prepared to create the assets which a mature euro-currency market needs.

But how is that anyone ever bothers to make a eurosterling deposit at all ? This question spotlights the crucial role played by the monetary and exchange control policies of European central banks in the development of the euro-markets. At first glance it might look as though the Paris banks are merely re-depositing in London; they cannot offer higher interest rates than London banks are offering direct to depositors. But there is, in fact, an incentive to make euro-sterling deposits. The Bank of England operates a complex and comprehensive system of exchange controls, the main function of which is to prevent UK residents exporting cash abroad and so running down the UK's reserve of gold and foreign currency and depressing sterling's rate of exchange, but these exchange controls have important reactions because they inhibit natural arbitrage flows in and out of the UK.

arbitrage flows

Slight differentials in interest rates or currencies or prices induce arbitrage flows. Thus an arbitrager seeks opportunities to borrow at one rate and lend the money at a slightly higher rate elsewhere, or to buy foreign currency in country A and to resell at a profit in country B. The banks are the main arbitragers in any money market. If there were no controls one would expect euro-sterling interest rates and domestic sterling interest rates to coincide—because the minute that they got out of line a bank would step in and force the rates back into line by arbitraging. However the Bank of England in fact controls UK banks closely, and limits the amount by which any bank can have a net short sterling position. This means that UK banks are limited in the amounts that they can lend in the eurosterling market.

As a result of this edifice of controls, therefore, arbitrage flows do not fully equate eurosterling and domestic sterling interest rates. The Bank of England on occasions takes advantages of this split in the sterling market to engineer higher interest rates in the eurosterling market than at home. The bank wishes to do this when sterling is under pressure abroad, and when it is necessary to attract strong capital flows by offering better interest rates on sterling to non-UK residents while simultaneously avoiding interest rates hike at home.

In a normal money market the central bank engineers higher interest rates either to borrow from the market itself or to make the banks short of reserve assets. The Bank of England cannot do this in the eurosterling market, so it must sell sterling forward in amounts large enough to depress the forward sterling rates and create a larger discount or a smaller premium against the US dollar.

The point of this manoeuvre is that it is the same as raising interest rates by borrowing from the market. To explain why, we must put ourselves in the position of non-UK resident. A larger forward discount on sterling means that we can sell sterling spot and buy it back in the forward market more cheaply because the discount is larger. These transactions, although more complicated are equivalent to taking a sterling deposit at a higher rate of interest.

The paradox, therefore, is that a depositor in the eurosterling market actually holds a dollar asset, because it is common for him not to take a eurosterling deposit formally, but only its equivalent. The mechanics are :

1. He sells his sterling for dollars spot.

2. At the same time he buys his sterling back in the forward market at a discount, so buying back his sterling at a predetermined rate.

3. He invests the dollars that he is holding in a dollar deposit.

Thus, his total return is the interest on his dollars plus the forward discount on sterling. This, in fact, is the general rule : the eurosterling rate equals the dollar rate plus the forward discount on sterling versus dollars.

The same is generally true for all eurocurrency markets other than the eurodollar market. The mere existence of exchange controls or a strict banking regime creates the possibility for a eurocurrency market concerned with redepositing within the banking system rather than lending to final borrowers.

German example

There are, however, differences in different European countries. The euro-deutschmark market contrasts with the eurosterling market. West Germany seeks to prevent an *inflow* of capital (whereas UK controls seek to prevent an *outflow*) and the forward deutschmark is usually at a premium against the dollar, whereas sterling is usually at a discount. The Bardepot, when it is operational, is a powerful set of controls to prevent capital inflows into West Germany. Thus the eurodeutschmarket is a method for non-residents to take deutschmark denominated assets outside West Germany. It is often possible to do the same by way of foreign exchange transactions as by deposit transactions : so when the exchange markets are not stringently controlled in West Germany, controls on non-residents taking deutschmark deposits can be circumvented by forward foreign exchange transactions. When this is possible the eurodeutschmark interest rate will tend to equal the euro-dollar interest rate minus the premium on foreign deutschmarks.

The premium on forward deutschmarks can at times become large when, for example, the market is expecting a revaluation of the mark and is buying forward deutschmarks hoping to make a profit out of the revaluation. It is possible for the forward discount to get so large that it exceeds the dollar interest rates, and when this happens the euro-deutschmark rate goes negative, i.e. lenders are paying interest in order to lend and borrowers are receiving interest for the privilege of borrowing, but the eurodeutsch market is, as a market, more mature than the eurosterling market and there are natural borrowers of euro-deutschmarks.

mainly political

The eurodollar market differs from other eurocurrency markets. For decades London banks took some small dollar deposits, which they redeposited with banks in New York. The fillip to the market came during the cold war, when for political reasons, the eastern bloc preferred to keep its dollar balances in London rather than New York. It is difficult, if not impossible, for the USA to freeze dollar balances in London whereas they can easily freeze balances in New York. Political motives have recently re-emerged to cause the euro-dollar market to grow, because many oil exporters think their dollars are less vulnerable in London than New York and prefer eurodollar deposits to US domestic dollar assets.

The eurodollar market ceased to be merely a redeposit market with political overtones when borrowers of eurodollar emerged. Ironically, this was a result of controls placed on US markets in the late 1960s to bolster the US balance of payments. These controls sought to prevent capital outflows from the USA but because multinationals and other companies could not borrow in New York to export capital outside the USA, they turned to the eurodollar market for funds. These controls killed New York as the world's main financial centre and re-established it for a time in London.

Coincidentally, the USA's balance of payments deficit led to the growth of dollar deposits outside the USA, which became almost permanent when in 1971 the dollar ceased to be convertible into gold. At the same time, European central banks became large recipients of dollars as a counterpart to the US balance of payments deficit, so they began to place some of their dollars in the euromarket rather than in US government securities in New York.

The huge dollar surpluses of the oil exporters have been the latest and greatest spur to the growth of the eurodollar market. To a large extent these surpluses end up in the eurodollar market countries with balance of payments deficits which look more and more to the eurodollar market for loans. These include both developed countries (such as the UK) and many developing countries.

Sources and acknowledgements: The foregoing summarises, by special arrangement, an exclusive report in the latest issue of *European Trends* published quarterly, to subscribers only, by The Economist Intelligence Unit (27 St James's Place, London S W la: INT) and obtainable in India in rupee payments from J. A. Shah, 67 Marine Drive, Bombay 20, but the EIU is responsible neither for the wording of my summary nor for my interspersed comments.

This report will be completed in our issue dated Apirl 4, in an article entitled *Where Are the Euromarkets*?

Indo-US collaboration

William B. Saxbe

This is the text of the remarks by the US Ambassador to India at the seventh annual general meeting of the Indo-American Chamber of Commerce, Bombay on March 4, 1976.

IN THE past two years we have all learned that no nation, or group of nations, can solve its economic problems in isolation. We have witnessed that inflation and recession affect us all. We have also seen that no country can achieve redress by exporting its economic difficulties or by exacting an exorbitant price from others.

The type of future that we all seek for the wellbeing of our people cannot be shaped by the sweeping tide of blind economic forces but depends upon the deliberate choices that statesmen make. The world's nations can struggle in national or ideological contention or they can acknowledge their interdependence and act out of a sense of community. The United States—as the world's strongest economy—has always demonstrated its resilience and has actively sought—and chosen—the path of cooperation for we believe that tests of strength really benefit no nation.

cooperative approach

The United States is committed to a cooperative approach and in this we seek the participation of all. We have much to offer. As the most productive nation in the world our energy science, industrial technology, and managerial skills are the most advanced in the world and we have tremendous potential in terms of both technology and investment capital to be able to undertake productive development in any country. We also have much to gain from cooperation for our needs of raw materials, finished products and services are also the largest of any nation in the world. I see no reason why, with a cooperative approach, India and the United States cannot enlarge the basis for a constructive commercial and economic relationship that will foster the prosperity of all. Each of us has a stake in the progress of the other.

In the past year, Indo-US trade increased substantially over 1974. In 1975 our trade totalled about \$1.8 billion (Rs 1,440 crores) compared to \$1.3 billion (Rs 1,040 crores) in 1974. The entire increase in trade represents US exports to India which amounted to \$1.3 billion (Rs 1.040 crores) in 1975—a fact which underlines the importance of the current effort of Indian history and government to promote Indian exports.

Impressive as these figures seem, they do not fully convey the extent of interdependence between our two countries. India supplies the United States with almost 65 per cent of our jute carpet packing needs; one-third of our requirements of cashewnuts; and almost one-fourth of all our imports of raw shrimps and prawns. In addition, India is a principal supplier in such non-traditional Indian exports as hand tools; bicycles; pipes and fixtures; electronic components; castings; textiles both machine made and handloomed; sporting goods; and a host of other consumer and manufactured products. Indian handicrafts of which the United States is the largest single buyer, enrich many American homes.

The United States on the other hand, supplies India with almost 60 per cent of its heavy earthmoving equipment; 53 per cent of specialized machine tool requirements; 38 per cent of special purpose pumps and valves; nearly one-fourth of all scientific, industrial and process instrumentation; 70 per cent of computers and related equipment imported; and nearly 40 per cent of all the new oilfield prospecting and drilling equipment that is being used in India's search for much needed oil resources and its developments. United States companies are closely associated with the supply of mobile off-shore drilling rigs, survey vessels, and in providing technical consultancy and off-shore exploration expertise. This is only a partial list of our present commercial interdependence. The potential is far greater.

more competitive

On January 1, the United States brought into effect the Generalized System of Preferences which accords over 2,700 products of developing countries duty free import status. As a result of this, India stands to gain substantially for its exports will become more competitive in the US market. Of the 550 Indian items that entered into India's foreign trade with the US in 1974, there are three items where the Indian margin of preference will be 30 per cent or more; 29 items where the margin of preference will be 20 per cent or more; and 129 items were the margin of preference will be 10 per cent or more.

Today the United States accounts for almost 30 per cent of outstanding private foreign investment in India. Beginning from a very small base, US private investment in India is currently estimated at about \$350 million (Rs 280 crores). This figure also does not adequately convey the full breadth of the contribution that this investment has made to India's overall development. While the United States is the second largest foreign investor in India, investments pioneered by US companies over the years have acted as development catalysts in several key industrial areas notably petroleum refining, fertilizers, fine chemicals, pharmaceuticals, synthetic rubber, electronics, shrimp trawling, hotels and several other related fields.

Over 25 per cent of the total external aid to India in the past year came from the United States. Thus aid amounting to nearly \$300 million (Rs 240 crores) was channelled through multilateral institutions such as the International Development Association, the UN Development Programme and the UN Fund for Population Activities. Additionally, the United States will fund about one-fifth of the new International Fund for Agricultural Development of which India will be a major beneficiary.

food aid

Shipments of wheat and other agricultural products under Public Law 480 amounted to \$225 million in 1975. PL-480 provides for these shipments to be made either as grants or under long-term financing at nominal interest rates.

We have just had the first meeting in New Delhi of the Indo-US Joint Business Council which provides the forum for a mutual discussion of the problems and prospects relating to existing and future developments in Indo-US trade and investment relations. A meeting of the Sub-Commission on Economic and Commercial Affairs is scheduled for later this month and I hope that many of the issues which restrict or impede greater commercial cooperation will be discussed and, hopefully, resolved.

Even during the past few years, when Indo-US political relations have been under strain, we have endeavoured not only to keep open channels of commercial cooperation but have actually succeeded in promoting greater interchange. Within the last three years, we have brought out four specialized US trade missions to India consisting of senior executives of US corporations who have shown specific and positive interest in establishing mutually beneficial commercial relationships with counterparts in India within both the private and public sectors. We have also undertaken several other trade promotional measures to try and bring to the attention of Indian officials, businessmen, scientists, and other key decision-makers the latest developments in US industry and I am fully conscious that one of the major concerns that confronts many of you here this afternoon is the uncertainty that you face as a result of actions already undertaken or contemplated, under the Foreign Exchange Regulations Act and the guidelines issued under its provisions. This is also one of our major concerns and we have on-going discussions with the Indian government on its implications. We at the Embassy have assisted many American firms with these problems as well as with others such as those connected with dividend remittances and the establishment of new joint ventures in India. I can assure you that we will continue this assistance.

The Indian government is perfectly within its right to enact any legislation or to frame any ground rules for foreign investments in India that it considers appropriate. While we do not question this right, we hope that its implementation of these rules will be in a spirit of buiness realism and administrative statesmanship that will not impose undue hardship on companies that are involved.

Private investment has always been a major factor in the growth of the global economy. Indeed, our own American history should be enough to convince others that the interests of recipient nations are not always subservient to the interests of investor countries. In the 19th century, British capital contributed significantly to the rapid expansion of the American railway system, while French money helped build the American chemical industry. American oil fields were developed by a combination of domestic and foreign capital. Capital from Germany speeded the growth of our chemical and plastics industries. Recently, Japanese capital and investments by the oil rich nations of the Middle East has also begun to move into the United States.

Today foreign investment in the U.S. totals more than 15 billion dollars (Rs 12,000 crores). Yet most Americans are unaware of the important contribution these foreign investments make to our economy.

In America, foreign investments are subject only to those restrictions which apply equally to similar American firms. Foreign investors pay the same corporate taxes, observe the same laws governing corporate structure and labour relations, and are liable to the same strict penalties for monopolistic or other unfair business practices as apply to American investor.

Foreign investment has many advantages; it provides:

- additional capital to promote growth in key sectors of an economy during early years of industrial growth;
- an influx of new technology into key industrial areas and the technicians required for rapid industrial expansion;
- creates jobs;
- stimulates competition with domestic industry, encouraging higher efficiency and bringing lower prices to the consumers;
- provides additional revenue to the local government.

The flow of the capital and technical skills from abroad has never threatened American sovereignty or undermined American policies. Instead, it has helped build a vigorouly expanding economy. Responsible foreign investment in India can have a similar effect.

Eastern Economist 30 Years Ago

MARCH 15, 1946

The Health Survey and Development Committee was appointed by the government of India in October 1943 to make (a) a broad survey of the present position in regard to health conditions and health organization in British India and (b) recommendations for future developments. Its report published on March 4, this year, a summary of which appears elsewhere in this issue., is a very able document. It devotes a whole volume to a comprehensive survey of existing health conditions in this country. The recommendations for the creation of a better standard of national health through the development of an organized health service on the most modern lines are embodied in another volume. Unfortunately the committee has excluded from its survey the critical war-period, 1941, which was undoubtedly characterized by a marked deterioration in the public health of this country and whose effects we are bound to carry forward in the postwar period. The next generation is bound to bear on it all the marks of deprivation especially of protective foods in the early formative period. The committee got so engrossed in the analysis of long-term fundamental causes and the formation of a long-term programme based on the highest ideal of the most modern medical service for every person in the country irrespective of his ability to pay, that it hardly presents the pressing problems of the immediate present in their proper perspective. In fact, you do not get to know them except by inference from long-term trends and programmes. But for this, the committee's survey and analysis leave hardly anything to be desired.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Announcement Regarding offer of 1,80,000 Equity Shares of Rs. 10/- each to the Public for cash at par.

BOKIYU TANNERIES LIMITED

(Incorporated under Companies Act. 1956)

Regd. Office : **160, Golf Links, New Delhi-110003**

Factory : **Pudupakkam, Distt. & Taluk Chingleput (Tamil Nadu)**

Opening 29th March 1976 **Closing 7th April 1976**

The Subscription List will open at the Commencement of Banking hours on Monday the 29th March, 1976 and will close at the close of Banking hours on Wednesday the 7th April, 1976 or Earlier at the Discretion of the Directors, but not Earlier than the close of Banking hours on Thursday, the 1st April, 1976.

Persons interested in further details may obtain copies of the prospectus and application forms from the Registered Office of the Company, Managing Brokers to the Issue, Brokers, Underwriters and Bankers to the Issue or any of their Branches mentioned herein.

Applications are being made to Delhi and Madras Stock Exchanges for permission to deal in and for official quotation of the equity shares of the Company.

BRIEF HISTORY

The Company was incorporated as a Private Limited Company on 7th July, 1973 and was subsequently converted into a Public Limited Company. The main objects of the company are to manufacture, buy, sell and deal in all kinds of leather and leather products, as set out in the Memorandum of Association. The immediate object is to set up a tannery for processing of leather at Pudupakkam, Dist. & Taluk Chingleput (Tamil Nadu). The company has been licensed to manufacture finished leather with an annual capacity of 15 lacs number of skins.

PROMOTERS

The Company has been promoted by M/s. Yugo Intraco Private Ltd., New Delhi (a Company incorporated under the Companies' Act 1956) and Mr. A Hafeezur Rahman, Managing Partner of South East Tanning Co., Madras who have been supplying semi-finished goat and sheep skins to foreign collaborators for processing into finished leather in their tanneries abroad for the last 13 years. The total export of such leather by the promoters runs into several crores of rupees annually.

FOREIGN COLLABORATION

The Company has entered into an agreement with M/s. Cibalia, Vinkovci, Yugoslavia under the terms of which the collaborators have undertaken to supply technical know-how to the company without any royalty or other charges, besides contributing 25% of the equity capital in the form of plant and machinery already supplied by them.

PROJECT

The Company has made considerable progress with the implementation of the project. Construction of all the major buildings is in advanced stage. Most of the imported machines have reached the site. It is estimated that erection of all the equipments will be completed well in time to enable the company to start commercial production by 30th June, 1976.

MARKETING

Under the terms of the licence, the entire production of the company is to be exported. There is a big demand for all types of leather abroad. Moreover, the collaboration have undertaken to purchase the entire production of the company if so desired. The marketability of the company's products is thus assured.

SHARE CAPITAL

		Rs.
Authorised		
5,00,000	Equity Shares of Rs 10/- each	50,00,000
Issued, Subscribed and Paid-up		
200	Equity Shares of Rs 10/- each allotted as fully paid up for cash at par to the subscribers to the Memorandum and Articles of Association.	2,000
1,19,800	Equity Shares of Rs 10/- each allotted as fully paid up for cash at par to Promoters and their Associates	11,98,000
		12,00,000
Present Issue		
2,80,000	Equity Shares of Rs 10/- each for cash at par	28,00,000
Reserved for Allotment		
1,00,000	Equity Shares of Rs 10/- each reserved for allotment to CIBALIA VINKOVCI YUGOSLAVIA and their non-resident Nominees INTERTRADE, LJUBLJANA, YUGOSLAVIA, for consideration other than cash.	10,00,000
Now offered for Public Subscription in Cash at par.		
1,80,000	Equity Shares of Rs 10/- each.	18,00,000

APPLICATION AND TERMS OF PAYMENT : APPLICATIONS MAY BE MADE ONLY BY INDIAN NATIONALS AND MUST BE FOR A MINIMUM OF FIFTY EQUITY SHARES OR MULTIPLES THEREOF, AND AMOUNT PAYABLE SHALL BE AS UNDER :-

On Application..............Rs 2.50 per share
On Allotment ....Rs 2.50 per share
(Payable within 3 weeks from the date of allotment)

The balance of Rs 5/- per share shall be payable in two calls to be made by the Board of Directors with an interval of not less than two months between the calls and between allotment and the first call.

PROSPECTS AND PROFITABILITY

In view of the assured market for its products, the Company expects to earn sufficient profits in the form of foreign exchange to be able to pay a reasonable dividend to the shareholders for the second year of their going into commercial production.

OBJECTS OF THE ISSUE

This issue is being made for the purpose of meeting a part of the project cost estimated at Rs 97 lakhs.

BOARD OF DIRECTORS

Name, Address & Occupation

1. Rabindra Chandra Dutt
   I.C.S. (Retd) (Chairman)
   Son of Late Mr. P.C. Dutt
   2, Kautilya Marg,
   13/39, Chanakya Puri,
   New Delhi.
   Company Director
2. A. Hafeez-ur-Rahman
   (Director)
   (Son of Shri Abdul Ravoof)
   13-A, College Road
   Madras.
   Industrialist.
3. Jagdish Chandra Wadhawan
   (Director)
   (Son of Late Mr. M.R. Wadhawan)
   4850/24, Ansari Road,
   Delhi-110006.
   Chartered Accountant.
4. Ognjen Kaludjercic
   (Director)
   (Son of late Mr. Milan Kaludjercic)
   160, Golf Links,
   New Delhi
   Business
5. Marjan Treppo
   (Director)
   (Son of Mr. Treppo)
   Mose Pijadejeva 29,
   61000 Ljubljana
   (Yugoslavia)
   Company Director.
6. Dusan Stefancic
   (Alternate Director to Mr. Marjan Treppo)
   (Son of Late Mr. Anton Stefancic)
   7, Bishop's Garden
   Off Greenways Road
   Madras
   Business.
7. Andjelko Bilusic
   (Director)
   (Son of Mr. Petar Bilusic)
   Rade Koncara-3.
   56000 Vinkovci
   (Yugoslavia)
   Company Director.
8. Jakov Buljan
   (Alternate Director to Mr. Andjelko Bilusic)
   (Son of Mr. Petar Buljan)
   7, Bishop's Garden,
   Off Greenways Road
   Madras
   Company Director

MANAGING BROKERS

H.P. Mehta & Company
304, Surya Kiran
Kasturba Gandhi Marg,
New Delhi-110001

BROKERS :—

DELHI

1. H.P. Mehta & Co.,
   304, Surya Kiran,
   Kasturba Gandhi Marg,
   New Delhi-110001
2. J.C. Mehta & Co
   44, Delhi Stock Exchange
   Asaf Ali Road
   New Delhi-110001
3. Bharat Bhusan & Co.,
   H-45, Connaught Place,
   New Delhi-110001
4. Amrit Lal Bajaj & Co.
   United India Life Building,
   'F' Block, Connaught Place,
   New Delhi.
5. Vinod Kumar & Co.,
   A-6, Connaught Place
   New Delhi-110001.

MADRAS

1. Dalal & Company,
   National Insurance Building
   362, N.S.C. Bose Road,
   Post Box No 149, Madras
2. Chitra & Co.,
   322-323, Linghai Chetty Street Madras
3. Kothari & Sons
   Post Box No. 3309
   'Kothari Buildings'
   Nungambakkam
   High Road Madras
4. Paterson & Co.
   Post Box No. 48,
   Vanguard House (III Floor)
   11/12, Second Line Beach
   Madras
5. Sikander Lal & Co.
   42, Delhi Stock Exchange,
   Building, Asaf Ali Road,
   New Delhi-110001
6. Surinder Rode & Co,,
   42, Delhi Stock Exchange
   Building,
   Asaf Ali Road, New Delhi.
7. Raja Ram Bhasin & Co.,
   'Jewan Mansion'
   8/4 Desh Bandhu Gupta
   Road, New Delhi-110055
8. Mohan Lal Gauba & Co.
   6 & 47 Delhi Stock
   Exchange Building,
   Asaf Ali Road, New Delhi.
9. R.K. Chugh & Co.
   6-54, Stock Exchange
   Building,
   Asaf Ali Road, New Delhi.

BOMBAY

1. Batlivala & Karani,
   Union Bank Building,
   Dalal Street, Fort, Bombay.
2. Chimanlal J. Dalal & Co.
   107, Stock Exchange New
   Building, Dalal Street,
   Fort, Bombay.

AHMEDABAD

1. Chinubhai Chimanlal Dalal
   Mahurat Pole Naka,
   Manek Chowk, Ahmedabad.
2. Champaklal Bhailal Chokshi,
   Manek Chowk,
   Near Share Bazar,
   Ahmedabad.
3. Laxminarayan N. Gupta & Co.,
   Anandji Kalayanji Building
   Opp. Dhanasuthar's Pole
   Relief Road,
   Ahmedabad-380-001

CALCUTTA

1. Place, Siddons & Gough (P) Ltd.,
   6 Lyons Range,
   Calcutta-700 001
2. Chunilal T. Mehta,
   8, Lyons Range,
   Calcutt-700 001
3. Khandelwal Brothers,
   25, Swallow Lane, Calcutta.

BANGALORE

1. Vijai & Co.,
   9, Eleventh Main Road,
   Malleswaram, Bangalore-3.
2. M. Nanjappaiah Jahgirdar,
   205, Cavalry Road,
   Post Box No. 4271
   Bangalore.

HYDERABAD

1. S.S. Sodhi
   5-9-110/3 King Kothi
   Road, Hyderabad.

INDORE

1. Pushkarlal Ghudawala
   44, Bada Sarafa, Indore.

UNDERWRITERS

The entire public issue of 1,80,000 equity shares of the total value of Rs. 18,00,000 has been fully underwritten as follows :—

Name	Amount Rs.
INSTITUTIONS	
Industrial Finance Corporation of India, Bank of Baroda Building, 16, Parliament Street, New Delhi	5,00,000
Tamil Nadu Industrial Investment Corporation Ltd., "Arul Manai", 26, Shites Road Madras	5,00,000
OTHER UNDERWRITERS	
H. P. Mehta & Co. 304, Surya Kiran Kasturba Gandhi Marg, New Delhi	5,00,000
J.C. Mehta & Co. 44, Stock Exchange Building, Asaf Ali Road, New Delhi.	1,00,000
Bharat Bhushan & Co., H-45, Connaught Place, New Delhi	1,00,000
R.K. Chugh & Co., 6-54, Stock Exchange Building, Asaf Ali Road, New Delhi	1,00,000
Total :	18,00,000

Directors are satisfied that the resources of the Underwriters are sufficient to discharge their respective undertaking obligations.

AUDITORS

J. Dish & Company
Chartered Accountants,
4850/24, Ansari Road,
New Delhi.

BANKERS TO THE ISSUE

(I) State Bank of India
Nungambakkam, Madras-600001 or any of its main offices at :
Ahmedabad, Bangalore, Bombay (Apollo Street, Fort)
Calcutta (1 Strand Road) Hyderabad, Indore, Madras (6 & 7 North Beach Road) New Delhi (11, Parliament Street)

(II) Bank of India
Parliament Street, New Delhi-110001 or any of its main offices at
Ahmedabad (Bhadra) Baroda, Bangalore, Bombay (70-80 Mahatma Gandhi Road)
Calcutta (Jawaharlal Nehru Road)
Hyderabad (Nampally Station Road) Indore, Madras (Errabalau Chetty St) Vijayawada (Prakasam Road)
Visakapatnam (Harbour Road)

TRADE WINDS

Ceiling of Bank Interest

THE RESERVE Bank on March 12, prescribed effective from March 15, a ceiling of 16.5 per cent on the lending interest chargeable by larger Indian and all foreign banks. The ceiling is inclusive of the 7 per cent Central tax on banks interest income from advances. Net of the tax, the ceiling is approximately 15.5 per cent. The ceiling will cover advances including bill finance, but not the advance subject to selective credit controls. About 15 per cent of total bank credit is currently lent to over 16 per cent interest. According to Reserve Bank data, out of the total bank lending of Rs 5910 crores relating to accounts with credit limits of over Rs 10,000 as on the last Friday of December 1974, Rs 923 crores were lent at interest rates of over 16 per cent, about 42 per cent of such high interest advances went to medium and large industries. Wholesale trade got about Rs 154 crores.

The ceiling will affort substantial relief to such borrowers, though bank with demand and time liabilities between Rs 25 crores and Rs 50 crores are allowed to charge a maximum of one percentage point higher than the ceiling rate of 16.5 per cent and banks with demand and time liabilities totalling less than Rs 25 crores are exempt from the ceiling. The Reserve Bank's approach was clarified by the Governor Mr K. R. Puri, in a letter to banks issued after a meeting with them recently. The letter states that some of the practices which have been observed in the course of policy implementation are out of tune with the basic objectives of such policy and have to be corrected. The maximum rates of interest on credit that are charged by banks fall in this category. The incidence of such high rates has also fallen on a number of small borrowers. The Reserve Bank has made no change in deposit interest rates nor has it altered the minimum lending rate of 12.5 per cent prescribed for advances other than categories specifically exempted. Rediscount and refinance centainue to be wholly discretionary.

Maximum Lending Rate

Within this policy frame work, the lending interest ceiling has been introduced with a view to bringing about an appropriate relationship between the bank rate and the maximum lending rate, according to the Reserve Bank Banks are required to ensure that there are no upward or downward readjustment of interest rates down the line. This suggests that the Reserve Bank does not want the average rate of interest within the ceiling framework to rise. It has been told the banks that within the ceiling rates of interest prescribed banks may realign existing interest rates in such a manner that the differential between demand cash credit, loan component and the term loan representing the excess borrowing to be amortised-in terms of Tondon norms-is maintained. In other words, banks are required to maintain a 1.5 per cent differential over the loan component. This would suggest that a downward adjustment as a result of ceiling coverage is not ruled out.

An important direction given to banks relates to the calculation of interest rates. This varies with the break up of the period for which loans are granted. Many banks calculate interest on a monthly basis and this inflates the total cost of credit. The Reserve Bank has therefore told the banks that they mu t allow borrowers quartely rates. Furthermore, it has told banks that although the penal rates on irregular account will not be covered by the operation of the ceiling rate of interest banks should not look upon penal rates as a source of revenue. The exemption is designed to give some manoeuvrability to banks. The essential objective of charging a penal rate should be to discipline the borrowers, the Reserve Bank has stressed.

An important point that emerged at this meeting was the emphasis on the need for stepping up of the flow of bank funds in backward states and rural areas. Mr Puri pointed out that the credit-deposit ratio in these areas should be raised. He stressed banks would have to involve themselves in a bigger way in extending credit and bank operations in the rural sector. The abolition of money lending and bonded labour under the 20-point programme should lead to spread of institutional credit facilities. Banks will have to evolve an effective expenditious action programme in this direction.

Referring to the varying practices among banks in charging penal rates and service charges, the Governor underlined the importance of mutual consultative process among the bank themselves on procedural matters and commercial practices. It is desirable, he pointed out, that as far as possible there is voluntary discipline among banks, the Reserve Bank stepping in only in exceptional cases when the voluntary system fails to bring about a mutually acceptable solution. He asked the Indian Banks Association to constitute a committee on Penal rates and service charges.

Foreign Trade Gap

Exports from this country including re-exports during January 1976, were worth Rs 333.13 crores as compared to Rs 260.89 crores in the corresponding month of 1975, registering a rise of nearly 28 per cent. However, the cumulative figures of exports during the first ten months of the current financial year (April-January, 1975-76) was Rs 3023.02 crores as compared to Rs 2615.96 crores in the corresponding months of the preceding year, indicating a rise of 15.6 per cent. Imports in January 1976 were worth Rs 442.62 crores as compared to Rs 508.61 crores during January 1975, thus registering a decrease of 13 per cent. The cumulative figure of imports during the first ten months of the current financial year (April-January 1975-76) was, however, Rs 4558.64 crores as compared to Rs 3598.16 crores in the corresponding months of 1974-75, indicating a rise of 18.4 per cent.

Deficit Trade

The deficit in trade for the ten months has gone up to Rs 1235.62 crores as against Rs 982.20 crores for the corresponding period of 1974-75. The rise in India's exports during the current financial year is maintained at a rate of around 15 per cent. This expansion is to be seen in the background of over 100 per cent increase realised during the last three years. India's exports have increased from Rs 1608.0 crores in 1971-72 to Rs 3304.0 crores in 1974-75.

In order to increase the tempo of exports from the country, a number of steps have been taken. These include the implementation of the recommendations of the Empowered Committee on Engineering Exports, extension of selected recommendations of the Sondhi Committee to other items, announcement of the rates of cash assistance

for selected items till the end of the current financial year, payment of duty drawback and cash assistance through the nationalised banks of exporters' choice, waiver of import duty on advance import licences and simplification of the procedure for release of foreign exchange for business travel.

Development of Uttar Pradesh Hill Areas

Emphasis under the state Plan has been placed on accelerating the development of comparatively backward areas of the hill districts and of the eastern districts of UP. Attempts have been made to make regional plans for the development of both these areas. In the case of the hill districts, the centre is providing extra central assistance, under the integrated sub-plan for the development of hill areas based on local requirements. The sub-plan for UP hill areas has been prepared for fifth plan period and will be finalised shortly. Special central assistance is being provided to the state to supplement its efforts in implementing this sub-plan in addition to the overall central assistance given under the state Plan. The annual Plan for 1974-75 provides for Rs 21.0 crores for development of hill districts and Rs 68.87 crores for the eastern districts. The annual Plan for 1975-76 provides for Rs 22.71 crores for development of hill districts and Rs 73.46 crores for the eastern districts. The per capita special central assistance given to UP hill areas during the two years 1974-75 and 1975-76 was Rs 31.4.

Concorde Flies to Caracas

The Air France Concorde will enter regular commercial service between Paris and Caracas on April 9. The announcement of this second SST route comes after one month of successful Concorde operations between Paris and Rio during which load factors have averaged between 70 and 80 per cent. Concorde, which cruises at a speed of 1400 mph, will cover the 4,734 miles between the French and Venezuelan capitals in just over six hours, including a 50-minute stop in the Azores. This compares with the current eleven and one and a half hour flying time on subsonic flights over the same route. The Air-France Concorde carries 100 first class passengers in a two-by-two configuration. The fare charged on the Paris-Caracas flights will be the current first class fare plus 20 per cent.

Export Credit and Guarantee Corporation

The Export Credit & Guarantee Corporation (ECGC) recorded nearly 30 per cent growth rate in 1975 and its business crossed Rs 2,000 crores. Earlier it had taken the Corporation sixteen years to cross the Rs 1000-crore mark in 1973. The total volume of business transacted during the year under insurance policies to exporters and guarantees to banks grew from Rs 1,634 crores in 1974 to Rs 2,110 crores at the end of 1975. The value of shipments covered under the Corporation insurance policies accounted for over Rs 400 crores and the banks advances covered under guarantees accounted for over Rs 1,700 crores.

The Corporation's role in helping the Indian exporters and entreprenuers in the export of capital goods and technical services and in setting up turn-key projects abroad has been fast growing. During the year, the Corporation covered exports of capital and producer goods and projects like sugar mill machinery, textile machinery and transmission line towers, to countries like Indonesia, Sudan, Tanzania, South Korea, Libya and Thailand. At the end of 1975, the Corporation had underwritten risks of the value of over Rs 200 crores for such project exports. Among the guarantees issued by this Corporation to banks to facilitate exporters in getting export finance and to meet other export obligations, packing credit guarantee (covering pre-shipment advances) continued to be most important, accounting for over Rs 1,500 crores and contributing as-much-as 73 per cent of the total business. Forty-six banks in India are today availing of this facility ; twenty-two of them have blanket cover on all their packing credit advances under whole turnover guarantee of the Corporation. In the process of the extension of its services, Corporation brought over 1000 new exporters on its rolls during 1975. The total number of exporters holding policies rose to over 4800 at the end of the year.

The Corporation is planning to introduce the Post-Shipment Credit Guarantee in the whole turnover form. This guarantee covers losses arising in advances by banks against export bills. When introduced it will go a long way in enabling banks providing export finance quickly to exporters. It may be recalled that the Corporation is already offering a whole turnover packing credit guarantee to banks. This is very popular with banks and advances of value Rs 1296 crores has bee[n] covered under whole turnove[r] packing credit guarantee. During the year, the Corporatio[n] also liberalised some of it[s] existing schemes. The cove[r] to banks under its expor[t] performance guarantees wa[s] raised from 66⅔ per cent t[o] 75 per cent of this loss, with-out increasing the premium. Further banks were given th[e] option of seeking cover unde[r] this guarantee, upto 90 pe[r] cent loss on payment of pro-portionately higher premium.

National Equity Fund

Mr T. A. Pai, union minis[ter] of Industry and Civil Sup[plies], addressed a specia[l] meeting of the Standin[g] Committee on Credit Facil[i]ties of Small Scale Industri[es] Board recently. The meetin[g] was attended by senior repr[e]sentatives of the banks. H[e] urged that special attentio[n] should be given by the bank[s] and state financial corpor[a]tions to the credit needs o[f] small-scale industries.

Mr Pai stated that weedin[g] out of the small-scale units as [a] result of the census operatio[n] and the practical disappearan[ce] of premium on scarce raw m[a]terials had strengthened t[he] viability of genuine small sca[le] nits and provide incentives or better quality and greater productivity. He said that he present conditions offer xcellent opportunities for levelopment of entrepreneuial talent, especially those of ngineers and other technical ersonnel.

Mr Pai told the Committee nembers that with this echnical back-up of expertise nd skills, optimum utilisation f local raw materials and asy availability of scarce raw naterials, including imported nes, it was necessary that ommensurate credit arrangenents with simplified proceures were extended by the anks. He stated that the esults of a study conducted y the State Bank of India nd of a recent survey carried ut by the Development Comnissioner (SSI) had shown hat a greater volume of bank redit was required for smallcale units to reach the breakven point and generate suffient surplus to meet the nterest, depreciation and odernisation liabilities.

ineral Production 1975

The total value of mineral oduction in India was of s 1,0049 crores in 1975 as gainst Rs 806.4 crores in the evious year registering an crease of 25 per cent. This cludes the value of atomic inerals and minor minerals. ccording to the Indian ureau of Mines, ministry of eel and Mines, mineral fuels counted for Rs 790.4 crores about 79 per cent of the tal value of mineral producn, metallic minerals 133.7 crores or 13 per cent d non-metallic minerals 80.8 crores or 8 per cent ring the year 1975. Iron and copper ore are the st important constituents the metallic group, accountfor Rs 74.0 crores and 20.0 crores respectively. nong the non-metallic mines, limestone contributed 38.1 crores, phosphorite 19.8 crores and dolomite Rs 3.5 crores during the year 1975.

With base 1970=100 the index of mineral production (quantum) increased to 128 during 1975 from 114 in the previous year. Among the mineral fuels, production of coal increased by 14 per cent to 95.9 million tonnes during 1975. The output of petroleum (crude) at 8.3 million tonnes recorded an increase of 10 per cent in 1975. Among metallic mineral, the production of copper ore rose by 28 per cent to 1,831,000 tonnes in 1975 compared to the output in the previous year. Chromite rose by 26 per cent to 4,99,000 tonnes and bauxite rose by 14 per cent to 1,270,000 tonnes. The production of iron ore at 41.3 million tonnes recorded an increase of 16 per cent and manganese ore at 1,531,000 tonnes an increase of 2 per cent in 1975. However, the production of gold at 2,824 kilogrammes declined by 10 per cent during the year.

Among the principal non-metallic minerals, the production of dolomite at 1,453,000 tonnes rose by 22 per cent in 1975 and magnesite at 3,13,000 tonnes increased by about 18 per cent. The production of limestone was at 25.8 million tonnes in 1974 and 1975. However, the output of phosphorite at 4,29,000 tonnes in 1975 declined marginally by one per cent.

Mining Industry Meet

The metalliferous mining industry has made significant progress in this country during the last decade. To review the progress made so far, identify the problems connected therewith and propose possible solutions, the Indian Bureaue of Mines is organising a metalliferous Mining Industry get-together at Nagpur from April 10 to 12, 1976. Mr Chandrajit Yadav, minister of steel and mines and Mr S. K. Mukherjee, Additional Secretary, Department of Mines are to attend. The officers of the central and state government, executive engineers from the mining industry, representatives of the mining machinery and explosive manufacturers, scientists and technologists from research laboratories, teaching institutions and consultancy firms, etc., are being invited to attend.

During the course of the get-together, it is proposed to hold an inaugural session, five technical sessions and a concluding session. In the technical sessions, one paper each will be presented on the growth of mining industry in the last decade and the problems connected therewith in relation to (a) underground mining, (b) opencast mining, (c) functioning of a mineral data bank, (d) technical consultancy in the field of mining and (e) beneficiation of ores and minerals. The major part of the sessions will be devoted to discussions by delegates. An exhibition depicting the progress of the industry in the last decade, and mineral benefication processes is also being arranged.

Joining Metal Technology

Mr K. G. Khosla, President Association of Indian Engineering Industries addressing the concluding session of the AIEI Workshop on joining metal technology urged the engineering industry's involvement in the R and D Institutes is institutionalised. This involvement should relate to management, selection of R and D projects, organising sponsored research, deputation of technical and scientific personnel by industrial units in R and D institutes and vice versa. A common problem is lack of joint effort to make the R and D Institutes more effective. Mr Khosla suggested that a beginning could be made with two or three institutions. This proposal which is designed to increase industry's involvement in existing R and D institutes and take it beyond the individual involvement of single companies or persons

Dr A. Ramchandran, Secretary, Department of Scienc and Technology addressin the workshop stated althoug use of welding had caught o at a rapid rate, there has no been any significant develop ment in the use of sophisticated methods, that find appli cation in the advanced coun tries. Manual metal arc weld ing accounts for more tha 95 per cent of the total welde metal deposited and accordin to NCST even after 10 years t ratio would not be lower tha 90 per cent.

Sugar Output

According to the India Sugar Mills Association, t sugar production in the mont of January, 1976, the fourt month of the season 1975-7 was about 9,71,000 tonnes against 9,35,000 tonnes du ing the corresponding peri last session. This brings t total production during t first four months of the se sion 1975-76 to abo

1,9,90,000 tonnes as against 2,098,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of January, 1976 was about 321,000 tonnes for internal consumption and 123,000 tonnes for exports as against about 276,000 tonnes for internal consumption and 55,000 tonnes for exports in the corresponding period last season. The total despatches in the first four months in 1975-76 was 12,28,000 tonnes for internal consumption and 46,000 tonnes for exports as against 11,36,000 tonnes for internal consumption and 86,000 tonnes for exports during the correponding period last season. The total closing stock of sugar with the factories as on January 31, 1976 was about 16,37,000 tonnes as against 16,04,000 tonnes on the same date last season.

Sugar Cane Freight Hike

Mr Madhava Prashad, President, Indian Sugar Mills Association, has expressed concern at the proposed increase in rail freight charges on sugarcane, as the same would push up the cost of rail-borne cane and make it uneconomical for sugar factories to crush such cane, with its inevitable adverse effect on sugar production. He pointed out that sugar has now emerged as the largest foreign exchange earner for the country and considering our foreign exchange position any step which would undermine sugar production and its export potential should be avoided. He regretted that sugarcane was perhaps the only commodity singled out for steep and exorbitant successive freight increases amounting to as much as 100 per cent in recent years, for which there was hardly any justification. Already the crushing of rail cane by factories had come down from about 18 per cent in 1969-70 to as low as 11 per cent in 1974-75 session and the proposed further increase in cane freight would further aggravate the situation and curtail production. He has therefore urged upon the government to exempt sugarcane from the proposed increase in the larger interests of cane growers, production and exports.

President's Rule in Gujarat

Gujarat came under President's rule on March 12, for the third time in less than five years as the Babubhai Patel ministry resigned following its defeat in the state assembly. President Fakhruddin Ali Ahmed issued a proclamation under Article 356 of the constitution bringing the state under central rule.

Rupee Up valued

The rupee was upvalued on March 11 by 2.92 per cent in terms of pound sterling, making the pound cheaper by 50 paise. This is the second upvaluation recently. On March 8, the rupee was upvalued by 2.09 per cent, and thus reduced the value of the pound by 38 paise. Upvaluation—not unexpected—follows a drop in the London quotation for pound to $ 1.9125, just as on March 8, upvaluation followed pound's drop to $ 1.98, level at $ 2.04.

Duty Drawback on Diamonds

Diamond exporters will get a three per cent import duty drawback with retrospective effect from March, 1974 against exports of finished diamonds under the advanced licence arrangement. A decision to this effect was taken by the central government recently in order to give a boost to the diamond export trade, it is learnt. An import duty of five per cent was being levied by the government on imports of rough diamonds since 1972.

COMPANY AFFAIRS

Belsund Sugar

THE BELSUND Sugar Company has earned during the year ended September 30, 1975 a profit of Rs 3,897 before providing for depreciation. After providing Rs 3.52 lakhs for depreciation, there remains a debit balance of Rs 3.48 lakhs which has been set off by transfer from general reserve. In view of the adverse working results and the provisions of the Companies (Temporary Restrictions on Dividends) Act, 1974, the directors do not recommend payment of any dividend for the year. The unsatisfactory working results are attributed to steep rise in the cost of production and lower sales realizations. In addition to the high cane price of Rs 13.50 per quintal as against Rs 12.25 per quintal during the last year substantial increase in cane cess, salaries and wages, stores including packing materials, transport charges and bank interest pushed up the cost of production considerably. With a view to meet a part of the increased cost, free sale quota was revised from 30 per cent to 35 per cent but it was of no help due to unfavourable market conditions.

The increase in excise duty of free sale sugar from 37.5 per cent to 45 per cent also adversely affected realisations from sale of free sugar. The late revision of levy sugar price by the government with effect from July 12, 1975 increasing the levy price of D 29 grade sugar from Rs 169.80 to Rs 223.69 per quintal for North Bihar could not be of desired benefit to the company as major portion of levy sugar had already been delivered at old levy price. The writ petition filed by the company before the High Court at Calcutta for increase in the levy sugar price for the season 1974-75 on the basis of recommendations of the Tariff Commission is still pending and the judgement is awaited.

Andhra Sugar

Andhra Sugar is going ahead with its expansion programme. Capacity of the sugar plant is being stepped up from 2,500 tonnes to 5,000 tonnes a day and the expanded capacity is expected to be commissioned during 1977-78 season. The company has received requisite industrial licence and capital goods clearance for expanding the capacity of the caustic soda plant from 100 to 140 tonnes. The aspirin plant with a capacity of 500 tonns a year is expected to go into production in 1976-77. Plant for the manufacture of diffusers is well under way. The expansion of the sulphuric acid plant from 50 tonnes to 75 tonnes a day is expected to be completed this year.

International Tractor

International Tractor Company of India Limited has secured a repeat order for 1000 tractors—International model '444'—to Turkey, valued at Rs 4 crores. Last year, the Company exported 750 tractors to Turkey, valued at Rs 2.5 crores. This order for 1000 tractors is the biggest-ever export order secured by any Indian tractor manufacturing organisation, against international competition, including tractor manufacturers from Europe. The delivery of the consignment to Turkey is expected to start in May and to be completed by September this year. The agreement for the export of 1000 International tractors to Turkey signed in Ankara includes the possibility of further exports to Turkey in the later part of this year. To-date, the Company has secured export orders for tractors and implements valued at over Rs 7.5 crores.

The tractors are manufactured by the company at its Kandivli plant near Bombay. In addition to to Turkey, the countries to which the company has been exporting include the United Kingdom, Australia, Japan, Indonesia, Kenya, Tanzania, Zambia, Muscat, Uruguay and Nepal. The Company started production of tractors at its thirty-five acre Kandivli plant in 1966 and it has so far produced over 62,500 tractors.

Chougule & Co.

The Monopolies and Restrictive Trade Practices Commission has recommended the clearance of the application of Messrs Chowgule and Co., Goa, for setting up a solar salt works for the manufacture of common salt at Jodiya in Jamnagar district of Gujarat.

The proposal of the company relates to manufacture of common salt having sodium chloride (NACL) of 99.5 per cent, purity on dry basis which according to the applicant company, is not being produced in the country. This is going to be achieved by use of a mechanical washery and operational improvements in the process of production. No foreign collaboration will be needed for establishing such a salt works.

However, the clearance is subject to two caveats : (1) in no circumstance will the applicant company be permitted to sell more than 25 per cent of its output in any year in the domestic market. To this the company gave an assurance at the public hearing that if its export commitment cannot be fulfilled, it would not mind stopping production; (2) in order to ensure that the applicant company really exports to new destinations and does not merely compete with the existing producers to the detriment of both, it should be laid down that the company will effect exports only to such markets where there are no substantial exports being effected from India. The State Trading Corporation will see to the observance of this condition.

The company also gave an undertaking that it would convert the present set-up as a separate company and throw open share holding to the public after three years from the date of commencement of production or at the time of substantial expansion whichever is earlier.

Hindustan Aluminium

Hindustan Aluminium Corporation has reported remarkable improvements into working results during the year ended December 31, 1975. Production of aluminium metal during the year amounted to 62,427 tonnes compared to 44,002 tonnes in the previous year.

Under the goverment of India's revised policy for development of the aluminium industry, while the state electricity boards were directed to meet the industry's full requirements of power the rates for power supply for those producers receiving thermal power were increased to 11 paise per unit and the rates for the producers using hydel power were fixed at 7 paise per unit. HINDALCO, using thermal power, is required to pay 11 paise per unit and, in respect of power costs alone, stands at a disadvantage to the extent of Rs 500 to Rs 800 per tonne of metal produced as compared to those producers whose source of power supply is hydel.

In accordance with this policy, the UPSEB released the full supply of 50 MW of power to the Company. This 50 MW supply, together with full generation at the Renusagar Plant (which can be achieved only after the reblading of one of the units which is presently in hand is completed), would provide sufficient power for the production of about 78,000 tonnes of metal in a year. Since to revise the frozen pots takes considerable time, full utilisation of the 50 MW of power made available by the UPSEB could be achieved only near the close of December.

Release of additional 35 MW of power has been promised by the U.P. State Electricity Board from April, 1976, onwards. This supply, if made available, will enable the Company to utilise the presently installed capacity fully after all the pots have been restarted from about July. However, due to the increase in power rates and the increases in the cost of other inputs, such as furnace oil, hard pitch, C.P. Coke, railway freight etc., that have taken place, the cost of production of the metal has increased considerably.

Dual Pricing Policy

The selling prices of all aluminium products, except extrusion, were controlled and fixed at an uneconomic level, until the dual pricing policy was introduced with effect from July 15, 1975. The controlled price of the levy metal fixed on the basis of actual costs has again become outdated due to the further increase in input costs that has since occurred. The Bureau of Cost Accounting is at present going into the matter in order to determine a new price. As regards the non-levy metal, unless excise duty is suitably reduced and adequate export incentives are granted, it will not be possible to sell the entire production. Necessary representation has been made to the government in this respect, and it is hoped that a favourable decision will soon follow.

The Company has already shipped 2,000 tonnes and has entered into firm commitments for another 5,375 tonnes for shipments up to April, 1976. Further exports, however, can be possible only after the government decides incentives for export.

Net sales turnover during 1975 worked out to Rs 45 crores as compared to Rs 29.69 crores in 1974. The increased turnover is due both to the higher metal production and the revised selling prices. It was not possible to utilise the full installed capacity for rolled and extrusion items due to the heavy incidence of excise duty. The position continues to be unchanged so far, but may improve if the government reduces the excise duty substantially.

Sales turnover

The Profit and Loss Account for the year shows a gross profit of Rs 322.12 lakhs. Depreciation amounts to Rs 365.63 lakhs (Rs 367.64 lakhs in 1974), after adjusting which there is a net loss of Rs 43.51 lakhs, as against the net loss of Rs 686.73 lacs in the previous year. Bearing in mind the huge loss incurred in reviving the dead pots. the Company having had to operate for a major part of the year under the old uneconomic selling prices and with cuts in power and, above all, the fact that even under the new policy, the power rates, it has been called upon to pay, are much higher than those applicable to hydro electric based producers, the results for the year under review, showing a considerable improvement over the previous year, should be regarded as quite satisfactory. While strict economic measures adopted last year to keep overall costs under control are continuing, with the improved position of power supply, the results for the current year are expected to be better, provided all the production in the year is lifted. The management thus look forward to the future with optimism.

Shalimar Rope

The accounts of Shalimar Rope Works for the year ended June 30, 1975 which, without providing for depreciation, show a debt balance of Rs 18.87 lakhs which is being carried forward to the next year's accounts. The depreciation for the year could not be provided due to losses. A sum of Rs 1.63 lakhs being statutory development rebate reserve relating to more than 8 years, since no longer required as per provision of Income Tax Act, 1961, has been transferred to general reserve. The working during the year was adversely affected due to imposition of drastic credit squeeze from July 1974. This resulted in severe cut in production for want of raw materials mainly.

The increase in prices of raw materials by about 60 per cent could not be passed on to the buyers due to recession in the consuming industries. Besides this, the abnormal rise in DA and the increase in the rate of bank interest told heavily on the working of the company. The export drive launched by the company is showing satisfactory result and during the current half year exports have doubled as compared to the corresponding period of the last year. To increase this overall activities of the company for higher production, the directors have decided to increase the equity share capital of the company from Rs 18.56 lakhs to Rs 25 lakhs. Steps have been taken to complete the required formalities.

Rajasthan Financial Corporation

Rajasthan Financial Corporation has sanctioned loans to the tune of Rs 25.44 lakhs to 18 industrial units in the state. These loans have been sanctioned by Mr P. K. B. Kurup, Managing Director of the Corporation on the advice of the Loans Sub-Committee. It will generate employment for about 200 technically qualified and other persons. Out of these 18 industrial units, seven units will be set up in industrially backward districts of the state viz. three in Udaipur, two in Alwar, two in Bhilwara and out of remaining all units, six will be set up in Jaipur, two in Bharatpur, and one each in Ajmer, Chittorgarh, and Bundi districts. Six industrial units are being set up by unemployed technocracts. These industrial units will manufacture asbestos cement pipes, paints and varnish foundry flues and binders, edible oil, paper board, mill board, marble cutting and polishing, BHC powder and sodium sulphide, hydrated lime, casting of aluminium pistons, ice, etc. in the state.

Bajaj Tempo

Bajaj Tempo has received and industrial licence for expansion of its capacity from the present level of 4,00 vehicles per annum to 12,00 vehicles and in addition 6,00 diesel engines per annum for other purposes. The company has already started taking effective steps for the implementation of the expansion programme. The ICICI has sanctioned to the company foreign exchange loan for financing the i mport of machinery and equipment required for the first phase of the expansion programme. Orders for some of the indigenous machinery have also been placed. Despite the demand recession in the automobile industry the company's performance in the current year so far has been satisfactory. This has been mainly due to the introduction of diesel vehicles some years ago.

News and Notes

A Rs 125-crore papei pu and caustic soad plant is bein set up in Malaysia with th collaboration of **Gwali Rayons.** The participatic would be in form of equity shares and machines and the technical know-how would be provided by Gwalior Rayons.

Executive travel—a new class of economy seating and service aimed primarily at the businessman—is to be introduced by **British Airways** in April. As an experiment, 48 seats on Boeing 747s flying between London and Hong Kong will be designated Executive Cabin available only to full-fare economy passengers, most of whom are business travellers.

The executive seating will be cabin B on the 747s—the section immediately behind first class—which has been chosen for its particular convenience for easy embarkation and disembarkation and meal and bar service.

The Executive Cabin would ultimately be introduced on routes to Australia and Japan, Africa and the Carribean, and then on the North Atlantic.

Smoking and non-smoking seats will be available and audio-in-flight entertainment will be provided free. And since the area is expected to contain a high concentration of business travellers, a special selection of international publication will also be obtainable. The airline is also considering the practicality of providing dictating facilities, air to ground radio telephone communication, topical business review on the audio IFE channel and curtaining Cabin B from other economy areas.

The directors of **Shalimar Wires and Industries** have proposed to issue bonus shares in the ratio one share for every three shares held by capitalising Rs 15 lakhs out of the company's reserves. An extra-ordinary general meeting of the company has been convened on March 25 to consider the bonus issue.

ITC Limited has promoted a company, **Bhadrachalam Paperboards Ltd** for undertaking a paper and board project in Andhra Pradesh. The first phase of the project consists of setting up an integrated pulp paper and board plant with a capacity of 30,000 tonnes a year. ITC will participate in the new venture by subscribing to about one-third of the new company's capital. The investments will be spread over a period of years.

With a view to encouraging artisans to build better bullock carts, **Syndicate Bank** offers the first prize of Rs 5,000 on an all-India level to artisans, craftsmen or engineers who design a better model of bullock cart with greater efficiency on Indian roads. Besides the first prize, four prizes of Rs 1,000 each will be awarded as Consolation Prizes for the following four regions : Region 1, comprising the state of Karnataka and the union territory of Goa; Region 2, comprising the states of Andhra Pradesh, Kerala and Tamil Nadu; Region 3, comprising the states of Maharashtra, Gujarat, Madhya Pradesh and Orissa; and Region 4, comprising the states of Uttar Pradesh, Punjab, Haryana, Rajasthan, Bihar and West Bengal and the union territory of Delhi.

Any person or firm desirous of participating in the contest will have to send a design or drawing to the Managing Director Industrial Finance Department, Syndicate Bank, Head Office, Manipal-576 119 (Karnataka), clearly superscribing on the envelop "Cart Contest". The designs will have to be original and not a copy from any other source. The last data for submission of the entries will be March 31, 1976. The results will be announced in leading newspapers on June 30, 1976.

New Issues

Alfred Herbert (India), an existing company, proposes to enter the capital market sometimes in May or June with a public issue of 3.50 lakh equity shares of Rs 10 each at par. The issue is being made to dilute the foreign equity shareholding and to finance partly the company's Rs 96.30 lakh diversification programme.

The company's present activities including training and manufacturing of machine tools, industrial machinery, rubber and plastic machinery, pulverising equipment, machine shop equipment and small tools. Its plants at Bangalore produces rubber and plastic machinery in collaboration with Francis Shaw of UK. It has undertaken a diversification programme and proposes to manufacture high precision, sophisticated jig mills and jig borers, attritor pulverisers and high production tapping machines. Jig mills and borers as also attritor pulverisers are not being manufactures in India currently and are being imported.

Capital and Bonus Issues

Consent has been granted to five companies to raise capital of Rs 132.58 million. The details are as follows :

The industrial Credit and Investment Corporation of India Ltd., Bombay have been accorded conset, valid for twelve months, to issue debentures of value of Rs 125 million to be offered to public at 97.5 per cent for cash. The proceeds of the issue will be utilised for augmenting the rupees resources of the Corporation to meet the demands of industries for financial assistance.

The West Coast Paper Mills Limited, a public company having a subscribed capital of Rs 45 million has been accorded consent for issue of further capital of Rs 3 million in equity shares of Rs 100 each credited as fully paid up to the LIC, IFCI, IDBI on conversion of a part of their loans sanctioned at a premium of Rs 35 per share. The consent order is valid for 12 months.

Greenhem Estate (Private) Limited, Cochin, have been accorded consent valid for three months, to capitalise Rs 320,900 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every equity share held and thereafter further issue of equity shares worth Rs 960,000 to be issued privately for cash at par to the resident Indian nationals only so as to bring down the non-resident equity shareholding to 40 per cent.

The Scientific Fertilisers Company Pvt. Ltd., have been accorded conset, valid for three months to capitalise Rs 300,000 out of its general reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Muller and Phipps (India) Ltd., Bombay have been accorded consent valid for 12 months, for the issue of equity share of Rs 3 million part of the issue viz. Rs 2,430,200 will be allotted to Indian nationals the proceeds of which will be utilised for taking over the running business of Indian Branch of M/s Copper Laboratories, USA. The balance amount viz. Rs 576,800 will be allotted to M/s Muller and Phipps International Inc. USA in lieu of the outstanding balance of loan.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Electrosteel Castings	September 30, 1975	18.0	12.0
Emco Transformers	September 30, 1975	10.0	5.0
Vaikundam Rubber	December 31, 1975	16.0	12.0
Hercules Hoists	August 31, 1975	13.0	9.0
Mohindra and Mahindra	October 31, 1975	10.0	9.0
Virudhunagar Textile Mills	December 31, 1975	9.0	Nil
Fort Gloster Industries	March 31, 1975	12.0	Nil
Vulcan Laval	December 31, 1975	14.0	12.0
Same Dividend			
Davangere Cotton Mills	March 31, 1975	12.0	12.0
India Lunoleums	March 31, 1975	Nil	Nil
Reduced Dividend			
Thirumbadi Rubber	September 30, 1975	10.0	12.0

RECORDS AND STATISTICS

Railway budget: 1976-77

PRESENTING a surplus budget of Rs 8.98 crores for 1976-77 in Parliament on March 10, 1976, Mr Kamalapati Tripathi, the Railway minister, did not propose any change in passenger fares. However, he suggested some increase in freight rates which would yield an additional revenue of Rs 87.35 crores. Mr Tripathi took special care that in the revision of freight rates, the family budget of the common-man was not materially affected. The commodities of mass consumption such as foodgrains, edible oils, gur, *shakkar* and jaggery were exempted. Both fertilizers and oilseeds which had an impact on the prices of foodgrains and edible oils were not touched.

A supplementary charge of five per cent was proposed on freight traffic in wagon-loads carried up to a distance of 500 Km while freight traffic in wagon-loads carried beyond a distance of 500 Km and all 'smalls" traffic would bear a supplementary charge of 10 per cent. The proposed supplementary charge would be levied from April 1, 1976.

It had been estimated that in 1976-77, the passenger traffic would go up by four per cent, other coaching traffic by five per cent and revenue earnings traffic by 12 million tonnes. On these assumptions, the deficit between receipts and expenditure was computed to be of the order of Rs 78.37 crores. With additional revenue anticipated as a sequel to the proposed supplementary charge at Rs 87.35 crores, the accounts for 1976-77 were expected to close with a surplus of Rs 8.98 crores.

Full text of Mr Kamalapati Tripathi's speech is given below :

This has been indeed a truly momentous year. There is a new spirit and a sense of purpose in the nation. The railways have played a positive role in the service of the country and made history with a series of record-breaking performances.

Before presenting the revised estimates for the current year and the budget estimates for the next year I shall briefly review the financial results for the preceding year i.e. 1974-75.

Lower Deficits

The Revised Estimates for 1974-75 anticipated a shortfall of Rs 128.19 crores. I am happy to inform the House that the year actually ended with the lower deficit of Rs 113.82 crores. The improvement of Rs 14.37 crores in the working results was due mainly to an increase of Rs 7.04 crores in Gross Traffic Receipts over the Revised Estimates, coupled with a saving of Rs 5.27 crores in Ordinary Working Expenses over and above the promised savings of Rs 50 crores already reflected in the Revised Estimates. Less payment, on actual calculation, of dividend to General Revenues (Rs 1.86 crores) and a small saving under Miscellaneous Transactions (Rs 0.20 crore) accounted for the remaining variance.

Railways' indebtedness to General Revenues under Development Fund and Revenue Reserve Fund at the end of 1974-75 stood at Rs 379.75 crores.

1975-76 was visualised as a year of promise, stabilisation and steady growth. Anticipating a surplus of Rs 23.03 crores, the Budget Estimates were founded on the expectation that the traffic revival in the previous year would gather momentum during 1975-76. Not only has this expection been fulfilled but, the House will be happy to know, Railways have resolutely exploited the opportunity presented by the upswing in the economy. Aided by the favourable working conditions following declaration of the Emergency, Railways have made substantial improvement in their operating performance. New heights have been attained in transporting freight traffic and 'quotas' and other restrictions via all routes have been removed.

Record Freight Loading

The average number of wagons loaded daily—24,957 on broad gauge and 6,041 on metre gauge—and the originating revenue-earning freight traffic—17.23 million tonnes—in December, 1975, were in themselves the record for a month, being higher than the corresponding figures for any previous month. Even these records were broken in the very next month—January, 1976—when 25,065 wagon loads were loaded on broad gauge and 6,480 wagons on metre gauge, on an average day, and the originating revenue-earning freight traffic totalled 17.94 million tonnes.

Significant increase has occurred in coal traffic which forms one-third of Railways' freight business and plays an important role in the economy. The requirements of all major consumers like steel plants, power stations, and cement factories, have been fully met and they have adequate stocks. Considerable improvement has also been achieved in the movement of coal for other consumers including brick kilns.

A break-through has been made in the transport of cement. Nearly a million tonnes have been moved every month ; the chronically deficit states have received adequate supplies and a number of them have lifted all distribution controls. The demands for movement of essential commodtities like foodgrains, fertilizers, both indigenous and imported, raw materials to and finished products from steel plants, sugar, salt, petroleum products, etc. have been satisfactorily met.

On present reckoning, the budget anticipation of 190 million tonnes of originating revenue-earning freight traffic will be fully realised, if not exceeded. The total originating traffic, inclusive of departmental traffic, is likely to amount to about 214 million tonnes, 4 million tonnes more than the budget forecast. Honourable Members may be interested to know that each of these figures is an all-time high in the history of Indian Railways and will establish a new record.

Higher Passenger Traffic

Passenger traffic is also ahead of the budget forecast. Besides, window sales have increased due to widespread and intensive checks on ticketless travel.

42 new non-suburban trains were introduced in the period April to December last year. 14 more trains have been since introduced and frequency of 4 trains increased during the year. The run of 20 pairs of trains has been extended.

A total of 182 trains, including 52 Mail and Express trains, has been speeded up by 15 minutes or more from November 1, 1976. I may assure the Honourable Members that I am fully conscious of the demand for further augmentation of passenger services and shall endeavour

to meet it consistent with the availability of resources.

Traffic Receipts

Taking all these factors into account, Gross Traffic Earnings are now estimated at Rs 1762.75 crores—an increase of Rs 85.89 crores over the Budget Estimate of Rs 1676.86 crores. This also includes the effect of certain changes in the classification of some commodities effected from November-December 1975. Actual cash realisation is, however, expected to be Rs 19 crores less than anticipated at the Budget Estimate stage due to slower payment of our dues mainly by some major consignees in the public sector. Net increase in the Receipts will, therefore, amount to Rs 66.89 crores.

Post-budgetary Liabilities

This increase in receipts opened the prospect of Railways emerging out of the tunnel with a surplus of Rs 89.92 crores—nearly four times the budget forecast of Rs 23.03 crores. As the year progressed, however, Railways were called upon to bear a series of incalculable financial burdens and the magnitude of these was such that all of them could not be met from savings in working expenses in in spite of strenuous efforts.

The staff costs alone escalated by as much as Rs 10.14 crores on revisions of pay and allowances of the Railway Protection Force, sanctioned in February, 1976 which was met from savings. Of this, Rs 103 crores was due to retroactive sanction of five additional instalments of dearness allowance for staff and Rs 8 crores to post-budget liberalisation of retirement benefits. Increase in prices, higher than could be anticipated, caused an overrun of Rs 24.52 crores over the budget provisions : Rs 15.18 crores in the fuel bill, which occurred despite an economy of Rs 5.85 crores in fuel consumption, and Rs 9.34 crores in the cost of other materials and supplies, principally steel, cement and lubricants. Further acceleration in the pace of overtaking the backlog in repairs and maintenance of rolling stock, made possible by higher productivity in the wake of the Emergency, entailed an expenditure of Rs 11.60 crores. Restoration of flood and cyclone damaged assets, which could not have been foreseen, cost Rs 4 crores.

Dividend Liability

These expenses over which Railways had no control account for Rs 151.12 crores out of the increase in the total expenditure of Rs 152.36 crores over the Budget Estimates of Rs 1449.95 crores. The Dividend liability to the General Revenues is expected to go up by Rs 0.37 crore, after allowing for the reliefs granted by the Convention Committee in its latest Report to which I shall refer shortly, raising it to Rs 198.25 crores.

The heavy post-budgetary financial liabilities to which I have referred will cause Railways to fall short of the dividend obligation to General Revenues by Rs 62.81 crores. Railways are, however, continuing to make massive efforts to earn more revenues. Hopefully, we may be able to secure 3 million tonnes more of revenue earning traffic than the Revised Budget anticipations, raising the total originating freight lifted to 217 million tonnes. This should, of course, reduce the deficit to some extent below Rs 62.81 crores. The Development Fund expenditure will nevertheless have to be financed by borrowing from General Revenues and it will not be possible to credit any amount to the Revenue Reserve Fund.

The achievements of this year have been not only quantitative but also qualitative. Improved punctuality performance on all Zonal Railways has been appreciated by the House. The arrears in the periodical overhaul of rolling stock, which had accrued during the past few years, are being progressively overtaken and the standard of coach cleanliness and train lighting improved. Stations have a neater and brighter appearance. Reservations are easier to obtain. Staff are more attentive to passenger needs. Courtesy to customers is now an essential requirement of railwaymen at all levels. Freight transit time has been reduced.

Higher production in the coach and wagon building industry following the declaration of Emergency has enabled them to deliver substantially larger numbers of coaches and wagons than anticipated and provided for in the plan budget, increasing the requirement of funds for rolling stock. Railways also needed funds for financing the building of rolling stock for export. Detailed discussions were held with the Planning Commission and the ministry of Finance and an additional allocation of Rs 58 crores has been obtained.

Regulation of Stores

Strict regulation of purchase of stores to qualities needed for use during the year and implementation of the streamlined procedure for financial adjustment for work done in workshops has secured a reduction of about Rs 13.00 crores in inventories against the anticipated increase of Rs 7.00 crores. The added resources thus available will enable payment of the bills of rolling stock suppliers and the need for Working Capital for export orders.

The House will also be glad to know that an order for the manufacture and supply of 15,555 wagons in terms of four-wheelers has been recently placed on the industry which should assure it of sufficient load to sustain its output.

Within the framework of government's stability programme, Railways could be allotted only a sum of Rs 392.81 crores for their Works, Machinery and Rolling Stock programmes in 1976-77. This amount excludes Rs 5 crores for financing manufacture of rolling stock for export, Rs 10 crores for investment in state road transport undertakings and Rs 10 crores for the Metropolitan transport projects. Although somewhat higher than the year's allotment of Rs 361 crores on comparable basis, the projected plan outlay for 1976-77 is not adequate for Railways to execute their development schemes at the desired speed. With judicious distribution of funds, however, an attempt will be made to complete as many on-going schemes as possible, in order to derive the benefit thereof at the earliest possible time and make a start on some other urgent schemes.

Resources Constraint

The share of new lines and restoration of dismantled lines in the Annual Plan for 1976-77 is only Rs 17.52 crores. Of this, Rs 13.53 crores have been earmarked for the 11 project-oriented lines and the remaining Rs 3.99 crores allotted for the 14 developmental lines, work on which is already in progress. In view of the constraint on resources, it has not been possible to include any other new line in the budget.

I am fully aware of the desire of Hon'ble Members expressed in the House and elsewhere, for speedier progress of approved projects as also for taking up the construction of other new lines and developmental schemes. I shall pursue with the Planning Commission and my colleague, the minister of Finance, the Railways' demand for additional plan funds and, to the extent I succeed therein, some of these requests may be possible of satisfaction.

Hon'ble Members will recall my distinguished predecessor bringing to their notice the formation of a consultancy unit as an autonomous company under the administrative control of the ministry of Railways. This company—Rail India Technical and Economic Services Ltd.—has been able to secure a number of assignments abroad.

To supplement our venture in consultancy and take advantage of world-wide opportunities for railway construction, government are considering setting up a construction unit as an autonomous company under the aegis of the Railway ministry. This company, on formation, will bid for construction of railway projects, particularly in foreign countries. No funds for investment in the equity capital of this firm have, however, been provided in the budget for 1976-77 as final approval to the setting up of the proposed company has still to be obtained. As soon as this requirement is satisfied, requisite funds will be found by reappropriation from within the sanctioned allotment under the relevant grant. I request the approval of the House to this arrangement and their good wishes for the success of this new undertaking.

Broad Guage Line

Approval of Parliament was obtained for the construction of a new broad guage line in the area served by the former Howrah-Sheakhala Railway on the basis of the state government of West Bengal participating equally in the expenditure on the construction and operation of this line. The state government has, however, in view of its financial position, now intimated that it will not be possible for it to shoulder this burden and that it will be able to contribute only land free of cost for this construction. I am taking this opportunity to inform the House of the change in the financial arrangement.

The recommendations of the Railway Convention Committee, contained in its latest report of December 1975, and approved by Parliament during its last session, continue the earlier concessions. Additionally, the Committee has also accepted the suggestion that the cost of staff quarters sanctioned for construction during the fifth Plan period may be allocated to Capital instead of to Development Fund, as hitherto. Railways being liable for payment of dividend to General Revenues on such capital only if they are able to meet their other dividend obligations in full. The reliefs allowed by the Committee have been incorporated in the budget documents. The Committee has also submitted a separate report on the subject of social burdens borne by Railways. Its recommendations for relief in certain specified areas require consultation with the concerned ministries, etc. Speedy action in this direction is being taken and the results will be reported to the Committee. I am grateful to the Chairman and other Members of the Convention Committee for their understanding of and sympathy for the Railways' problems.

Passenger traffic is showing signs of resuming its long-term upward trend which was interrupted in 1973-74 and 1974-75. The success of the various measures taken by the government to bring down prices and to step up output in the agricultural, mining and

industrial sectors, which is reflected in buoyancy in frieght traffic during 1975-76, is expected to give a further boost to the economy next year. The winter rains have been timely and a very good rabi crop is expected; hopefully, the next monsoon will also be kind. All these hold the prospect of a substantial growth in Railways' passenger and freight business during the ensuing year. Passenger traffic is expected to rise by four per cent, 'Other Coaching' traffic by 5 per cent and revenue-earning freight traffic by 12 million tonnes. With inclusion of about 23 million tonnes of departmental traffic, the total originating freight traffic in 1976-77 will amount to 225 million tonnes.

Gross Receipts

With these traffic prospects, Gross Traffic Receipts, at existing fares and freight rates, have been estimated at Rs 1868.47 crores. Passenger earnings amount for Rs 518.01 crores, 'Other Coaching' earnings Rs 87.18 crores, Goods earnings Rs 1240.28 crores and Sundry earnings Rs 43.00 crores. An amount of Rs 20 crores out of these earnings may not, however, be realised during the year.

The estimate of Working Expenses for 1976-77 has been placed at Rs 1551.42 crores. In addition to the continuing burden of the high level of staff emoluments, it provides for completion of implementation of the 10-hour work rule for loco running staff, giving effect to Miabhoy Award, removal of anomalies in the recommendations of the Pay Commission and upgrading of certain non-gazetted posts to improve their career prospects. It also makes provision for the full year's effect of the revisions in fuel prices notified at different stages during 1975-76, as well as the requirements of fuel to carry the projected level of traffic; higher repair bill for overtaking the remaining arrears in repair and overhaul of rolling stock and keeping the assets presentable and traffic worthy.

The Appropriation to Depreciation Reserve Fund has, in accordance with the approved recommendations of the Railway Convention Committee, been raised to Rs 135 crores. The contribution to Pension Fund has also been enhanced to Rs 30 crores to meet the anticipated higher withdrawals. Expenditure on Open Line Works—Revenue and Miscellaneous Transactions is expected to be Rs 22.82 crores. The Dividends liability to General Revenues is computed at Rs 207.60 crores. Inclusive of these items of expenditure, the Revenues will fall short of the expenditure and the deficit is estimated at Rs 78.37 crores.

The options before me are indeed hard. I could leave the existing fares and freight rates untouched and win instant approbation. This would, however, shift to the General Revenues the responsibility of raising resources to bridge this budgetary gap, which in turn would necessitate heavier burdens on the general public. Government are also keen that, as a measure of price stability, deficit financing should be curbed. Keeping these considerations in view, I have come to the conclusion that it will be only proper for Railways to mobilise additional resources of an order which will ensure their financial solvency.

Passenger fares were revised twice during 1974-75. The House will be glad to know that I do not propose to make any change in the charges for passenger travel. The tariff for 'Other Coaching' traffic is also being left unaffected. My proposals, which I shall now explain, are confined to freight traffic. The following principles have been borne in mind in framing these proposals :

First, additions to the pressures on the family budget of the common man should be avoided to the extent possible. It has, therefore, been decided that foodgrains, salt NOC, edible oils, gur, shakkar and jaggery, which are essential items of mass consumption, should be exempted. Oilseeds, which are the raw materials for the production of edible oils, will also not be touched as any increase in freight charges thereon will have adverse effect on the price of end-products.

I am also extremely keen that no disincentive should be introduced which could effect the growing agricultural production. Accordingly, no change is proposed in the present freight rates for the carriage of fertilizers.

Secondly, opportunity should be taken to make the freight rates more cost-oriented for wagon load traffic beyond 500 kms and for all 'small' traffic. Beyond 500 kms, our telescopic structure of freight rates still does not always cover the transport costs in full : in fact, the disadvantage to Railways tends to increase as the lead goes up. It is, therefore, necessary to correct the taper of wagon load rates for distances beyond 500 kms.

Freight traffic in wagon loads carried up to a distance of 500 kms will be subject to a supplementary charge of 5 per cent.

Freight traffic in wagon

loads carried beyond a distance of 500 kms. and all 'smalls' traffic, will bear a supplementary charge of 10 per cent.

Foodgrains, fertilizers, edible oil, oil seeds, salt NOC, gur, shakkar and jaggery will, however, be exempt from these levies, as I have already stated.

The proposed supplementary charge will be levied from April 1, 1976 and is anticipated to yield Rs 87.35 crores during the full year. This additional revenue will convert the projected deficit of Rs 78.37 crores into a surplus of Rs 8.98 crores, which is proposed to be appropriated to the Development Fund.

20-Point Programme

Declaration of the Emergency, followed by the clarion call of the prime minister's 20-Point Economic Programme, has generated a new wave of enthusiasm and sense of discipline amongst railwaymen in every sphere of their activity. Productivity has risen, work output has been speedier and the inefficient elements have been weeded out. Railways are now functioning in top gear and are poised to fully meet the challenges of the future.

Railway Cooperative Credit Societies have expanded their lending activities whereby railwaymen in need of financial assistance can obtain loans on easy repayment terms.

Railways had been training only about 6,000 apprentices in terms of the requirements of the Apprentices Act, 1961. In implementation of the new economic programme announced by the prime minister, the number was doubled within the short space of six weeks from the date of announcement of the programme. The trades have also been widened and apprentices have now been recruited not only in workshops but also in loco running sheds, printing presses catering establishments, etc.

Shop Councils have been formed in Production Units with management and labour representatives. Labour participation in management has thus been extended beyond the existing Staff Benefit Fund Committees, Housing Committees, Station Committees, etc.

A crash programme has been launched to make up the shortfall in the quotas of posts reserved for scheduled castes and scheduled tribes. Minority communities will also be ensured a fair deal.

The railwaymen have pledged themselves to the implementation of the 20-Point Economic Programme. Seminars have been held at various stations at which railwaymen of all levels have freely participated and dedicated themselves to the success of the Programme.

Schemes for providing job opportunities to unemployed civil engineering graduates are being revitalised by allowing them some concessions in tendering for railway works up to a specified ceiling and making it obligatory on the part of contractors to employ, on payment of a monthly stipend, a minimum number of such persons during the period of currency of the contract.

The relations between management and labour, after the unfortunate events of 1974 have stabilised on a happy note with better understanding of each other's problems and a common desire to resolve them through mutual consultation.

The Railway Management, as an enlightened employer, is fully conscious of the need for speedy attention to staff grievances. The existing grievance redressal machinery has been strengthened and personal contact established with the men in the field. General managers and divisional superintendents have also earmarked a day a month on which staff can freely approach them with their difficulties and grievances on which remedial action is immediately taken. Instructions have also been issued for two senior headquarters officers, one each from the personnel and accounts departments, to periodically visit the divisional, *etc.*, offices to look into staff grievances and expedite payment of their dues.

Most of the railwaymen have to work under conditions of considerable stress and strain. It has, therefore, been decided, as a measure of social security, to introduce on the Railways a Provident Fund Deposit-linked Insurance Scheme. Under this benefit, in the event of an employee's death, while in service, after renderring a minimum of five years' service, the heir or heirs will be entitled to receive an additional payment determined on the basis of the average balance during the preceding three years in the employee's provident fund account, subject to a ceiling of Rs 10,000. The setting up of a Benevolent Fund for relief of distress amongst Railway Protection Force personnel is also under active consideration.

Promotion of recreational activities amongst railwaymen has always been an essential feature of our welfare policy. In furtherance of the same concept, inter-Divisional and inter-Railway cultural competitions in music, dance, drama, *etc.*, are proposed to be introduced at which the railwaymen and their families can participate. Excellence in these activities will be reco-

RAILWAY BUDGET AT A GLANCE

(In millions of rupees)

	Actuals 1974-75	Budget Estimates 1975-76	Revised Estimates 1975-76	Budget Estimates 1976-77
Gross Traffic Receipts	14081.9	16708.6	17377.5	19558.2
Ordinary Revenue Working Expenses (Net) i.e. after taking credit for recoveries	11862.8	12982.8	14419.4	15514.2
Appropriation to Depreciation Reserve Fund from Revenue	1150.0	1150.0	1150.0	1350.0
Appropriation to Pension Fund	160.0	170.0	245.0	300.0
Net Misc. Expenditure (including cost of works charges to revenue)	172.6	196.7	208.7	228.2
Total :	**13345.4**	**14499.5**	**16023.1**	**17392.2**
Net Railway Revenue	736.5	2209.1	1354.4	2165.8
Dividend to General Revenues	1874.7	1978.8	1982.5	2076.0
Net Surplus (+)/Shortfall (—)	—1138.2	+230.3	—628.1	+89.8
Operating Ratio	93.5%	85.6%	91.0%	87.7%

gnised and winners awarded sutiable prizes.

1975-76 has been a year of manifold achievements—spectacular improvement in the railways' transport capability, high level of productivity and punctuality, improved discipline and better quality of service. The 200-million-tonne mark, around which our originating freight traffic has hovered for many years, has, I hope, been finally crossed. None of this would have been possible without the wholehearted cooperation and dedicated hard work of all levels of railwaymen. Sir, I would like to take this opportunity to express my sincere appreciation of the devotion to duty and high sense of responsibility shown by railwaymen. Our combined earnest endeavour in 1976-77 would be not only to consolidate the gains made in the current year but also attain greater heights of physical performance and at the same time make the railways financially viable.

It is the aim of the Indian Railways to husband their resources, scarce as they are in our growing economy, and to seek and retain customer satisfaction : for the railway

Table I

Existing and Proposed Rates for Certain Commodities in Wagon Loads for Certain Distances

(Rates per tonne in rupees)

Distance Kilometres	Coal, Charcoal, Firewood, Oilcake (3.75)		Sugarcane (40)		Iron Ore, Limestone, Dolomite, Gypsum (42.5)		Vegetables, Seeds Common, Manganese Ore (47.5)		Cement, Soda Ash, Caustic Soda (52.5)		Timber NOC, Paper NOC in rolls and reels, Sugar (60)	
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed
100	13.00	13.70	13.70	14.40	14.40	15.10	15.80	16.60	17.20	18.10	19.30	20,30
200	18.90	19.90	20.00	21.00	21.10	22.20	23.20	24.40	25.40	26.70	28.70	30.10
300	24.50	25.70	25.90	27.20	27.40	28.80	30.20	31.70	33.10	34.80	37.50	39.40
500	34.70	36.40	36.80	38.60	38.90	40.80	43.10	45.30	47.40	49.80	53.70	56.40
750	48.70	53.60	51.70	56.90	54.70	60.20	60.80	66.90	66.70	73.40	75.80	83.40
1000	60.50	66.60	64.30	70.70	68.10	74.90	75.60	83.20	83 20	91.50	94,60	104.10
1500	82.10	90.30	87.20	95.90	92.50	101.80	103.00	113.30	113.50	124.90	129.20	142.10
2000	100.70	110.80	107.10	117.80	113.60	125.00	126,50	139.20	139.40	153.30	158.80	174.70
2500	115.20	126.70	122.60	134.90	130.10	143.10	144.90	159.40	159.70	175:70	182.00	200.20

Table I—Contd.

(Rates per tonne in rupees)

Distance Kilometres	Iron or Steel Division 'C'—Billets, Blooms and ingots (65)		Petroleum and other Hydrocarbon Oils—non-dangerous Kerosene Oil (70)		Electrical appliances and fittings—Div. 'B'—Battery plates, Dry batteries Dynamos etc. (75)		Iron or Steel Division 'B'—Bars, Rods etc. (80)		Iron or Steel Division 'A'—Cables, Chains, Screws, Tyres etc., Cotton raw full pressed (87.5)		Petroleum and other Hydrocarbon Oils—dangerous —Petrol Benzene etc. (115)	
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed
100	20.70	21.70	22.10	23.20	23.50	24.70	24.90	26.10	27.00	28.40	34.70	36.40
200	30.80	32.30	33.00	34.70	35.10	36.90	37.30	39.20	40 60	42.60	52.50	55.10
300	40.30	42.30	43.20	45.40	46 10	48.40	48.90	51.30	53.20	55.90	69.10	72.60
500	57.90	60.80	62.10	65.20	66.30	69.60	70.50	74.00	76.80	80.60	99.90	104.90
750	81.90	90.10	87.80	96.60	93.90	103.30	99.90	109.90	108.90	119.80	142.10	156.30
1000	102.20	112.40	109.80	120.80	117.40	129.10	124,90	137.40	136.40	150.00	178.10	195.90
1500	139.60	153.60	150.10	165.10	160.60	176.70	171.00	188.10	186.80	205.50	244.20	268.60
2000	171.80	189.00	184.70	203.20	197.80	217.60	210.70	231.80	230.10	253.10	301.20	331.30
2500	196.90	216.60	211.80	233.00	226.70	249.40	241.60	265.80	263.90	290.30	345.70	380.30

user in his millions, expects reliable, speedy and safe service. With the goodwill of the House and the united effort of all evels of railwaymen, I have hope and confidence of a new nage of the railways emerging from the mists of the past. May this vision come true !

Memorandum explaining the proposals for adjustments in freight rates in Railway Budget, 1976-77.

Details of the adjustments in the freight rates for goods traffic, proposed in the Budget Speech of the minister for Railways are given in the following paragraphs. The revised rates will be effective from April 1, 1976. except where otherwise stated.

Freight Rates

2. At present a supplementary charge of 16⅔% for distances upto 500 kms and 22% for distances beyond 500 kms is leviable on the total freight charges in respect of all goods traffic including livestock (except certain edible oils, salt NOC and jagree). Additional supplementary charge, as indicated below, will be leviable on the total freight charges (including the existing supplementary charge) in respect of all goods traffic including livestock (except foodgrains, gur, shakkar, jagree, salt NOC, edible oils, oil seeds and chemical manures).

	Additional Supplementary charge leviable
Wagonload traffic	
For distances upto and inclusive of 500 kms	5%
For distances beyond 500 kms	10%
'Smalls' traffic	
For all distances	10%

3. The addional supplementary charge will also be leviable on the minimum charge wherever the freight charge leviable is the minimum charge.

4. An additional supplementary charge at 10% will also be leviable on transhipment charges and siding charges.

Rounding off rule

5. The additional supplementary charge will be on the rounded off total charges as at present leviable and further rounding off after addition of the additional supplementary charge will be as per the existing rules.

6. The existing and the proposed rates for some of the important commodities in the respect of certain representative distances are shown in Table I (page 521) Table II below.

TABLE II

Existing and Proposed Rates for Certain Commodities for "Smalls" (i.e. less than Wagon Loads for Certain Distances)

(Rates per tonne in rupees)

Distance Kilo-metres	Fruits and Vegetables, Bleaching powder (67.5)		Caustic Soda, Soda Ash, Starch N.O.C., Paper N.O.C. in rolls and reel (75)		Ale and Beer, Electrical appliances Div. C, Glassware Div. C (80)		Soap Hides and Skins (80)		Condensed milk, Drugs, crude and raw, Tobacco, country unmanufactured, Piece-goods, press packed (105)		Groceries, Biddies, Rubber manufactured, Stationery N.O.C. (120)		Drugs, Narcotic, Household effects, Plastic materials, Matches, (safety,) Stainless steel wares (130)	
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed
100	21.40	23.50	23.50	25.90	24.90	27.40	26.30	28.90	31.90	35.10	36.10	39.70	38.90	42.80
200	31.90	35.10	35.10	38.60	37.30	41.00	39.40	43.30	48.20	53.00	54.60	60.10	58.90	64.80
300	41.80	46.00	46.10	50.70	48.90	53.80	51.80	57.00	63.40	69.70	72.00	79.20	77.70	85.50
500	60.00	66.00	66.30	72.90	70.50	77.60	74.70	82.80	91.50	100.70	104.10	114.50	112.50	123.80
750	84.90	93.40	93.90	103.30	99.90	109.90	106.00	116.60	130.10	143.10	148.20	163.00	160.30	176.30
000	106.00	116.60	117.40	129.10	124.90	137.40	132.50	145.80	162.90	179.20	185.70	204.30	200.80	220.90
500	144.80	159.30	160.60	176.70	171.00	188.10	181.50	199.70	223.40	245.70	254.70	280.20	275.70	303.30
000	178.20	196.00	197.80	217.60	210.70	231.80	223.60	246.00	275.40	302.90	[illegible]	345.60	340.10	374.10
500	204.40	224.80	226.70	249.40	241.60	265.80	256.40	282.00	316.00	[illegible]	360.60	396.70	390.40	429.40

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