Annual report

chamber of commerce

Andhra Pradesh

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Chamber of Commerce
Andhra Pradesh.

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## ANDHRA CHAMBER OF COMMERCE

### NOTE

This publication gives a summary of the proceedings of the Chamber, correspondence and documents relating to important questions dealt with by the Chamber during the year 1961.

The Report of the Executive Committee of the Chamber for the year 1961 together with the Audited Statement of Accounts for the same year is being published as a separate volume.

ANDHRA CHAMBER OF COMMERCE,
"ANDHRA CHAMBER BUILDING",
272/3, ANGAPPA NAICK STREET,
MADRAS-1,
*July* 20, 1962.

M. S. SAMBASIVAM,
*Secretary.*

## ABSTRACT OF THE PROCEEDINGS OF THE COMMITTEE FOR THE YEAR 1961.

The following is a summary of the important proceedings of the Chamber during the year 1961.

The subjects that came for the consideration of the Executive Committee of the Chamber related to the following main heads :

1. COMMERCE AND INDUSTRY.
2. COMPANY LAW.
3. FINANCE AND TAXATION.
4. FOREIGN TRADE.
5. LABOUR.
6. TRANSPORT AND COMMUNICATIONS.
7. MISCELLANEOUS.

## COMMERCE AND INDUSTRY

### Development of Industries in Andhra Pradesh.

The Chamber got up a Reception in honour of Hon'ble Sri P. Ranga Reddy, Minister for Planning and Development, Government of Andhra Pradesh and Hon'ble Dr. S. B. P. Pattabhirama Rao, Minister for Education at the Chamber premises on Monday, January 2, 1961. During the course of his reply, Sri Ranga Reddy stated that the Government of Andhra Pradesh had no adequate funds to invest in the public sector for setting up big industies at least during the next five years.

Sri Ranga Reddi said the State Government were fully alive to the need for taking steps to provide concessions and facilities to the prospective enterpreneurs, in order to induce them to start new industries in the State. The Minister said in regard to electricity rates, a subsidy would be given for a limited period for new industries at rates comparable to those prevailing in the neighbouring States. Levy of sales tax was exempted in a recent case where local production was at a disadvantage on account of high sale tax in the State, the Minister said. The concerned firm had to face competition from outside for supply of articles to the State Electricity Board. It was decided by the Government in that context that other cases should also be examined on merits, Sri Ranga Reddy said. The Minister explained that there were proposals for acquiring about 2,000 acres of land and selling or leasing them to future industrialists at suitable prices or rates which he hoped would partly solve the problem of speculative rise in prices. There is also a proposal for earmarking a further area through appropriate declaration to the effect, that this would be needed for industrial purposses and for pegging down the price to the level obtaining at the time of the declaration, he said.

Sri Ranga Reddy referred to what he called the "Imaginary difficulties" of industrialists and listed to this category two doubts of the industrialists (1) whether the public sector might try to compete with and supplant private industry and (2) whether outsiders would receive equal treatment with the people of the State. He said that there was a suggestion that the State should define the different jurisdictions of public and private sectors so that the private sector could know where Exactly they should embark on their projects. "Any such doctrinaire delimitation of jurisdictions seems unnecessary and undesirable except to the extent already contained in the industrial policy resolutions of the Government of India. It will be in the interest of both the sectors not to do anything that will encourage unhealthy competition to the detriment of both". Sri Ranga Reddi declared. On the second doubt, he said, nothing had been done so far to suggest that any invidious preference was given to industrialists residing in Andhra Pradesh. "There may however, be cases where other things being equal, it may be necessary to attach importance to local knowledge and experience of the applicant which will be a favourable point regarding the industry itself. I can assure you that we will take all possible steps to make available both power and water without any difficulty. We are already taking necessary steps in this regard ", he said.

Outlining the scheme for setting up industrial estates in the State, Sri Ranga Reddi said that it would be a joint venture between the Government and the prospective occupant industrialists. The Government would finance the cost of all common items and services like the acquisition of land, drainage, water supply, sanitary facilities, electricity mains and construction of roads. Fully developed factory sites with essential facilities would be made available to prospective occupant-industrialists who would be granted the sites on long-term leases. On his part the occupant-industrialist would have to construct his factory building on the allotted designs and procure and instal machinery and equipment required for his undertaking. For the construction of factory buildings and purchase of plant and machinery for approved schemes, the industrialists were entitled to avail themselves of the liberalised loan assistance offered by the Industries Department and the State Financial Corporation, the Minister said.

The Minister also referred to the setting up of an Industrial Development Corporation in the State with an initial capital of Rs. 1 crore and said this amount, was likely to be increased to Rs. 3 crores. The main objective of the Corporation would be to establish, promote, improve and develop industries in the State. It would act as a holding company and float subsidiary companies for specified projects. He said the memorandum of association of the proposed Corporaton would enable it to undertake or participate in all kinds of production, mining, manufacture, generation of power and also undertake geological, technical and economic surveys for exploring new avenues of production. The Corporation could give financial assistance to private firms by subscribing to equity shares and debentures by granting loans or by guaranteeing cash credits, overdrafts of fixed advances, he said. For implementing this scheme, the Minister said a sum of Rs. 108 lakhs had been provided in the Third Five Year Plan. Sri Ranga Reddy said the State Government had no adequate funds to invest in the public sector for setting up big industries. The provision made in tne Third Five Year Plan for large and medium industries was only Rs. 5 crores. " In this situation we have to turn to the private sector at least during the next five years for the introduction of large-scale industries in the State " he said.

Sri Ranga Reddy said that the Directorate of Industries would be shortly publishing a comprehensive Hand Book in three parts giving full information and data about the availability of raw materials and other details which would help the industrialists.

Hon'ble Dr. S. B. P. Pattabhirama Rao thanking the Chamber for the honour done to him extended invitation to private entrepreneurs from different parts of the country to establish industrial units in Andhra Pradesh and assured that there would be no discrimination between Andhra industrialists and those coming from other States.

Sri V. Emberumanar Chetty, President of the Chamber welcoming Sri P. Ranga Reddi and Dr. S. B. P. Pattabhitama Rao observed :

" I have very great pleasure in extending a hearty welcome to our distinguished guests, Hon'ble Sri Pidathala Ranga Reddi Garu and Hon'ble Dr. S.B. P. Pattabhirama Rao Garu this evening to our Chamber. I am extremely grateful to them for making it convenient to visit our Chamber this evening. Both of them are very well known to you and it would not be wise on my part to take much of your time in introducing these distnguished guests. On behalf of you all and on behalf of the mercantile community, I wish to express our sincere thanks and great appreciation for the valuable services our distinguished guests have been rendering for the economic development of Andhra Pradesh.

I wish to particularly thank Hon'ble Sri Pidathala Ranga Reddi Garu who is visiting our Chamber for the first time after assuming office as Minister. He is one of the most sincere and loyal Congress workers and the part played by him in the freedom struggle is too very well known to need any recapitulation. Sri Ranga Reddi has been a Member of Parliament and he has been a Member of the Legislative Assembly in the composite State. He has been the Chief Whip of the Congress Legislature Party in Andhra Pradesh and above all, he has earned a prominent place in the history of the Congress movement in Andhra Pradesh by his splendid work as the Chief of the Pradesh Congress Committee. I am happy that our Chamber had the pleasure of associating with him and the Pradesh Congrees Committee during his tenure of office in bringing out a Monograph on the economic potentialities of Andhra Pradesh. We are happy that this Chamber had an opportunity to serve the people at large in placing before them a publication of utility and value in the proper and fuller exploitation of the resources of the State. Ever since assuming office, Sri Ranga Reddi has been giving a practical approach to all problems in the field of planning and development and I have every confidence with his imagination and drive, the economic development of the State would progress at a rapid pace.

I am also happy to have one of our popular Ministers and my esteemed friend, Dr. S. B. P. Pattabhirama Rao Garu. He is no stranger to us and we have never taken from him any refusal in the past and I hope he would continue to show us the same consideration. Myself and members of the Chamber are very happy that he has recently been conferred an Honorary Doctorate by the Andhra University of which he is the Pro-Chancellor. Dr. Pattabhirama Rao has been rendering yeoman service in the field of education and I should say the Andhra University has honoured itself by honouring its Pro-Chancellor. On behalf of the members of the Chamber and on my own behalf I offer you, Sir, my warmest felicitations on the honour conferred on you. Let me hope that we will have many more occasions to congratulate you and that you will be crowned with many more laurels in the years to come.

When we are having amidst us our distinguished guests you will all naturally expect me to refer to some of the important problems concerning the trade and industry of Andhra Pradesh and in so doing I shall be very brief and refer only to industrial development which I consider absolutely essential for developing a balanced economy and for improving the standard of living of the people in Andhra Pradesh.

Ever since the attainment of Independence and even after the formation of Andhra State and latter of Andhra Pradesh, no major industrial undertaking has been set up in Andhra Pradesh in the Public Sector either by the Union Government or the State Government barring of course, an expansion of the Shipyard at Visakhapatnam and the Praga Tools at Hyderabad. The progress made by the State Government industrial enterprises in the Coastal Districts like the Paper Mill at Rajahmundry and the Ceramic Factory at Gudur is not of much significance. A large number of industrial concerns which were started in Hyderabad in the pre-Independence days with substantial investment by the erstwhile Government of Hyderabad and have been languishing for some reason or other continue to remain unnoticed and unattended. Further no attempt has been made so far to locate a major industrial undertaking anywhere in Rayalaseema, in spite of the existence of many valuable and rich minerals as Baryes which are not available in substantial quantities in any other part of the country. If any development has taken place in industries like Sugar, Cement or Textiles it has been largely, if not wholly due to the initiative or effort of the private enterprise. In spite of the availability of many areas for industrialisation, either the State Government or the Union Government have not set up any major industrial undertaking so far in the Public Sector. Many a Technical Committee has been visiting the different centres in the State for location of a Drug Factory, Newsprint Factory or a Heavy Electrical Plant or other major industry. Ambitious plans were drawn for the location of a Fertiliser Factory in the Public Sector at Kothagudem, the interest having waned thereafter the idea now seems to be in favour of leaving it to the Private Sector. I feel the State Government should take particular interest in the matter and see that the Government of India locate some of the Public Sector industries within Andhra Pradesh where sufficient scope and potentialities exist.

Even in the matter of granting of industrial licences, Andhra Pradesh does not seem to have received its due share. When the private industrialists come forward with schemes, the State Government should, not only recommend such applications to the Union Government but should also see that certain amount of priority is given by the Industries Licensing Committee for applications coming from this area in view of the industrial backwardness of the region. Unless the State Government impress upon the Government of India the need to give certain amount of weightage to the backward States in the matter of industrial licensing it would be far too difficult to correct the present imbalance. If unemployment is looming large in the State and too many people are depending on agriculture which has become an uneconomic proposition in the wake of agrarian reforms, the remedy lies in giving all possible assistance to the individual industrialists to start a number of industries, large scale, medium or small scale. In this context it would be of utmost importance that the State Government move the Union Government in the above regard.



Leaving aside the difficulties encountered in industrial licensing, even the State Government have not been bestowing as much attention as they should to develop the industries in the State. The allotment for industries in Andhra Pradesh was less than Rs. 2 crores in the First Plan and we may have probably some excuse as during the First Plan the Andhra Districts were under the composite Madras State and the Telangana area was under the then Hyderabad State. The allotment even during the Second Five-Year Plan was only Rs. 10.98 crores. When we take into account the actual preformance during the Plan the share would hardly work out to 3.5% as against 7% in the original outlay. This should be considered very meagre when we find that the outlay on industries in the country as a whole has been of the order of 26.6% during that Plan. Even during the Third Five-Year Plan industries in Andhra Pradesh are to get only about 6% of the total outlay while in the All-India set up the share of industries come to about 25%. The proposed investment is of the order of Rs. 19.32 crores for industries, large scale, medium as well as small scale. Excluding the amount set apart for small scale and cottage industries the proposed outlay on large scale industries would be only Rs. 6.65 crores which includes a spillover of Rs. 4.4 crores. The proposed outlay on the development of new industries is only about Rs. 2.2 crores which should be considered negligible particularly when we take into consideration the area, population and the backwardness of the State.

It is true that Andhra Pradesh is predominantly an agricultural State as many other States in our Country and that this State has developed her agricultural sector to a stage where she can supply foodgrains to many of her neighbours. But if a balanced economic development is desired and if the people in this State are to improve their standards of living at least on par with those obtaining in other parts of our country, it is absolutely necessary that the Government of Andhra Pradesh should re-orientate their attitude towards industrial development in the State. If this is not attempted immediately Andhra Pradesh may be left behind other States in the matter of improving the living standards of the people.

The basic necessity for industrial growth is electric power. In spite of the existence of many favourable factors for the development of power in the State, the progress of the major projects does not appear to be very significant. It is apprehended in certain quarters that power supply may not be able to keep pace with the industrial development as even the present supply is hardly sufficient to meet the existing demand. It is therefore necessary that high priority should be given for Power Projects in Andhra Pradesh with a view to assist the rapid development of industries. Even as at present many industries have not been able to work in full swing due to cut in power and in this context the problem assumes extra importance. The problem of augmentation of power resources is not something peculiar to Andhra Pradesh alone. The difficulty is being experienced by the neighbouring States of Madras, Mysore and Kerala as well. I feel that all the States in the Southern Region should join together and create a common Power Grid to serve the whole region supplemented wherever needed by Thermal Stations and Power Houses. This would go a long way in promoting harmony among the States in the Southern Region and it would also put an end to the controversy on the utilisation of the rivers for Power development as the power generation would be for the common benefit of the region as a whole. There is disparity in electricity rates as between different States and as between different regions within each State as also between power supplied by hydro-electric stations and thermal stations. In the larger interest of the development of industries it is essential that there should be uniformity in rate charged for power throughout the region. The creation of such a common grid would be welcome even from this point of view. In addition, efforts should be taken for production of Nuclear Power in the area as the resources for production of Hydel Power may not be commensurate with the rising demand in the context of industrialisation. Even the industrial units which are dependant on coal are facing time and again hardship in spite of the fact that the State is having extensive and rich deposits of coal. It is somewhat disturbing to notice that industries even adjacent to the coal fields should suffer for want of supply of coal and work for shorter hours. While the authorities in charge of distribution of coal seem to place the blame on the Railway authorities and transport difficulties, the railway authorities have squarely denied and shifted the blame to the former. The Chamber is not particular in ascertaining as to which of the authorities are to be blamed for the present situation. But it is interested that the State Government should see that industries in the region get adequate supply of coal as and when needed without any break. What I state applies not only to coal but also to raw materials such as iron and steel. It is noted that permits are issued and essentiality is recommended but supplies do not come forth to mee the requirements of the units in the State. Added to this, the State Government have been forced to depute their officials to visit the production centres to see that the quota allotted for the State moves according to schedule. I am indeed very much concerned over the situation and I urge upon the distinguished guests to effectively take up the matter with the Union Ministry of Iron and Steel and the Railway Authorities and see that the industries in the State obtain their supplies expeditiously.

When I say all these things, I am not unaware of the steps you have been taking in the field of industrial development. I am glad that the Government of Andhra Pradesh have constituted a Development Corporation for development of large scale industries with an initial capital of about Rs. 1 crore. I had occasion to receive the Chairman and Directors of the Industrial Finance Corporation of India in our Chamber only a few days ago and I had an assurance from them that the I.F.C. would be extending all possible assistance to the Development Corporation. I see a promising future for industries in the State and I cherish the hope that the Development Corporation would help to bring the State to a prominent place in the industrial map of the country.



While I am glad that prominent industrialists in the State and particularly our Vice-President, Sri M. Harischandra Prasad has been appointed as a Director of the above Corporation, I wish to suggest that this Corporation should maintain close contact with organisations like our Chamber so that it would be of benefit to all concerned.

I find that proposals are afoot for setting up one Corporation for the development of the mineral resources and another one for development of small industres in the State. According to available information, the objectives of the A.P. Industrial Development Corporation is to cover development of all types of industries and the exploitation of mineral resources and setting up industries based on minerals among others. I therefore feel that instead of multiplying the agencies for developmental work it may be worthwhile to entrust the work of development of minerals and industries based on minerals as also small scale industries to the Industrial Development Corporation itself or at least to a subsidiary organisation of this Corporation rather than setting up separate Corporations.

With the development of industries there is increasing need for trained personnel and for setting up institutions for providing technical training. Many polytechnics have come up with Government assistance and also supplemented by private philanthropy. In view of the development of industries like textiles, sugar and Cement in Andhra Pradesh I would suggest that special facilities may be provided for imparting technical education in these branches also. There is need for more technical institutions and I hope the Minister for Education would do the needful in this regard.

I am glad to note that the Government of Andhra Pradesh have been considering proposals for offering incentives to entrepreneurs by way of reduction in electricity, water and other charges and also by reduction of taxation in certain regard. I learn that the Government are examining the question of levying Sales Tax on products manufactured within the State at a lower rate than the manufactured products coming from outside the State with a view to help the local industry. This is a very important matter and is of vital concern to the industries in the State and the industries I am sure would welcome such a proposal. I would like to mention that some of the States like Madras and Gujarat have been rendering all assistance in the matter of promoting industries by various measures. I hope the Government of Andhra Pradesh also would offer similar, if not greater, incentives to attract entrepreneurs. We are very glad to note that Sri Lal Bahadur Sastri, Union Minister for Commerce and Industry has assured the industrialists yesterday at Hyderabad that a number of large scale undertakings would be set up in Andhra Pradesh during the Third Five-Year Plan. Though he could not give any indication as to the type of industry that would be set up in the State I do hope that the Government of Andhra Pradesh would see that these assurances of the Union Minister are translated into action..

Before I conclude I take your leave, Sirs, to mention a few words about the Andhra Chamber of Commerce which had dedicated itself to the service of trade, commerce and industry of Andhra Pradesh in particular and the southern region as a whole. The Chamber is always at the disposal of the Government of Andhra Pradesh in the promotion of industries and in the all round economic development of the region. By virtue of its continued service of over three decades, the Chamber, I am glad to say, has attained a unique position in the commercial and industrial life of the region and it stands today, as the premier institution in the whole of Andhra Pradesh commanding the largest membership and having the largest number of Affiliated Organisations. I am glad this position has been accepted by the Government of Andhra Pradesh as also by the other Governments and the Chamber is being accorded the necessary recognition and representation and its counsels have been sought for on matters of importance. I have thought of making a mention to this on this occasion as we find a few organisations have latterly come up with nomenclatures suggestive of their representative character. While I thank the Government of Andhra Pradesh and the distinguished guests for the courtesy and kindness shown to us, I take this opportunity of seeking their continued support and of offering our utmost co-operation in their endeavours to place Andhra Pradesh on a high pedestal in the industrial map of the country."

Sri P. Suryanarayana, former President proposed a vote of thanks.

## Japanese Aid to Industry.

Mr. Rokuro Ishikawa, a member of the Japanese South-East Asia Economic, Co-operation Mission, expressed the view on February 27, 1961 that Indian economic climate was quite congenial for attracting investment from Japan. Mr. Ishikawa, who was speaking at a reception given to the members of the delegation by the Andhra Chamber of Commerce in its premises on February 27, 1961, said that India possessed highly skilled technicians. The mission, he added, during its stay in India had first hand knowledge of the economic conditions and had exchanged views generally with the Government officials and businessmen on mutual problems relating to the development of industries and the technical tie-ups pertaining to the respective countries. The mission was sponsored by Keizai Doyukai (Japan Management Association) one of the big four economic organizations in that country). Japan he said wanted to have close collaboration with foreign countries, especially those in Asia. The members of the team felt that Japanese industries would extend co-operation to India in many kinds of industries. Now that the world was fast shrinking in its size, no nation could grow without co-operation from other countries. " Your trouble is our trouble and your prosperity is our prosperity " he said. During the general discussions the mission had with the members of the Chamber, it was stated that the Government of India were eager to welcome financial and technical aid from Japan in starting new ventures here. In Japan an organization called the Foreign Economic Co-operation Fund had been founded to help collaborators to invest money overseas. A company had started the manufacture of chemicals from



out of sea water bitterns. The regulations in respect of the investment of foreign capital in India might require slight modicfiations or liberalisation.

Earlier, Sri. S. Venkatarangam, Vice-President of the Chamber, welcoming the delegation, observed:

" I have great pleasure in extending to you all a hearty welcome to this historic City of Madras and to our Chmaber this evening on behalf of the Andhra Chamber of Commerce and on my own behalf. I am really glad that Keizai Doyukai, one of the big four economic organisations of Japan has sent you all to visit India among other countries to meet the leaders in business and Government and exchange views on economic problems and technical tie ups.

Your delegation contains men of considerable experience in different spheres of economic activity and I hope your visit would go a long way in strengthening further the economic relations between our two countries. The Government of Japan as also the industrialists there are interested in extending their helping hand to India in her industrial development. The Government of Japan have given Yen credit to India to the tune of about Rs. 23.81 crores and Japanese industrialists also have been collaborating with industrialists in India. I am glad to say that there are a few units in this part of the ocuntry working in collaboration with Japanese industrialists. I hope as a result of the visit of your delegation a few more industries would come up with your collaboration.

South India abounds in natural resources and opportunities exist for starting a number of industries. The Union and the State Government have been extending all assistance for the development of industries. Our Chamber also has been rendering every possible assistance to entrepreneurs who desire to start new industries and we will be only too glad to extend our service and co-operation to Keizai Doyukai in the promotion of a number of Indo-Japanese joint ventures based on technical and or financial collaboration.

I request you to enlighten our members as to the lines on which your delegation and your organisation can help the promotion of industry and trade between our two countries."

Sri J. V. Somayajulu proposed a vote of thanks.

## Registration of Small Scale Industries.

The Ministry of Commerce and Industry, Government of India decided that all Small Scale Industrial Units should be registered for import purposes and for collection of statistics and that numbers should be assigned to them by the Department of Industries and Commerce. They stated that this number should be furnished by the Small Scale Industrial Units in all their future import applications. The Director of Industries and Commerce, Madras forwarded to the Chamber specimen form for registration and advised that member Small Scale Industrialists may be asked to get themselves registered with the Department. The Chamber accordingly advised all the members to get themselves registered with the Director of Industries and Commerce before March 31, 1961.

### Power Supply for Industries in Madras State.

The Government of Madras in the Industries, Labour, and Co-operation Department in a communication to the Chamber, dated August 31, 1961 stated as under: "From time to time complaints have been received from industrialists, that there is considerable delay in the provision of power supply by the Madras State Electricity Board to their new industrial undertakings. The Government have examined the matter in consultation with the State Electricity Board. Provision of power supply often involves the making of certain improvements to the distribution and sub-station equipment in order to accommodate the load required by the prospective consumers and these arrangements necessarily take some time. It will therefore be possible for the power supply to be given to industrialists in time only if their applications for supply are made to the Madras State Electricity Board well in advance, i.e., immediately after the licence or approval for the establishment of the project is issued." This information was circulated among the members with a request to bear this point while submitting their applications for power supply.

### Sunshades in N.S.C. Bose Road.

The Chamber addressed the following communication to the Commissioner, Corporation of Madras on September 13, 1961:

"It is brought to our notice by a number of members in the Netaji Subash Chandra Bose Road, Madras that they have been served with notices under Section 222 of the Madras City Municipal Act calling upon them to remove the sunshades in front of the shops stating that they constitute an encroachment. In this connection we wish to submit the following for your consideration and immediate action:—

Almost all the shops in China Bazaar, i.e., Netaji Subhas Chandra Bose Road commencing from Baker Street upto Stringer Street have sunshades. We learn that notices have been served on as many as 25 to 30 shopkeepers. We are informed by the members in the trade that these sunshades are there for more than forty years and on more than one occasion the Corporation authorities have tried to remove these sunshades. Later, on representations made the Corporation authorities were good enough to allow the *status quo* to continue. The dealers are paying licence fee in respect of the sunshade for over two decades.

We may also recall in this connection that the Collector of Madras also took action on these shopkeepers treating the erection of sunshades as unauthorised occupation of Government land. The Revenue Authorities were collecting quit rent for the portion covered by the sunshade regularly for a number of years. They



also entered into an arrangement with the shopkeepers, it is learnt, for the continuance of sunshades and took some lump sum payment from the different shopkeepers. While the shopkeepers were thinking that the matter was settled once and for all they were now surprised to receive notices of the above nature from your Revenue Department.

We wish to state that the shopkeepers in Netaji Subahs Chandra Bose Road have been enjoying the facility of sunshades for over forty years and they should be allowed to continue to have the facility. The Chamber has no objection to the Revenue Department collecting any fee for the continuance of the sunshade, even though the shopkeepers need not pay that sum for the simple reason that they have had the right of user all along.

We are not aware of the reasons that prompted the Corporation to insist upon the owners to remove the sunshades. If the idea of the Corporation were to give a new look to the N.S.C. Bose Road area we feel that the mere removal of the sunshade would not serve the purpose. On the other hand we would welcome the Corporation preparing a design for improving the frontage of all sunshades in the area and insist upon the shopkeepers conforming to the design. The Chamber feels that such a step would give the entire N.S.C. Bose Road a new look. We hope that you will give this representation your careful consideration and be pleased to advise the Revenue Department to withdraw the notices already served on the shopkeepers in the above area.

We request you to kindly give us an appointment when representatives of our Chamber can call on you and explain the point of view of the merchants in the area. Pending a decision in this regard we request you to advise the Revenue Department not to proceed with the execution of Section 222 notices."

The President of the Chamber Sri S. Venkatarangam called on the Commissioner, Corporation of Madras and discussed this matter in person.

The Commissioner, Corporation of Madras in his reply, dated November 28, 1961 observed as under:

"With reference to your letter cited, I have to inform you that the encroachment in question are not sunshades as described by you. The original intention of Corporation to license them was to use as sunshades only and not to block them by shopkeepers with the various items for sale. But instead it is found that definite enclosures have been made out and the whole site is under the occupation and the enjoyment of the stall holders. Hence the entire footpaths could not be made use of by the pedestrians.

The idea in providing sunshades is to see that people move about freely from stall to stall under the sunshades. But the encroachments now existing are in the nature of bunk-like structures with enclosures preventing the public from making use of the footpath land. The Corporation has not allowed the *status quo* to continue, but on the other hand they have been asked to remove the structures by service of notices.

The Corporation has no proposal of any particular design for improving the frontage of all the shops as it is the lookout of the owners of the shops or the owners of the adjoining properties to provide an arcaded verandah within the limits of their properties.

I shall therefore be glad if you insist on all the shopkeepers to remove the obstruction and keep the sunshades at a minimum height of 9 feet from the footpath when the Corporation will have no objection to continue to license them provided they are used as sunshades in the literal sense. It may be made clear to the shopkeepers that there should not be any plank projection or temporary boxes. A month's time is given."

### Manufacture of Perfume Compounds—Assistance to Small Industries.

The Chamber addressed the following communication on October 31, 1961 to the Industrial Adviser (Chemicals), Development Wing, Ministry of Commerce and Industry, Government of India, New Delhi :

" It is brought to our notice by some of our members who are smallscale manufacturers of perfume compounds that they have protested against the grant of a permit for manufacture of synthetic perfumes with foreign collaboration. In this connection we also invite your kind attention to our previous letters, wherein we have given you information about the capacity of the existing units and the undesirability of issuing a permit for the manufacture of perfume compounds. We also understand that details of approximate production figures of the Indian Unites already existing were also supplied to you for perusal through the Small Industries Association.

We have already brought to your notice that the existing small industries in this line would be virtually wiped out if large scale manufacture with foreign collaboration is undertaken.

It is also noted from the papers that a new permit has been granted for manufacture of 25,000 lbs. perfume compounds with foreign collaboration. This forms a sizeable portion of the total production of the large number of small manufacturers in the country. Further we learn that raw materials have to be imported for blending these compounds involving sizeable foreign exchange. As similar perfumes are being made by Indian Units small and big we feel in the interests of saving foreign exchange and in the interests of small scale industries manufacture of perfume compounds by new firm/s with foreign collaboration should be discouraged.

May we request you kindly to look into the above and see that the legitimate rights and interests of small and medium units already existing are safeguarded and they



are given all possible encouragement to develop their installed and production capacity.

### U.N. Seminar on Industrial Estates in the ECAFE Region.

Sri G. Subba Raju, Deputy Chairman, A.P. Legislative Council and nominee of the Andhra Chamber of Commerce attended the U.N. Seminar on Industrial Estates in the ECAFE Region held at Madras from November 1-11, 1961 as an observer on behalf of the Commission on Asian and Far Eastern Affairs and the Indian National Committee of the International Chamber of Commerce. The following is the Report of Sri G. Subba Raju on the Seminar :

" The United Nations Seminar on Industrial Estates in the ECAFE Region was held in Madras, India, from 1st to 11th November, 1961.

The Seminar was sponsored jointly by the Economic Commission for Asia and the Far East (ECAFE) and the Division of Industrial Development and the Bureau of Technical Assistance Operations of the United Nations Department of Economic and Social Affairs, in close co-operation with the Ministry of Commerce and Industry of the Government of India and the Department of Industries and Commerce of the Government of Madras.

ATTENDANCE :

The Seminar was attended by participants from Burma, Ceylon, the Republic of China, Federation of Malaya, France, India, Indonesia, Iran, Japan, the Republic of Korea, Laos, Nepal, Netherlands, Pakistan, Philippines, Thailand, the Union of Soviet Socialist Republics, the United States of America, the Republic of Viet Nam, Hongkong, Sarawak and Singapore.

The Seminar was also attended by an observer from Israel.

The representatives of the International Labour Organisation (ILO) and the United Nations Educational, Scientific and Cultural Organisation (UNESCO) also attended the Seminar.

The Commission on Asian and Far Eastern Affairs and the Indian National Committee of the International Chamber of Commerce were represented by Sri G. Subbaraju, Deputy Chairman, Andhra Pradesh Legislative Council, Nominee of the Andhra Chamber of Commerce, Madras, Sri M. V. Arunachalam, Nominee of the Southern India Chamber of Commerce, Madras and Sri C. L. Mehta, Nominee of the Hindusthan Chamber of Commerce, Madras. There were also observers from the World Federation of Trade Unions, Industrial Co-ordination Bureau (ICB) and the Ford Foundation.

Sri M. Bhakthavatsalam, Minister for Home, Government of Madras who presided over the inaugural function observed that there was an increasing realisation that industrial estates could be a most effective tool to foster industrial development on decentralized pattern. It prevents haphazard growth of "Industrial Slums". The provision of well-designed factory buildings and of advisory and common facilities, services and other amenities in the estates would not only ensure the health of workers but also help to increase their productivity. He emphasized the idea of co-operation for the betterment of the standard of living of the masses. The Minister said that during the Third Plan Period, Madras would be encouraging the establishment of industrial estates by co-operatives and by joint stock companies.

Sri Manubhai Shah, Minister for Industries, Government of India, inaugurating the Seminar, described the industrial estate as an institutionalised pattern of development of small industries and said that if they wanted to avoid the difficulties, stresses and strains which the industrial world passed through for the last 200 years since the industrial revolution a planned industrial growth through the instrument of industrial estates was called for. Industrial estates had proved their usefulness in India as the most economic and effective instrument for development of small industries.

U. Nyun, Executive Secretary of ECAFE welcoming the Delegates and participants in the Seminar observed that countries in the ECAFE region has been used to think about their industrial location policy and the industrial estates programmes in terms of national requirements; the time now had come to think of them increasinlgy in terms of regional prospects.

Dr. P. C. Alexander (India), Development Commissioner for Small Scale Industries, Government of India was elected unanimously Chairman. Mr. Mohammad Aslam Khan (Pakistan) and Mr. Arshad Bin Ayub (Federation of Malaya) were unanimously elected first and second Vice-Chairman.

The Seminar had before it twenty information papers descriping the plans, progress and problems in the countries of the participants, reviewing the objectives of the current plans and programmes, and in a number of cases outlining future development.

The agenda of the Seminar included the following principal items :—

(1) Objectives and Policies in establishing industrial estates.

(2) Planning of industrial estates.

(3) Organisation, management and financing of industrial estates.

(4) Arrangement for co-operation between and assistance to small industries in industrial estates.

(5) Co-ordination or integration of industrial estates projects with programmes of urban or regional development.

(6) International and regional co-operation in the development of industrial estates.



The discussion on the objectives and policies and assistance to industrial estates was initiated by Mr. Kreshtovsky of the United Nations (Department of Industries Development) and Dr. D. K. Malhotra, United Nations Consultant,. It was generally agreed that industrial estates were not an end in themselves but a means to an end and had therefore, to be related to National Development Policies and programmes. One view expressed in one of the papers before the Seminar was that Governments should not incur expenditure on industrial estates intended for small scale industries, because such industries were doomed to stagnation evoked sharp criticism, especially from the Indian delegates. It was pointed out that small scale industries had an important and continuing role not only in developing underdeveloped countries but also in countires which were industrially developed. The Seminar felt that lack of proper planning was often the cause of long time lag between planning and construction, construction and occupation and occupation and commencing of production, and that greater attention to. There was a general agreement on the importance of providing social overheads like housing, health, canteen and other facilities in industrial estates. It was recognised that these were as important as the provision of technical facilities such as tool room.

It was revealed during the discussion on financing of industrial estates that India had fairly liberal schemes of financial assistance for small industries. A Delegate from Burma (Dr. Kyawa Htin) said that Burma was considering the adoption of different schemes of assistance for small industries followed by India.

The Seminar felt that private initiative and effort in the formation of co-operatives and assistance for management of industrial estates should be encouraged and that care should be taken to ensure that such bodies were broad-based in membership and possess the necessary leadership and initiative.

In the matter of integration of urban and rural programmes the Seminar was of the view that individual projects for industrial development whether they be large industrial complex or small industrial estate should be built into an integrated pattern for proper regional development and maximum effectiveness of economy. The delegates were of the view that failure to integrate the plans for individual estates and areas within the economy region would be a wasteful neglect and would slow down growth.

On the practice of Government starting industrial estates the Seminar recognised their need for such initiative in the early stages and recommended that Governments should progressively encourage entrepreneurs to assume such responsibility by joint action through formation of companies or co-operatives. The Seminar emphasized that big concerns should not be permitted to gain foothold in the estates for small scale industries whether by direct or indirect investment or control.

The Seminar recommended that banking industries as well as insurance companies should be induced to take up the financing of industrial estates. If necessary, Governments might stand guarantee for such industrial loans. The Seminar felt that while the industrial estate had a developmental object the intention was not to create a privileged section of entrepreneurs, provision of ready made factory accommodation should be regarded as sufficient inducement to make the programme attractive and that it would not be desirable to provide special assistance and facilities which were not available to units outside the estate.

On the question of international and regional co-operation in the development of industrial estates, the Seminar recommended that study tours and observation teams should be organised for the benefit of the countries in the region. Research centres and industrial institutions should be requested to help developing countries in drawing of norms, lay out of factory designs, specification of building materials among others. The United Nations and other International Agencies should be requested to undertake the detailed study of the specific problems of the small industries and industrial estates like financial arrangement, promotion of ancillaries, problems of industrial estates in rural areas and administration and management problems of industrial estates. Regional panel of experts might be constituted by the United Nations and the ECAFE to examine specific aspects of the industrial estates in the region."

Dr. P. C. Alexander, the Chairman of the Seminar stated that most of the recommendations of the Seminar had already been implemented in India. In the ECAFE Region India had the largest experience in the field of industrial estate.

Sri G. Subbaraju, spoke on "The need for continuing assistance to small industrialists through industrial estates", "Integration of the development of Industrial Estates with Regional Development" and "International and Regional Co-operation in the development of Industrial Estates".

Sri M. V. Arunachalam and Sri C. L. Mehta also participated in the discussion. On behalf of the observers of the I.N.C. of the I.C.C. and CAFEA Sri G. Subbaraju thanked the conveners of the Seminar.

The following is the test of the Speech of Sri G. Subbaraju, at the Seminar on Industrial Estates, held at Madras on November 4, 1961 :

I am thankful to you at the outset for giving me an opportunity of speaking at this "Seminar on the role of Industrial Estates in the ECAFE region" which is meeting in this country for the first time. I really congratulate the ECAFE for arranging a Seminar on this important aspect, namely, the role of Industrial Estates with reference to the policies and programmes of Industrial development.

Industrial Estates have an advantage in that that industrialists are provided with factory space, water, power, common service and other facilities at a reasonable rate. Each Industrial Estate has some service centres and workshops which extend their servicing facilities to individual industrialists. The industrialist is able to avail the service of these service centres and reduce his capital and other costs.



The need for having industrial estates to provide the nucleus and to give the incentive to the individual industrialist has been accepted by all and a large number of industrial estates have come up in the ECAFE region in the past few years. The marked progress in the field of small industries in the region, I am sure all of you will agree with me, has been, in a large measure, due to the Industrial Estates set up in the different countries in the region.

In the past few days there have been discussions here on the feasibility of starting new industries and as to whether Industrial Estates should be set up in rural areas, semi-urban areas or urban areas. There was also a discussion as to how long the Governments should give assistance to small industrial units in the Industrial Estates and as to when they should withdraw such assistance.

It is true there has been of late much argument both in favour and against small scale industries. Many of the experts on small industries have emphasised that any industry that is started should be self-sufficient and that it should not depend on incentive or Governmental support and assistance to maintain itself. Mr. Iwatake, Leader of the Japanese Team on small industries which visited India some time back said that the policy of any Government for development of small industries should be to guide and encourage and not to protect. With the exception of a few, most of the countries in the ECAFE region have not developed much in the field of industries and it would be necessary for the Governments to provide necessary assistance—be it in the way of Government owned industrial estates or assisted Industrial Estates. The basic factors, namely factory space, water, power, common servicing facilities and a reasonable assurance of Governmental assistance for getting supply of raw materials —these are all very essential if small industries have to develop. I believe the assistance in the above form should be given on a continuous basis and we should think of discontinuing such facilities only when the countries in the region have made satisfactory progress in the field of industries.

As far as the difficulties in the way of small industries go, supply of raw materials occupies a very important place. If the small industries in the region are assured of the necessary raw material, whether of indigenous origin or imported from abroad, I should say nearly 50% of the difficulties would have been solved. It so happens there are shortages, real and artificial, in the matter of supply of raw materials and it should be the responsibility of the Governments concerned to make available to the industrialists the raw materials required by them in time and in required quantity and quality.

In order to see that small industries develop at an accelerated pace in the ECAFE region, I believe, it would be worthwhile if this Seminar considers ways and means of promoting free flow of intra-regional trade among the ECAFE countries in raw materials and finished products as also free inter-change of technical and other know how to the common advantage of all.

I would also request the Seminar to consider ways and means of developing small scale industries as ancillaries to large scale industries as such a measure would help to promote the development of large scale as well as small scale industries.

The experience of all progressive industrial countries has been that the main industry has developed because that industry has been backed and supported by a well developed net work of ancillary industries. Such a policy would help to broadbase the economy, investment and skill. With these words I commend these suggestions for your consideration.

Speech of Sri G. S. Raju on Integration of Programmes of Urban or Regional Development with Development of Industrial Estates :

I am thankful to you Mr. Chairman for permitting me to speak on the question of integration of programmes of Urban or Regional Development with the development of Industrial Estates. I do not propose to outline the measures adopted in India in this regard as this has been ably presented by Mr. A. S. E. Iyer in his paper on Industrial Estates in India—Co-operation between and assistance to Small Scale Units, i.e., discussion paper No. 17.

Under the Third Five-Year Plan priority will be given in India for the completion of the Industrial Estates started, but not completed during the Second Five-Year Plan. There is a proposal to set up about three hundred new Industrial Estates of varying sizes during the Third Five-Year Plan and to locate them, as far as possible, in small and medium sized towns and also in selected rural areas where facilities like power, water supply and transport are available. Rural Industrial Estates would be set up in areas where there is a sufficient number of artisans and craftsmen.

Industries are being developed in India at a rapid pace ever since Independence. An appreciable progress has been made under the First and Second Five-Year Plans. The Third Five-Year Plan also has been finalised and we hope we will be able to reach the target with the co-operation of friendly nations.

The development of the Indian economy by means of proper planning in the past ten years has ensured the integration of various programmes of industrial development in the country. The State Governments also have their own plans within the framework of the overall plan. The development of industries among others within each State is also ensured with due regard to the overall plan for the country as a whole.

It is true there is and has been imbalance in the development of industries in the different regions. The Planning Commission and the Government have taken note of this and they have been doing their best in reducing regional inequalities in the field of industries. Thanks to the development of Industrial Estates in many centres in the country in Urban and Semi-Urban areas. There will be about 1,441 units functioning in different industrial estates in India by the end of this year providing



employment to more than 35,000 workers producing goods to the tune of Rs. 287 million annually.

The policy of the Government of India has been to accelerate the development of small scale industries by establishment of a large number of industrial estates. Apart from constructing Industrial Estates themselves, Government envisage the formation of co-operatives and Joint Stock Enterprises to start Industrial Estates. They have also been inducing large Industrial Enterprises to start Industrial Estates with a view to develop a number of feeder or ancillary industries. In addition, the Government of India have plans to develop industrial estates attached to Technical Universities and Rural Institutes. All these measures indicate that Industrial Estates would continue to play in India an important role not only in the development of small scale industries in the country but also in assisting other major industries.

There is increasing awareness on the part of the industrialists and businessmen in India as elsewhere, as to the need to develop a large number of industries. The Union and State Governments are extending all their help to develop the various types of industries at an accelerated pace to utilise the resources available within the country and to provide increased employment avenues.

We have in India today proper planning and good direction and there is perfect co-ordination between the different agencies connected with industrial development and I believe this ensures the integrated development and dispersal of industries which this Seminar envisages.

Speech of Sri G. S. Raju on International and Regional Co-operation in the Development of Industrial Estates :

As I indicated the other day I feel this Seminar should consider ways and means of free interchange of technical and other know-how, among the ECAFE countries in particular, and all the countries in general to the common advantage of all. Especially such of those countries which are developed industrially should extend their helping hand for the promotion of industries, particularly small scale industries in the ECAFE region.

The annotated provisional agenda on the subject has invited attention to six points, namely, training of managerial and technical personnel, establishment of production and training centres, exchange of observation and study team among countries, technical assistance in planning and construction of industrial estates, supply of equipment and machinery, and financing especially, the development of large industrial estates, industrial ports, etc.

On the first point, namely, the training of managerial and technical personnel, the advanced countries can certainly extend their helping hand to different countries in the region. Already such a co-operation is being made available under various schemes and I hope such facilities would be available in an increasing measure in the years to come also. Production cum training centres have been set up in India with the co-operation of Technical Co-operation Mission and Germany. Agreements have been concluded for starting such a centre with the co-operation of Japan and I learn a similar centre would come up with French collaboration also. These centres have been of much use, in the development of industries and I therefore wish efforts should be taken in all the under-developed countries to start such training centres.

It has always been accepted that exchange of Observation and Study teams, go a long way in the promotion of goodwill and understanding as also in studying the techniques of development in the countries visited. Even as at present study teams are visiting different countries under T.C.M. Administration, Productivity and other programmes and I believe this would continue in the years to come to the advantage of the small scale industries.

In the planning and the construction of industrial estates, up-to-date techniques and assistance in technical matters should be provided by the developed countries. Besides, I believe the exchange of information among the countries in the ECAFE region on the difficulties encountered in planning and construction, as also the methods by which, such difficulties were overcome, would be of considerable advantage to all.

In the matter of supply of equipment and machinery, India, among the others can also play her role. India has been producing a number of small machineries and equipment. India has in fact been exporting quite a few of them. Machine tools, electric motors, engines and other equipment manufactured in the country are having an export market as at present. In this regard, I believe India would be able to extend her helping hand to other countries in the ECAFE region. As for the development of Industrial Estates and in financing them I am of the view that the big projects, that are coming up in the ECAFE region for starting major industries should be linked with the development of industrial estates, the units therein functioning as ancillaries to the major industry. Such a measure, I feel, would not only help to develop the industrial estates in the region but also help to disperse the industries and help a large number of major industries to spring up with the assistance of feeder and ancillary industrial estates.

Apart from these measures, the possibility of development of intra-regional trade in semi-finished products, components and spares may also be thought of so that industrial estates functioning in one country can serve as feeder to Units in industrial estates in other countries. Given the necessary facilities and assistance by the Governments concerned, I hope industrialists in the ECAFE region would be too willing to co-operate with each other and extend their part in international co-operation and understanding, besides the advancement of industries in the region.



Sri G. S. Raju, speaking on the motion of thanks to the organisers of the Seminar observed :

"At the outset I should thank you Mr. Chairman for permitting me to join the various speakers today in proposing a hearty vote of thanks. The discussions at the Seminar have been very valuable and they have pin-pointed attention on a number of important issues of interest to the development of Small Industries in general and Industrial Estates in particular. I thank the United Nations, the Economic Commission for Asia and the Far East and the other Organisations which have joined the ECAFE in organising this Seminar. I should thank the Government of India not only for organising the Seminar in India but also for arranging this important Seminar in this part of the country. I also thank the Officers of the Government of India, and the Government of Madras and all those connected with the Seminar for the excellent arrangements made by them for the successful conduct of the Conference.

The Delegates and Observers from different countries who have participated in the Seminar have given us a number of valuable suggestions and I should thank all those friends from abroad. On behalf of the Commission on Asian and Far Eastern Affairs of the International Chamber of Commerce, the Indian National Committee of the International Chamber of Commerce, on behalf of the business community in India and on my own behalf I thank the Delegates and Observers from different parts of the World, the Officers connected with the U.N., ECAFE Organisations, the Government of India and all the State Governments.

I have a request to make to all concerned. This Seminar should be a beginning of a series of Seminars and such Seminars should be held annually in the different countries in the region. While so organising, I request that industrialists should be associated in the delegations of the different countries. I am quite confident that the delegations comprising of Officers as also industrialists would go a long way in promoting a greater understanding and International and Regional Co-operation in the development of Industrial Estates.

**Regional Conference of Trade Interests on Prevention of Food Adulteration**

A Regional Conference of Trade Interests to discuss the difficulties and suggestions on problems connected with the working of the prevention of Food Adulteration Act was held on July 15, 1961 at the office of the Director of Public Health, Madras. The Chamber was represented at the meeting by Sri P. Srinivasa Rao and Sri D. Venkatasubbiah. Sri P. Srinivasa Rao speaking on the occasion referred to one of the points in the Agenda i.e., to discuss the question of selling agmark ghee only in important cities like Madras, Bombay, Calcutta and Delhi to begin with. He observed :

"The Planning Commission even during the first Five-Year Plan period have stated that all Departments of Government and other Institutions which buy ghee on large scale particularly hostels, hospitals and railway contractors should be paid to purchase agmark ghee only. They have also stated that in some areas experiments with compulsory grading of oil and ghee could be tried by prohibiting the movement of ungraded product by rail and road. I am glad that a beginning has been made in the case of ghee and the movement of ungraded ghee of lower R.M. value from one State to another has been restricted. I believe this would induce the producers in each State to get their ghee agmarked according to present standards. I request you to consider the feasibility of permitting the sale of agmark ghee only in important cities like Madras. The sale of ungraded ghee may be permitted in all places within the State excepting cities like Madras, subject to such ungraded ghee conforming to the R.M. specification in the region. I hope this would go a long way in placing ghee production in the country on a sound footing and ensuring the purity and quality of the ghee sold in the country. I can even say that the consumers will have confidence in agmark products and a measure of the nature I suggest, if implemented, would induce consumers to buy more and more of a mark products. With these words, I commend this proposal for your acceptance."

**Pencil Industry—Raw Material Requirements.**

The Chamber addressed the following communication to the Development Officer (Mineral Industries), Development Wing, Ministry of Commerce and Industry, Government of India, New Delhi on December 4, 1961 :—

"It has been brought to our notice by our members engaged in the manufacture of pencils that the foreign exchange allocation for import of raw materials and spare parts have been gradually cut in the past two or three licensing periods. It is stated that during the period April 1960 to March 1961 a ceiling was fixed for each individual unit within which the units should plan their imports of raw materials and spare parts. This ceiling was by far inadequate to meet the actual needs of the manufacturers of pencils and they also represented to the Development Wing and the Ministry for raising this limit ; but the original ceiling fixed was maintained. While the manufacturers were pleading for an increase in the foreign exchange allocation, the allocation for the subsequent period, viz., April to September, 1961 was further cut by about 12% over the allocation of the previous year. Then again representations were made by the manufacturers and the Chamber learns that the manufacturers were asked at this stage to submit one application for import on the basis of the ceiling alloted and also submit a separate application in respect of their additional requirements. Even hough the applications which were made within the ceiling were considered and licences were given, the applications for grant of additional licences it is stated are still pending at the appeal stage.

This being the case the Chamber has been informed that the member units engaged in the pencil industry have recently been advised of a further cut working out to as much as 33-1/3% of the original ceiling fixed in October 1960 to March 1961 period.

While the Chamber is aware of the need for conserving foreign exchange and finding out ways and means of making the industry self-reliant and self-sufficient, it



wishes to point out that the production in the pencil industry during 1960 has gone down considerably compared to the previous year even though the installed capacity has been stepped up during the period. This has been due to the inadequate supply of raw materials consequent on the cut in the foreign exchange allocation. The position during the year 1961 has all the more been difficult since the cut has been very drastic. The pencil industry, the Chamber is informed, is in need of a large number of raw materials and spare parts which cannot be procured indigenously. The needs of the country of pencils of various categories have to be met with and this necessitates import of raw materials of the right type and in adequate quantities. The present allocation of foreign exchange for import of raw materials and spares, is not adequate even to meet the existing needs of pencils in the country not to speak of catering to export demand and the increasing demands consequent on greater educational activities.

The Chamber requests the Development Wing to study the needs of the pencil industry of raw materials and spare parts afresh and fix the foreign exchange ceiling and enable them to obtain their requirements in adequate quantities. The Chamber would suggest in this connection to consider the feasibility of maintaining at least the ceiling of 1960-61 if a further increase is not possible. The Chamber also requests the Development Wing to call for a meeting of the manufacturers of pencils in this connection to ascertain their needs, if need be."

**Small Industries Promotion Sub Committee.**

At the inaugural meeting of the Small Industries Promotion Sub-Committee held on December 11, 1961 with Sri S. Venkatarangam, President of the Chamber in the Chair, Sri R. Sambasiva Rao of Krishnaveni Ink Factory, Madras was elected as the Chairman of the Sub-Committee. The meeting decided to invite suggestions and notes on the difficulties experienced by them in the matter of raw materials, fuel, power, imports, Municipal licensing, taxation, transport, finance, marketing, technical assistance and commercial intelligence. On the basis of the suggestions received it was decided to present detailed memoranda to the Governments of Andhra Pradesh and Madras as also the Union Government in the matter. The Sub-Committee also decided to organise a Symposium on Small Scale Industries.

**Small Industries Technical Sub-Committee.**

At the inaugural meeting of the Small Industries Technical Sub-Committee of the Chamber held on December 12, 1961 with Sri S. Venkatarangam in the Chair, Sri C. A. Chettiar of Kowtha Steel Products, Madras was elected as the Chairman of the Sub-Committee. Sri S. Venkatarangam welcoming the members said that this Sub-Committee was intended to act as a clearing house for collection and dissemination of technical information and discuss such technical problems as may be referred to it by the members of the Chamber. The Sub-Committee decided to invite from the members technical problems relating to Small Industries for consideration.

### Registration of Trade Marks.

With the introduction of new Trade and Merchandise Marks Act, 1958 (Act 43 of 1958) on November 25, 1959 the Zonal system came into force. The office of the Trade Marks Registry at Madras became the appropriate office for the States of Andhra Pradesh, Kerala, Madras and Mysore and the Union Territories of Laccadive, Minicoy and Amindivi Islands. The Controller-General of Patents, Designs and Trade Marks, Bombay, Dr. S. Venkateswaran consented to arrange the hearings of the Trade Marks Tribunal at important centres in different States in case sufficient number of applicants desired to be heard.

About 50 businessmen in Andhra Pradesh desired that they should be heard at Secunderabad. Accordingly Sri K. V. Narasinga Rau, the Head of the Trade Marks Registry at Madras held his hearings on December 20 to 23, 1961 at the Office of the Andhra Chamber, Rashtrapathi Road, Secunderabad. This arrangement obviated the necessity of the traders in Andhra Pradesh going over to Madras for being heard. The Andhra Chamber has assured the Trade Marks Registry that similar facilities would be extended to them whenever they desired to have their sittings at Secunderabad.

## COMPANY LAW

### Discussion with Sri D. L. Mazumdar.

Sri D. L. Mazumdar, Secretary, Department of Company Law Administration addressing the members of the Andhra Chamber of Commerce on March 2, 1961, urged the need for increasing the efficiency in Company Management. Business has become complicated and in the present economic set-up the different branches of the business have to receive constant attention and need a careful study. For increasing the efficiency in Company Management and creating conditions for better Management of the Companies it is necessary that the professional element should be increased in the Management. Referring to the developments taking place in Company Management in other countries Sri Mazumdar envisaged a day in the near distant future when those in Company Management will become professionalised and the share holders will have complete trust in the managerial staff and there will be no need for the detailed regulations which have now been provided in the Company Law.

Sri Mazumdar during the course of his reply stated that the Government of India have been organising examinations for the Company Secretaries with a view to improve the efficiency of Company Management. "Our economy is on the move and it is developing and in the process of moving it is also creating certain troubles. It has introduced strains and stress. When we are trying to force the pace we are also trying to exert sacrifices in the shape of high prices and indirect taxation. It is our task to see that the efficiency increased and the costs of production were kept down. There is to be constant study of costs, processes and methods and this cannot be done by the



rule of the thumb and commonsense, especially when business has become complicated. Watchfulness in every sphere of activity is necessary to promote efficiency and continued growth and professionalising the Company Management has therefore become inevitable."

Continuing Sri Mazumdar said "We are not harsh in the past and on the contrary in the matter of defaults our officers have called attention to the results and have also drawn attention more than once that certain faults have been committed. It is not as though the Company Law officials would pounce upon the company or the Directors and take advantage of the faults committed.

The policy of the Department has been to take a lenient and liberal view as regards offences and give opportunity to the companies and the Directors to rectify matters" and Sri Mazumdar said that "it would continue to be the policy of the Department". In the matter of holding annual meetings the Department would be prepared to give reasonable time in *bona fide* cases where individual companies, due to special circumstances, were not in a position to hold the meetings within the stipulated period.

As regards inter-corporate investments Sri Mazumdar said it was not the intention of the Department to give retrospective effect to the 30 per cent limit of the total shareholding of the investing company, and the investing company concerned will not be asked to reduce its investments. However, investments made already would be taken into consideration when future investments were made. The Registrars have also been advised to verify the balance sheets of the companies to see that the investments have actually been made before the introduction of the Amendment Act.

Sri S. Krishnaswamy, Regional Director, Company Law Administration, was also present on the occasion.

Sri J. V. Somayajulu, former President of the Chamber, proposed a vote of thanks.

Sri V. Emberumanar Chetty, President welcoming Sri Mazumdar observed:

"When the business community was just trying to understand the various provisions of the Companies Act, 1956 an Amendment Act has come into force effective from December 28, 1960. Companies have to face difficulties in conforming to the various provisions of the Act. While it would have been convenient if the Act were given effect to from the beginning of the financial year, for reasons not known to us, the Government have chosen to introduce the Act with effect from December 28, 1960.

Under the Companies Act, 1956 and the Amendment which has come into force from December 28, 1960 there are many provisions of a complicated nature and it is likely that some mistakes in good faith occur and there is some delay in conforming to the stipulations in the Act and rules. I would request Sri Mazumdar to empower the Regional Director and/or the Registrars to condone any delay due to *bona fide* reasons or any non-compliance of the provisions due to the complicated nature of the Rules and Regulations.

As you have also been rightly mentioning Company Law is not a set of curbs on the freedom of the companies and it is not a punitive piece of legislation. Every officer of the Department should be made aware that his function is not merely to prosecute companies but help them and assist them in evolving sound methods and practices by clarifying their doubts and giving advice on matters relating to Company Law.

The businessmen and industrialists are faced with innumerable restrictions in respect of different spheres of activity and the pace at which legislations, rules and regulations are introduced are so fast that businessmen find it difficult to cope with. While Government should ensure that their object in framing the Company Law is achieved, I only wish to suggest that they should reduce the procedure, formalities and filing of forms, returns and statements to the barest minimum.

The administration of Company Law, I am glad, is in very safe hands and in the hands of one who has been actively associated with Company Law Reform, ever since the need for reform was realised and one who is fully aware of the practical difficulties involved in the administration and adoption of the Act. I have no doubt, his ripe and rich experience, and his understanding and practical approach to problems posed would be of considerable benefit to us, especially now after the Amendment Act when we are confronted with many a problem."

The Chamber presented a detailed memorandum of points to Sri Mazumdar. The points raised by the Chamber and the reply given by him are given below :

POINT NO. 1—ENFORCEMENT OF COMPANIES (AMENDMENT) ACT, 1960 :

The Department of Company Law Administration in a Press Note issued on January 13, 1961 has stated that companies would now be granted extension of time upto three months for holding their annual general meetings and present the accounts relating to a financial year ending prior to December 28, 1960 when the Companies (Amendment) Act came into force. It is stated that companies which find any difficulty in complying with the provision regarding holding of annual general meetings and presentation of accounts may apply to the Registrar of Companies for extension of time. This concession appears to be intended only for Companies who close their accounts before December 28, 1960 and not to other Companies.

The Chamber requests that extension of time should be given to other companies also on application. The Registrars may be advised to treat applications for extension leniently, especially in view of the fact that the amendments have come into force at the end of the year and the Companies are likely to be confronted with difficulties in understanding the various provisions.



REPLY :

The companies which close their accounts after the 28th December 1960 have ample time to hold the annual general meeting in accordance with the provisions of Section 166 and the Board of Directors thereof can also lay their accounts before such meeting in accordance with the provisions of Section 210 by making proper arrangements in time for internal audit of the accounts. In the absence of special reasons, there seems to be much justification for the Registrar of Companies not extending the time.

POINT NO. 2—POSTING OF DIVIDEND WARRANTS :

As per Section 59 of the Amendment Act companies have to post dividend warrants within 42 days of the declaration of dividends. Originally there was a provision of three months time and the amendment is likely to cause difficulties. The Chamber requests that more time may be given in this behalf at least during the current year since it would take some time for the companies to understand the provisions of the Amendment Act.

REPLY :

The section does not confer any power to the Central Government to extend the period of forty-two days specified therein.

POINT NO. 3—SECTIONS 370 AND 370-A (AMENDMENT) ACT—SECTION 136 :

In cases where the lending and borrowing companies are deemed to be under the same management by virtue of the present amendment, if a loan is outstanding at the time of commencement of the Amendment Act, 1960, the Chamber would like to know whether it would be enough if the loan itself is now ratified by a Special Resolution of the lending Company. The Chamber would like to be enlightened as to whether (*a*) the period for repayment can be extended at any time within six months from the date of commencement of the Act ; (*b*) whether it is necessary that a Special Resolution should be passed every time an extension is granted or (*c*) whether it would be in order if the Directors are authorised by a Special Resolution to extend the period further, if necessary, for repayment of the loan.

REPLY :

The company concerned is required to pass the requisite special resolution within six months of the date of commencement of the amending Act extending the period of repayment of the loan but the period of extension must be reasonable and definite. The Department would not appreciate grant of frequent extensions. Unless it was a financing company, the loan should be repaid within a reasonable time. The special resolution for extension of time for repayment of the loan is required to be passed every time an extension for repayment of the loan is intended and the directors of the company cannot by any special resolution be authorised to extend the time for repayment of such loan.

POINT NO. 4—INTER-COMPANY INVESTMENTS—SECTION 372 :

As per Section 138 of the Companies (Amendment) Act, the aggregate investments made by a company in all other corporate bodies should not exceed 30 per cent of the subscribed capital of the company which so invests. This limit can be exceeded only by a sanction of the investing company by a resolution passed at a General Meeting and with the approval of the Government. Since there is no provision regarding the action to be taken in respect of investments made before December 28, 1960, the Chamber presumes that this provision would not be given retrospective effect and the companies will not be asked to reduce their investiments to the limit prescribed under this Section. The Chamber requests that the position may be clarified.

If the companies were to reduce their investments to be in conformity with the above Section, it is likely to seriously affect the share market since all companies would be unloading their surplus shares and stocks. Besides loss to the companies concerned in the sale of such shares, this would also entail expenditure in calling for general meetings to pass a resolution for the purpose.

REPLY :

This section has no retrospective effect and the investments made by a company before 28th December 1960, in accordance with the provisions of Section 372 as it stood then, are not required to be disposed of after the commencement of the Companies (Amendment) Act, 1960.

POINT NO. 5—FILING FEE :

The Chamber believes that the filing fee is intended to cover servicing charges and as such it feels that the filing fee should not take the form of a tax. The present move to charge filing fee based on the Capital of the company should be dropped and the fees should be collected as hitherto.

The Directors are called upon to file some returns under certain Sections of the Act. The Chamber would like to know whether the filing fee in such cases should be paid by the company or the director concerned.

REPLY :

The fees for filing the documents are required to be paid by the directors concerned and not by the company where a section of the Act requires the directors themselves and not the company to file the documents.



POINT NO. 6—REMUNERATION TO DIRECTORS :

Section 348 as amended by Section 126 of the Companies (Amendment) Act provides that for the purpose of the Section any payment made by way of remuneration to the directors and members of a private company which is a managing agent of a company shall be deemed to be included in the remuneration of the managing agents, while Section 198 which fixes the overall managerial remuneration provides that the directors' fee shall not be taken into account for the purpose. Normally it happens that a member of a private managing Agency company is a director of the managed company, and in that capacity he may receive directors' fee for attending the meetings of the managed company. The Chamber would like to be clarified as to whether the remuneration paid to such Directors for attendance of meetings of the managed company would be deemed to have been included in the remuneration of the managing agents.

REPLY :

Remuneration paid by managed company to an individual, who is its director, for attending the meeting of its Board or Committee is required to be included in the remuneration payable by a managed company to its managing agents when such an individual is also the director of the managing agent or if the managing agent is a private company when such an individual is a member of the managing agent, or an associate of the managing agent.

POINT NO. 7—PENALTIES (SECTION 62-A) :

Penalties are sought to be levied for contravention of different sections of the Act. Even though such provisions were there in the old Act the authorities were taking a lenient view in respect of delays. Under the Companies Act, 1956 and the Amendment Act which has come into force from December 28, 1960 there are many provisions of a complicated nature and it is likely that some mistakes in good faith occur and there is some delay in conforming to the stipulations in the Act and Rules. The Chamber would request the Department to empower the Regional Director, and/or the Registrars to condone any delay for *bona fide* reasons or any non-compliance of the provisions due to the complicated nature of the Rules or the Regulations.

REPLY :

The request of the Chamber has been noted.

POINT NO. 8—BRANCH AUDIT (SECTION 228) :

Under the Companies Act, 1956 audit of branches of a company need not be done compulsorily by the Annual Auditor of the Company appointed by the Shareholders. Under the Amendment Act, every branch having a turnover above a specified limit is to be compulsorily audited by the Statutory Auditor of the Company or by another qualified auditor appointed by the Directors with the authority of the Shareholders in consultation with the Statutory Auditor of the Company. If such a provision cannot be followed, exemption has to be applied from the Department stating the reasons as to why the branch accounts cannot be audited in accordance with the above provisions.

Arrangements as to audit of the accounts for the year 1960 would have been completed early in 1960 as provided in the 1956 Act and it would be a difficult affair at this stage to appoint auditors for branch as to conform to the new Law for purposes of a uditing the Balances Sheet as at December 31, 1960, particularly when the period of placing the Balance Sheet before the General Meeting has been reduced from 9 months to 6 months. In cases where the branches are outside India the difficulty is all the more greater because under the 1956 Act foreign branches were not to be compulsorily audited and to get their accounts of 1960 audited in pursuance of the new Law would be difficult. As to get exemption from the Government is also a matter requiring time and all these cannot be finished in time to release the Balance Sheet of December 31, 1960 for approval by the General Meeting within 6 months. The Chamber would like to know whether it would not be possible for the Company Law Administration to help the companies to get over these difficulties in respect of 1960 audit by issuing a suitable amending notification.

REPLY :

Except to the extent provided in sub-section (4), Section 228 has not conferred any general power on the Central Government to exempt the audit of the branch office of companies from the provisions of the section for the financial year 1960. The Companies (Branch Audit Exemption) Rules, 1961 has already been enacted and if genuine difficulty is felt in this respect, a company may apply to the Central Government for exemption in this behalf.

## FINANCE AND TAXATION

### Central Excise Reorganisation Committee—replies to Questionaire.

The Government of India constituted the Central Excise Reorganisation Committee under the Chairmanship of Sri A. K. Chanda with the following terms of refernce :

"(1) To examine generally the organisational and administrative set-up of the Central Excise Department and advise Government on such reorganisation as may be necessary for achieving maximum efficiency at minimum cost.

(2) To review the Central Excise Act and Rules and procedures and recommend the steps required for their rationalisation, simplification and improvements wherever necessary so as to better adapt the machinery to the changing conditions.

(3) To make any other recommendations germane to the objectives of the investigation."

The Chamber submitted on August 29, 1961 the following replies to the Questionnaire issued by the Central Excise Reorganisation Committee.

CENTRAL EXCISE REORGANISATION COMMITTEE—REPLIES TO QUESTIONNAIRE

INTRODUCTORY.

A. ANDHRA CHAMBER OF COMMERCE, "Andhra Chamber Building", 272/3, Angappa Naick Street, Post Box No. 1511, Madras-1.

B. The Chamber has members spread all over the States of Andhra Pradesh and Madras in particular and South India in general. Our replies have been based on information gathered from our members.

C. The Andhra Chamber of Commerce has over 800 members and over 30 Affiliated Chambers of Commerce and Trade Organisations. The members of the Chamber are interested in the following excisable commodities in particular : Sugar, Tobacco, Vegetable, Non-Essential Oils, Vegetable Product, Soap, Cotton and Silk Textiles, Cement and Matches, In respect of other items the members are interested more as dealers.

D. The Chamber has given detailed replies to the various points raised in the Questionnaire. If the Committee desire elucidation on any points mentioned in the Memorandum or desire any further particulars the Chamber will be only too glad to depute its representatives to appear before the Committee. The Chamber's representatives would like to meet the Committee at Madras.

## ADMINISTRATIVE SET UP OF THE CENTRAL EXCISE DEPARTMENT

JURISDICTION.

*Q.* 1 (*a*) Is the existing delimitation of Collectorates of Central Excise satisfactory for ensuring prompt service to producers, manufacturers and owners generally of excisable goods, and for ensuring effective supervision over the field staff, and efficient, effective and economical revenue control?

(*b*) If the answer to the foregoing is in the negative, what would you suggest should be the criteria for delimiting the charges of Collectors of Central Excise, keeping in view possible future expansion of excise coverage, and consequent adjustment of work loads at different levels?

According to the information gathered from the members the existing delimitation of Collectorates of Central Excise is satisfactory. It is suggested that each State should have a Central Excise Collectorate located at the Headquarters of the State.

Q. 2.—Having regard to the business to be transacted with officers of different grades, do you find the jurisdiction of Ranges, Circles, Divisions and Collectorates with which you are concerned, to be—

(1) excessively large:
(2) excessively small;
(3) satisfactory?

The Chamber feels that the jurisdiction of Ranges, Circles and Divisions should be revised having regard to the volume of business transacted. For instance the Vijayawada division would be complete if the present area of Guntur District is deleted. Probably West Godavari and Krishna Districts might constitute a division which will be easy of supervision and effective control. The Chamber suggests that this may be gone into and the jurisdiction of the various ranges, circles and divisions may be revised.

Q. 3.—Are the headquarters of the Ranges, Circles, Divisions and Collectorates conveniently located from the point of view of the public having business to transact with them? If not, what changes would you suggest, and what considerations should generally determine the choice of headquarters on future expansion?

The Headquarters in Madras and Andhra Pradesh Central Excise Administration have been located at convenient places. Arrangements should be made to



ensure that every factory manufacturing excisable goods has a Central Excise Office within 9 to 10 miles reach.

ADMINISTRATIVE UNIT.

Q. 4.—Do you consider the present administrative set-up subordinate to Collectors, viz., Divisional Assistant Collectors in charge of a group of Circles, and Circle Superintendents in charge of groups of Multiple Off .er Ranges to be both necessary and adequate? If not, what changes would you suggest in the general structure and the existing chain of command?

The Chamber feels that the present administrative set-up subordinate to the Collectors, viz., the Divisional Assistant Collectors in charge of a group of Circles and Circle Superintendents in charge of groups of Ranges is necessary. At the Headquarters of each Central Excise Collectorate a Public Relations Officer should be appointed to assist the business community.

Q. 5.—Do you find the existing administrative and organisational set-up and its procedures suitable for expeditious investigation of, and decisions on, your complaints or suggestions? If not, what re-organisation and/or other changes would you recommend, bearing in mind the need for effective control at all levels?

As stated in answer to Q. 4, the Chamber suggests the appointment of a Public Relations Officer who will be able to give classification, answer enquiries and also offer suggestions for tackling given problems. The Chamber feels the appointment of such an officer vested with sufficient powers would minimise correspondence and procedural delay and help the businessmen in getting information and advice without much time lag.

Q. 6.—Do you consider the existing delegation of administrative and technical powers to Assistant Collectors and Superintendents to be adequate? If not, what changes would you recommend and why?

The powers of the Superintendent have some limitations in the matter of tobacco. The Deputy Superintendent is permitted to adjudicate dryage up to 5% and within a value of Rs. 250. If the percentage is enhanced and the Deputy Superintendents are given administration powers for a higher value, probably many of the cases can be decided on the spot.

At present the application for getting the clearance after working hours on overtime payment has to be sanctioned by the Assistant Collector. This power may be delegated tlo the Superintendent.

Q. 7.—Is the Multiple Officer Range system effective and conducive to expeditious disposal of business? If not, what organisational changes do you suggest?

The Chamber feels that independent range officers under the direct control of the circle officer would be efficient. Separate ranges for different commodities or group of commodities may be created with officers in each range. Under the MOR system the papers have to pass through the Inspector, Deputy Superintendent and the Superintendent and the process naturally takes some time. The Chamber suggests, that single officer ranges should be thought of as they would be effective and conducive to the expeditious disposal of work.

Q. 8, 9, 10 & 11.—It is claimed that the Multiple Officer Range Scheme has resulted in fuller and stricter excise surveillance, and consequently greater revenue efficiency, better utilisation of staff resources, more prompt attendance under close higher level supervision, and greater amenities to the excise personnel affected. Would you subscribe to this view? If not, why not?

For intelligent and efficient working, excise procedures should be closely dovetailed with the trade practices with which executive excise officers must be fully conversant. Do you consider that the Multiple Officer Range pattern of control helps in this direction? If not, what changes would you suggest?

The Multiple Officer Range Scheme has called for the deployment of a large number of personnel in the heavier growing and warehousing areas for tobacco. Do you consider that the staff in Multiple Officer Ranges generally is excessive/adequate/inadequate? What yardstick should be applied in determining the staff requirements of each Multiple Officer Range?

During ten years ending 1957 when the Multiple Officer Range Scheme was introduced, the normal revenue and administrative units were single officer charges, e.g., an Inspector in charge of the Range and a Superintendent in charge of a Circle; Sub-Inspectors and Deputy Superintendents were more the exception than the rule. Having regard to administrative and revenue considerations, and the need to minimise costs of collection, would you recommend—

(*a*) reversion to the system of single officer charges;

(*b*) extension of the Multiple Officer Range Scheme to all excisable goods; or

(*c*) any other pattern for organising the primary revenue and administrative units?

The Chamber learns that businessmen have to find out the officer for their particular area when they go to MOR. If he is not available they have to return without their work being completed. Even though the MOR system may mean rotation of officers, better utilisation and prompt attendance, in actual practice it does not happen. The rotation of officers under MOR results in transmission of papers from hand to hand involving much delay and annoyance to the businessmen. The Chamber feels that mere rotation would not ensure efficiency and integrity. In addition, the location of the MORS in distant places rrsults in avoidable expenditure and waste of time to the trade as well as the department. The frequent rotation of officers results in the officers and the parties not knowing each other and not knowing the places where the factories and curing houses are located. This results in serious hardship to all concerned. Since the movement of the MOR Inspectors is governed by the Superintendent there is delay in the issue of clearance and processing permits. The Chamber learns that in many cases clearance of tobacco was given after a fairly long period of completion of processing, resulting in deterioration in quality and flavour of tobacco besides loss of weight due to dryage. Especially in the case of tobacco the rotation of MOR Inspectors results in the Inspectors not being able to locate and visit the different licensees. In view of this the Chamber feels that single range system with independent officers would contribute to efficient and speedy disposal of files.



Q. 12.—If you favour the first alternative, what rank of officer would you suggest to be placed in charge of a Range? Normally, how many ranges should from Circle?

The Chamber feels that the rank of range officers may be that of Inspectors assisted by Sub-Inspectors. The Deputy Superintendent may be kept as Head of four or five ranges to have effective supervision over the work of the range officers.

Q. 13.—If you recommend extension of the Multiple Officer Range pattern, please describe the criteria which should regulate the size of a Multiple Officer Range and the normal staff complement of each Multiple Officer Range.

In view of our replies to Questions 8 to 12 this question does not arise.

Q. 14.—In Calcutta and Kanpur industrial areas, and in certain other centres, Superintendents' and Assistant Collectors' Offices have, for some time, been integrated into common offices. Have you expereienced any improvements in the speed and quality of disposal of work arising in these areas following this administrative change? Would you recommend this as the general pattern for reorganisation of supervisoty and controlling offices?

Supervisory and controlling offices should function as separate offices.

CADRE COMPOSITION.

Q. 15.—Do you consider the existing designations, viz.—

Collector
Deputy Collector
Assistant Collector
Superintendent
Deputy Superintendent
Inspector
Sub-Inspector

to be appropriate having regard to the functions and powers of officers of the respective grades? If not, what changes would you suggest and why?

At present the Sub-Inspectors are functioning as Co-assessing Officers. These officers also may be assigned to do definite work.

The feasibility of changing the Central Excise administrative set up on the lines of the Customs administration may be considered.

In the Customs and Central Excise administration the officials may be roughly rouped as under :—

| *Customs* | *Central Excise.* |
|---|---|
| 1. Collector. | 1. Collector. |
| 2. Assistant Collector. | 2. (*a*) Deputy Collector. |
| | (*b*) Assistant Collector. |
| 3. Principal Appraiser. | 2. (*a*) Superintendent. |
| | (*b*) Deputy Superintendent. |
| 4. Appraiser. | 4. (*a*) Inspector. |
| | (*b*) Sub-Inspector. |

The Chamber feels that Ranges, Circles and Divisions may be in charge of Inspectors, Superintendents and Assistant Collectors respectively. A Sub-Inspector or Deputy Superintendent or Deputy Collector may also function according to seniority. At any rate there should be only four stages in the administrative set-up as far as the assessees are concerned. Too many designations should not result in too many intermediary officers.

Q. 16.—The Range in charge of an Inspector or Deputy Superintndent of Central Excise being the primary revenue unit and the Circle in charge of a Superintendent of Central Excise being the primary administrative unit, do you think there is any need for Assistant Collectors in the chain of command?

Please see our answer to Q. 15.

INTEGRATION OF CUSTOMS AND CENTRAL EXCISE.

Q. 17.—Sea Customs work at Intermediate and Minor Ports, Land Customs work along the land frontiers, and Air Customs in all parts of India in the interior is now entrusted to Collectors of Central Excise. Do you consider this arrangement to be satisfactory? If not, please state for what reasons?

The Sea Customs work at Intermediate and Minor Ports, Land Customs work along land frontiers and Air Customs in all parts of the country should be undertaken by the Customs Administration.

Q. 18.—Would you suggest divesting Collectors of Central Excise of the responsibility for Sea, Air and Land Customs work?

Yes.



Q. 19.—Alternatively, would you suggest extending the Customs functions of the Collectors of Central Excise? If so; please state to what extent and how?

Does not arise in view of our replies to Q. 17 and 18.

COST OF COLLECTION.

Q. 20.—Have you any suggestions for reducing the cost of collection of Central Excise Duties?

The system of compounded levy as obtaining in the case of vegetable oils and power looms may be introduced in respect of as many items as possible.

The introduction of compounded levy would minimise the work and reduce cost of collection. Periodical test or surprise checks may be undertaken to prevent evasion.

Q. 21.—The staff deployed varies considerably as between one Collectorate and another. These numbers do not bear any common relationship with the revenue, the area, the number of excisable goods produced, or the number of factories, or the area under tobacco cultivation, or the number of Multiple Officer Ranges, or isolated Ranges, Circles and Divisions. The result is a variation in work-loads at Collector's Headquarters and also disparity in costs of collection as between one Collectorate and another. What measures would you recommend to reduce these disparities?

See reply to Q. 20.

MANAGEMENT IMPROVEMENT.

Q. 22.—Having regard to the extent of jurisdictions and the nature of duties of Central Excise Officers, do you consider that they are adequately mobile for performing their duties efficiently? If not, what measures would you recommend for improvement?

Suitable conveyance should be made available to the officers at different levels to attend to their work instead of their depending on public transport or transport provided by licensees.

Q. 23.—How far has technical scrutiny of documents, testing of samples of excisable goods, and the system of inspections by officers of the Central Revenues Chemical Service, facilitated the enforcement of Central Excise Regulations and resolution of classification disputes? Would you recommend extension of similar activity by the Central Revenues Chemical Service to manufacturers of other excisable goods?

A testing Laboratory should be attached to each Central Excise Collectorate.

Q. 24.—Are you satisfied with the present procedures, including quantitative limits, for drawal of samples of excisable goods for—

(i) *bona fide* trade purposes, and

(ii) for settlement of classification disputes? If not, what changes would you recommend and why?

If samples are drawn for *bona fide* trade purposes and not for sale the Chamber feels that there need not be any quantitative limit and that no duty should be collected on such samples.

DISCIPLINE.

Q. 25 & 26.—What is the standard of discipline among the field and office staff, and what measures would you recommend to improve it?

(*a*) What, if any, are the main weaknesses in the existing organisational set-up which could be taken advantage of by unscrupulous members of the staff for illegitimate gain to themselves?

(*b*) What is the extent of corruption, and what is the level is has reached?

(*c*) What measures would you recommend for reducing the scope for corruption?

(*d*) What has been the effect of the Multiple Officer Range Scheme on the extent of corruption in subordinate field staff?

The Chamber is of the view that rules and procedures easy of adoption with levies at moderate level would eliminate corruption and evasion to a great extent. Effective check over officers and prompt disciplinary action against erring officers should go to tone up the administration.

ADVISORY COMMITTEES.

Q. 27 & 28.—How far have Central Excise Advisory Committees contributed to improvement in standards of administration? Would you recommend formation of similar Advisory Committees at all levels?

Would you suggest any changes or modifications in regard to the functions of the Advisory Committees? If so, state the same with reasons therefor.

As advisory bodies these Committees facilitate exchange of views on matters relating to Central Excise Administration. The Chamber feels that general matters of principles and policy even arising out of appeals may be discussed at these Committees. To the extent the recommendations do not come into conflict with the prescribed rules and regulations such recommendations may be adopted. The proceedings of all meetings of these Committees should be circulated among the leading



commercial organisations in the respective States. If the recommendations made at any meeting are not implemented the reasons therefor should invariably be given.

The Cnamber feels that Advisory Committees may be constituted at Divisional and Circle levels also as these bodies would help to bring about better understanding between the trade and the department.

PART II—THE CENTRAL EXCISE AND SALT ACT, 1944.

Q. 30 & 31.—(*a*), (*b*) & (*c*). Have you any general comments to make on the scheme of the taxing system under the Central Escises and Salt Act, 1944?

ASSESSMENT AND COLLECTION OF DUTY.

Dou you find the existing provisions under Section 4 of the Act adequate for determining the value of an excisable article for levying duty *ad valorem*? If not, what changes would you recommend to be made in the law?

Please describe briefly any special difficulties which may have arisen in determination of value for assessment *ad valorem* of excisable goods with which you are concerned. Do you consider them to be inherent in the law or arising out of its, application?

Under Section 4 of the Central Excises and Salt Act, the reductions permissible from the ex-factory price for arriving at the assessable value of goods are the amount of duty payable, and discounts allowed unconditionally to every independent wholesale buyer. In respect of excisable goods with which you are concerned, does this procedure allow full abatement of costs incurred in the shape of charges for, selling and distribution, publicity and advertisement, loss of interest on value of stocks held, insurance, and similar other post-manufacture charges? If not, what scheme of deductions would you recommend to cover all legitimate deductions from ex-factory wholesale price?

The Chamber is of the view that all duties should be levied on the basis of actual production in terms of weight, length or other measurements and not on basis of value. Even while assessing on the basis of weight the weight of packing material and containers should not be taken into account. The adoption of this suggestion would ensure efficiency and uniform levy. The adoption of *ad valorem* duty might result in unequal competition between developed units where cost of production is less and small or new units where cost of production is more.

While determining the value for purposes of levying duty the cost price at factory exclusive of package or containers should be taken into account. For ascertaining the value the cost obtaining in the same unit or nearby units may be taken into account. The selling price or the market price should never be taken as the guiding factor.

Q. 32.—How has the scheme of fixation of tariff values for certain articles liable to *ad valorem* duties worked? Would you recommend a general extension of the scheme of tariff values for excisable goods chargeable to duty *ad valorem*?

Please see answer to Q. 31.

Q. 33.—Certain excisable goods bear at present a multi-point levy. For example, duty is levied separately on Tobacco and on Cigarette paper, and again on the manufactured Cigarettes. Duty is levied on Grey Cotton Fabrics, and again when the same fabric is processed. Duty is levied on Aluminium ingots, billets, etc., and again on sheets and circles into which it is rolled. Duty is levied on loose Tea, and again on the same tea after it is packaged. Duty is levied on Vegetable Non-essential Oils, and again on Vegetable Product into which the oil is converted. Duty is levied on Tyres, Batteries and Bulbs, and again on the complete automobile of which these articles form part.

Do you favour continuance of this scheme of taxation? If not, would you recommend one consolidated rate being applied to the final product, all materials going into its manufacture being free of duty?

The Chamber is in favour of one consolidated rate being applied to the final product, all materials going into the manufacture of an excisable product being free of duty. This would simplify matters and facilitate collection work.

Q. 34.—The tariff provides ceiling rates for certain commodities, for example, Tea, Rayon and Synthetic Fibres and Yarn, Cotton Fabrics, etc. The actual rate is determined within the ceiling for each commodity by notification under Central Government's power of exemption. Do you favour continuance of this scheme, or would you prefer the tariff itself providing the operative rates?

The Chamber suggests that the operative rates should be fixed in the Finance Bill annually instead of being fixed by executive notifications from time to time.

Q. 35.—Has the existing procedure for assessment and collection of excise duty given rise to any practical difficulties? If so, what is the nature of those difficulties and how could they be minimised?

At present the licensee submits an application for clearance of goods manufactured and the Inspector levies the duty on the basis of clearance application filed. In the case of licensees who do not have deposit account they have to go to the bank and pay the duty. After payment of duty the licensee again approach the officers for release of the goods. This can be avoided if the department accepts cheques issued on scheduled banks.

The deposit account system may also be continued side by side for use by those who need it. These rules also should be relaxed to facilitate more licensees to avail of the scheme.



EXEMPTIONS.

Q. 36.—What is your view of the scheme providing for total exemptions from duty for excisable goods used in industrial processes?

Please see our answer to Q. 33.

Q. 37.—Prevailing controlled exemptions or variations from the standard rates of duty under the tariff may be broadly classified under the following headings :—

(1) Production incentive rebates, e.g., remission of 50 per cent of the duty on sugar production in excess of a ceiling figure.

(2) Differential rates related to the quality of the article, e.g., Tea, not otherwise specified, the rate of duty for common teas being lower than the rate for quality teas, and certain forms of flue-cured Tobacco used for manufacture of Cigarettes or smoking mixtures or biris.

(3) Exemption on the first slab of production for every manufacturer regardless of size or output, e.g., Vegetable Non-Essential Oils, Vegetable Product, Tyres, Straw-board, Powerlooms, Cinematograph Films exposed, Cotton Textitles processed, etc.

(4) Exemptions, total or partial, to favour small scale operatives, e.g., Pulp board, Batteries and their parts produced in factories employing less than 5 workers, Matches, and certain items under the heading Pigments, Colours, etc., when output does not exceed critical figures, Footwear produced in factories employing less than 50 workers and not using more than 2 H.P. of mechanical power, Internal Combustion Engines, Electric Motors, Cycle Parts, etc.

(5) Exemptions regressing as output rises, e.g., Cotton and Art Silk fabrics compounded levy rates.

(6) Exemptions to prevent double taxation, e.g., crude Aluminium made from duty-paid materials or scrap, raw Vegetable Non-Essential Oils converted into refined oil.

(7) Consumption incentives, e.g., a special reduction in rate of duty on vegetable product made from cotton-seed oil in proportion in excess of a critical figure.

Do you think that these schemes not only result in varying incidence of the duty on the same excisable product produced by different manufacturors and are, therefore, discriminatory, but some of them also tend to inhibit maximum production as a higher impost becomes leviable on the entire output if production esceeds certain ceiling figures. What are your views on these schemes of exemptions? Do any of them have any adverse effect on exports?

Please see our answer to Q. 33.

(1) The Chamber would welcome the idea of remission of 50% duty on production of any excisable commodity in excess of a ceiling. This is particularly necessary in view of low productivity and production in many industries. The installed capacity also is remaining unutilised in a large number of industries. The increased production consequent on this incentive would attract lesser duty and to a certain extent this woud help to bring down the price level. When the Planning Commission and the Government are thinking of maximising production and releasing the surplus for export, this suggestion is a timely one and it should be implemented at the earliest. Since a ceiling figure is fixed the current excise revenue will not be affected in any way. It would only result in additional revenues by way of income from excess production.

(2) The differential rates are necessary in so far as their capacity to bear the levy is concerned.

(3) The Chamber is in favour of exemption on the first slab of production in respect of all units regardless of production and size.

(4) Exemptions of this nature seem to be necessary at least for some time to come with a view to provide incentives to smaller units.

(5) Please see answer to point 1 supra.

(6) Our answers to Q. 33 and 36 apply to this also.

(7) Incentive of this nature is welcome and it should be retained in so far as it helps to utilise cotton seed oil in an increasing measure. Similar incentives may also be thought of to encourage utilisation of indigenous products as against imported products in manufacturing processes where imported products predominate.

As already indicated the Chamber is of the view that factors inhibiting maximum production should be eliminated. However the Chamber concedes that exemptions should continue at lower level to encourage small industries at least for some tome to come.

Q. 38.—Have these exemptions served the purpose in view of helping the small-scale sector, or have they encouraged evasion? Would you advocate their continuance?

The Chamber is of the view that the exemptions indicated supra help the development of industry on healthy lines and it is therefore not only in favour of their continuance but also in favour of their extension on the lines indicated.

Q. 39.—If you do not approve of these schemes, what alternative methods would you suggest for aid to genuine small-scale manufacturers?

Does not arise in view of our replies to Q. 37 and 38.



ADJUDICATION APPEALS AND REVISION APPLICATIONS.

Q. 40.—Have you any observations to make on the provisions of Sections 33 to 36 of the Act relating to powers of adjudication, appeals and revisions?

Probably the provisions of Sections 33 to 36 would become superfluous if the suggestion of the Chamber for exemption of raw materials is accepted. Section 33 contemplates a fine of Rs. 1,000 in addition to confiscation of the goods. The Chamber feels the fine is on the high side especialy in view of the fact that goods are confiscated.

Q. 41.—Are you generally satisfied with the machinery and the manner in which appeals and revision applications are at present disposed of? If not, what changes do you consider necessary and why?

Since appeals against the decisions of subordinate officers to superior officers are invariably confirmed the Chamber feels that the Appellate Authority should be independent of the Administrative Authority. The feasibility of having a Tribunal on the lines of the Income Tax Tribunal may also be examined.

Q. 42.—Are you satisfied with the present arrangements for publication of rules, notifications and general instructions for observance by licensees and other persons affected by them? If not, what improvement would you suggest?

Whenever any changes in rules, procedures, levy and the like are introddced most of the manufacturers covered by Central Excise are unaware of the details at least for a few days. The Chamber feels that each licensee covered by Excise levy should be provided with a copy of such rules or notifications or changes in levy immediately after announcement.

The Chambers of Commerce and Trade Associations also should be kept informed of changes. In addition, the Chamber feels the views of the concerned trade interests should be elicited before introducing any change in the rules or procedures.

Q. 43.—Do the existing provisions of the Central Excise Act and Rules provide adequate punishment for evasion of duty and other violations of the Act and Rules? If not, what modifications would you suggest? Conversely, do the provisions of Section 22 of the Central Excise Act give adequate protection against vexatious search, seizure, detention, etc., by Central Excise Officers?

The Chamber is of the view that the provisions are more than adequate to prevent evasion. In fact the punishment and penalty contemplated in many cases is rather harsh and on the high side. While Section 22 contemplates protection the Chamber feels that the licensees should be informed of the ground of suspicion before any action is taken. Care should be taken to use the powers vested in the officers only in genuine cases of doubt or reported evasion as search and connected proceedings result in humiliation and give room for market gossip about the integrity of the party and ultimately affect the reputation and credit of the party concerned. It may even be worthwhile to stipulate that such search should be thought of only under written instructions from the Collector of Central Excise or the Assistant Collector of Central Excise.

Q. 44.—Do the Central Excise Act and Rules otherwise provide adequate safeguards against seizure and detention of goods without sufficient cause by Central Excise Officers? If not, what measure would you suggest for ensuring that the owner of goods seized could take timely steps to safeguard his legitimate interests, and the fact of seizure of the goods, and the circumstance of its seizure are irrevocably brought on record?

The normal procedure applicable in cases of searches and seizures conducted by the Police Officials should be adopted in these cases also to ensure that the interests of the individual are safeguarded.

Q. 45.—In the event of a wrong decision, the interests of the public are safeguarded by law which provides for appeal and revision applications; but there is no provisions for safeguarding the interest of the Government where a wrong decision adversely affects the revenue. Do you consider it necessary to provide by law for review of orders passed by Central Excise Officers by higher authorities?

Vesting the Central Excise authorities with powers to review orders is fraught with serious consequences. The interests of the Government can be safeguarded by providing for deterrent punishments for erring officers.

## Part III—The Central Excise Rules, 1944.

Q. 46.—Have you any general criticism to offer on the existing procedures for assessment of goods to duty?

The Chamber feels that the procedure can be simplified and the number of books to be maintained and the returns to be submitted can be reduced having due regard, of course, to collection of revenue and prevention of evasion.

### Assessment and Clearance.

Q. 47.—Has the requirement of payment of duty before clearance of goods from the place of production or manufacture given rise to any practical difficulties? Have you any alternative system to pre-payment of duty to suggest without impairing the revenue potential? If so, what is the alternative?

As indicated earlier the Chamber suggests that payment by cheques may be accepted. Cheques may be presented along with the application against which instructions for clearance may be given.



Q. 48 & 49.—The existing procedures provide for provisional assessment pending settlement of disputes. How far has the trade availed of this procedure? If the procedure has not facilitated speedy clearance of goods whose classification is in dispute, what alternative methods would you suggest for improvement?

Are you satisfied with the present procedures for resolution of disputes relating to classification of excisable goods in different tariff items?

In matters of difference of opinion relating to classification of goods the Chamber feels that there may be consultation between the different Central Excise Collectorates as also with the Central Board of Revenue so that uniform procedure is adopted throughout the country.

Q. 50.—Do you find the existing schemes of excise control based on physical checks, supplemented with scrutiny of statutorily prescribed accounts, to be working satisfactorily? If not, please state the reasons why, an indicate any alternative scheme you would recommend.

Normally the books maintained by the licensees and other particulars would help the officers in assessing the production accurately. Physical checks may be resorted to where evasion is suspected rather than resorting to it invariably in all cases The Chamber feels such physical checks would only result in disturbance and dislocation to the industry concerned and also result in waste of time and energy, both to the officers and the licensees.

Q. 51.—Would you recommend any general or specific change over from the existing system based on a combination of physical and accounts checks to a system substantially based on an accounts check under which physical controls would the relaxed or wholly abandoned; the manufacturer/producer would pay the duty himself prior to removal of his goods, and would furnish weekly or fortnightly returns showing full details of the goods produced and delivered, the amount of duty leviable, and the amount actually paid, differences being settled after official scrutiny?

The Chamber feels this suggestion, if accepted, would go a long way in helping the industries. Firstly, the dealer has to find resources, not only for purchase of raw materials, maintenance of the factory and establishment charges, but also for payment of Central Excise Duty even before the sale of goods. If Excise Duty is collected on the lines of sales-tax it would be of immense benefit. Alternatively the goods may be released against bank guarantee.

Q. 52.—In regard to the excisable commodity with which you are concerned do you consider any of the existing physical check to be superfluous? If so, please furnish details of those stages of excise surveillance which, you consider, can be, eliminated.

Please see replies to points raised in Part IV in respect of individual commodities.

Q. 53.—Are the existing facilities for tendering duties and other charges into the Government account adequate? If not, what further facility would you recommend?

Please see replies to Q. 35 and 51.

Q. 54.—Considering that for delays in payment of amounts lawfully due to Government, there is not only loss of man-power in enforcing recovery, but also loss of interest which such sums would normally have earned, please give your views on the feasibility of introducing a system of recovery of penalty and interest on such sums, if payment is defaulted beyond a specified time limit.

The Chamber is not in favour of collection of duties with interest in all cases. However, it has no objection to levying interest charges if payment is delayed beyond a specified period. If the licensees are unable to pay the duty within the stipulated time they may at least pay the money with interest. The question of penalty would arise only in cases where the Department finds it difficult to collect the duty even after the time allowed for payment of duty with interest expires.

Q. 55.—(*a*) Containers of Matches and Cigars and Cheroots are, at present, required to bear visible symbols in the form of match banderol and Central Excise Revenue labels, showing that duty has been paid on the contents. Would you recommend Central Excise labels being affixed to any other excisable goods?

(*b*) Alternatively, do you consider banderolling of match boxes, and affixing excise duty labels on containers of cigars and cheroots to be superfluous?

(*a*) The Chamber is in favour of the continuance of the use of banderols on match boxes and duty labels on cigars and cheroots. In this connection the Chambe would like to mention that there have been occasions where themanufacturers were put to hardship due to non-availability of banderols and labels on certain occasions.

(*b*) The question does not arise.

### Exports and Refunds.

Q. 56.—(*a*) Does compliance with the formalities of the procedure prescribed for export of excisable goods in bond and under claim for rebate of duty present any difficulty.

(*b*) What is the nature of difficulties, if any, and what measures would you suggest to overcome them?

The Chamber is of the view that the formalities connected with export of excisable goods in bond should be simplified to the maximum extent possible.

Q. 57.—Except in a few instances, e.g., exports under rule 12-A, one of the con ditions for grant of rebate is identification of the goods cleared from the place of pro-



duction manufacture with the goods exported. Would you recommend dispensing with such identification? What alternative measures would you suggest to prevent abuse if identification is waived?

For obtaining refund exporters have to show clear proof that the item exported has been subjected to excise duty. Exporters of dyed yarn, the Chamber learns, are experiencing hardship in obtaining refund of excise duty. Under the present system small processors who are getting orders to dye 2/20s, 2 32s, and 50s, have to get permission from the Excise Authorities before they open the bales. They have to obtain permission for repacking the dyed yarn and they should also obtain the seal of the Department on the bales to claim refund. Since the dyeing is done by hand process by small processors, it is stated, that they find it difficult to comply with all the formalities. It is suggested that refund may be allowed against production of invoices, shipping bills and purchase vouchers for yarn. If the suggestions made in reply to Q. 33, are accepted, probably much of the difficulty experienced would be overcome. The rules contemplate grant of an exemption of goods purchased for export purposes with vouchers. But it may happen that exporters buy goods in the wholesale market for export. In such casesalso the exporters should be given the benefit of refund of duty so long as they are able to prove that the goods in question were products of a manufacturing unit within the country paying central excise duty.

Q. 58.—Under the existing rules, full duty is refunded on excisable goods exported out of India as such. Where an exempted or a favoured sector exists, as in Vegetable Non-essential oils, or where excisable goods enter into the manufacture of another product which is subsequently exported, the, rate of rebate is adjusted in an *ad hoc* manner. Have you any criticism of the *ad hoc* rates now fixed, or any suggestions on the basis of which the *ad hoc* rates can be worked out in such cases?

The quantum refunded is being decided after scrutiny of record of various manufacturers and exporters. The quantum of refund allowed in the case of different items should be revised on the basis of test checks and it should be applied uniformly throughout the country. The request for change of the quantum of refund should be considered as and when exporters or manufacturers make out a case therefor.

Q. 59.—Rebate of excise duty on excisable materials contained in articles which are exported out of India is now regulated by rules 12-A, 191 and 191-A of the Central Excise Rules, 1944. Do you consider all these separate provisions to be necessary for the purpose? Is it feasible to work out a common set of rules to serve the purpose for which these separate rules have been framed?

Q. 60 & 61.—Have you any suggestions to improve the procedure prescribed by rule 191-B of the Central Excise Rules under which excisable goods are permitted, to be used in bond for manufacture of other goods for export?

Have you any improvements to suggest in the procedure for regulating rebate of duty on excisable goods exported by post parcels?

As indicated supra the procedure relating to rebate of excise duty should be simplified. Drawback rules are published now and then in respect of different item and at times one finds it difficult to keep track of developments. The Chamber suggests that all rules and notifications as regards refund of excise duty facilities should be made available in the form of a booklet brought up to date once in every six months.

Q. 62.—Sealing of containers of excisable goods cleared for export is prescribed by the Rules, but has, generally, been relaxed. Do you consider sealing of containers for export to be necessary?

In so far as the Department itself has relaxed the rules relating to sealing of containers there does not appear to be any need for the continuance of the sealing system.

Q. 63.—What particular difficulty is experienced in prompt settlement of refunds? What suggestions have you to make for improvement?

A time limit of three months from the date of original payment or adjustment has been fixed for claiming any refund. In so far as the department have facilities for collection of duties under rule 10 as well as rule 11, the Chamber feels that relaxations as regards time limit may be given to the trade also.

There is at present a provision for adjustment of refunds towards assessments in the case of Account current holders. This facility may be extended to other licensees also.

If the above suggestion is not accepted the Chamber feels that there should be a provision for refund of duty along with interest in case of delays. This would be particularly necessary if the suggestion made in Q. 54 were to be implemented.

LICENSING.

Q. 64.—What simplification of the procedures, if any, for issue and renewal of licences would you suggest?

Licensing should be done more for purposes of registration rather than as a source of revenue. The licence fees should be a very nominal one. Unless there is a change in the constitution no fresh application for a licence should be required.

Q. 65.—It has been represented that much difficulty is caused due to—

(i) multiplicity of licences

(ii) yearly renewal of licences;

(iii) procurement of Central Excise Stamps from Post Offices, and it has been suggested that only should the licence forms be reduced, but provision should also be made for renewal of licences for periods covering more



than one year, and that cash payment of licence fee in the treasury should be permitted in lieu of Central Excise Stamps at the applicants' option. Please give your views on the above suggestions.

The period for renewal of a licence may be made three years and the licences may be issued for that period. The manufacturers should be permitted to pay cash in the treasury or issue a cheque for the licence fee instead of affixing excise stamps.

Q. 66.—Is the scale of licence fees for various types of licences generally satisfactory? If not, what changes would you suggest?

Please see replies to Q. 64.

Q. 67.—It has been suggested that licensing the manufacturers of splints and veneers, and of composition for match heads, serves no useful purpose. Please give your comments on this suggestion.

Please see replies to Q. 283.

BONDS.

Q. 68.—Under the Central Excise Rules, various forms of bonds are prescribed so be executed for each different purpose, the amount for which the bond is to be executed being specified by executive orders. It has been represented that the execution of a number of bonds is very cumbersome. Do you subscribe to the above view? If so, please state—

(a) Whether it would be feasible and in the interest of efficiency to consolidate the existing bonds into one or more on the lines of the B-12 Bond?

(b) Whether it is necessary to continue two types of bonds, viz., bonds with surety and bonds with security, or whether one of these could be dispensed with for particular commodities, or for particular purposes?

(c) Whether the amount of surety/security required under existing orders for each type of bond is adequate for the safeguard of revenue? If not, what are your suggestions for fixation of the amount of bonds?

(d) If case you favour the continuance of surety bonds, whether such a surety should be personal, or in the form of a guarantee from a scheduled bank? In case of personal surety, whether the annual verification of solvency of the surety causes any particular difficulty?

(a) The Chamber is in favour of consolidating the existing bonds on the lines of the B-12 bonds.

(b) The Chamber feels the licensees should not be burdened by stiuplating heavy amounts. If possible the security may be waived. Personal bonds from the manufacturer concerned should be found adequate.

(*c*) The department has adequate powers to safeguard its interests.

(*d*) Regarding surety the Chamber feels that the stipulation should be dispensed with. In view of this the verification of solvency does not arise.

The manufacturers are constantly under the supervision of the Excise Control Officers and goods pass out of the factory only with their knowledge. In the case of certain factories the officers are stationed in the factory itself. In view of all these, the Chamber feels there need not be any insistence on sureties or production of solvency certificates by such sureties. The departmental officials have access to the account of the assessee at all times and they would know his financial position at any given time.

Q. 69.—Considering the general provisions of the Central Excise Act and Rules and, in particular, the scope of Rule 230 of the Central Excise Rules, which provides for detention *inter alia* of plant and machinery also, would any insurmountable difficulty be felt in ensuring safety of revenue, otherwise than by the execution of bonds? If so, please give your concrete suggestions with reference to particular excisable items, and particular purposes for which bonds are at present required.

The very provisions of rule 230 of Central Excise Rules would justify our suggestion that bonds, other than personal bonds, are not necessary.

Q. 70.—(*a*) It has been represented that collection of duty on manufactured products at the time of clearance for home consumption results in unnecessary locking up of capital due to the time lag between the clearance and actual realisation of the purchase price of goods by the manufactures, and that extension of the warehousing facility provided for in Chapter VII of the Central Excise Rules would solve this difficulty. Considering the need for restricting the number of tax collection points in the interests of economy in the cost of collection, and considering the increase in administrative work involved in any extension of such a concession, what factors should, in your view, guide the decision that extension of warehousing facilities should be permitted to particular manufactured excisable products?

The replies given by us to Q. 51 contemplate release of goods by the dealer himself. The Chamber feels that this suggestion, if implemented, would help to step up production and would also result in increased revenue by way of Central Excise duties.

Q. 70.—(*b*) In the event of your suggesting an extension of the warehousing concession, how do you think should the Government be compensated (i) for increase in staff, (ii) for loss of duty due to loss or deterioration of goods while stored, pending clearance for home consumption?

See answer supra.

Q. 71.—Revenue safety in respect of manufactured goods has been sought to be fortified by prescribing the gate pass procedure under Rule 52-A of the Central Excise Rules. What is your experience of the working of this procedure and to what extent has its achieved it objective?



If the suggestion made in reply to Q. 70 is accepted there may not be any need for the continuance of gate pass sysetm. However, the Chamber has no objection to its continuance.

Q. 72.—Would you suggest—

(i) strengthening and extension of this scheme beyond the stage of first destination;

(ii) its abolition?

Pleaase give your reasons.

Please see replies to Q. 71.

Q. 73.—Are you satisfied with the general provisions of the Rules in Chapter X of the Central Excise Rules and prevailing procedures to regulate remission of excise duty on goods used for special industrial purposes? If not, what improvements would you recommend?

In view of the recommendations made in reply to Q. 33 the rules in Chapter 10 would become unnecessary.

Q. 74.—What general criteria do you propose to be adopted for judging whether or not a claim for remission under these provisions of duty leviable on any specified excisable goods should be admitted

The Chamber is of the view that exisable goods when used in another industrial process and also when such goods are exported outside the country should be exempt from payment of excise duty. Production in all units upto a stipulated quantity should be exempt from payment of excise duty. This would help small industries and cottage industries to produce goods within stipulated limits. Partial exemption from duty should also be given if production exceeds a stipulated figure. This would serve as an incentive to the industries to produce more and qualify for an exemption.

Q. 75.—Does any factory experience any difficulty in housing the excise staff?

The factories which do not have their own housing colonies find it difficult to provide housing accommodation to Excise Staff. The Chamber feels that insistence on the factories to provide housing accommodation in respect of factories situated in big cities is not necessary. When many factories are not able to provide housing facilities to their own workers it would be difficult, if the department stipulates that housing the excise staff should be the responsibility of the factory. The Chamber nderstands the likely difficulties of the Central Excise Officials in getting accommodation in out of the way places. In such cases the Chamber hopes the factories concerned would themselves endeavour their best to provide or secure accommodation to the Excise Staff.

PART IV—EXCISABLE COMMODITIES.

TARIFF ITEM No. 1—SUGAR.

Q. 76.—Do you think that the tariff definition of Sugar is appropriate to ensure that sugar intended to be subjected to excise duty is covered by the phraseology used therein? If not, please state the modifications that should be made.

The definition is all right.

Q. 77.—Please name specifically those practices and procedures of Central Excise control which have presented difficulties in day to day work of sugar factories.

There are no difficulties in the present practices and procedures of Central Excise except the condition that serial numbers of the bags should be noted at the time of clearance on A.R.-1 applications. It is felt this results in mere waste of time, labour and paper.

Q. 78.—Would you attribute these difficulties to the provisions of the Central Excise Rules, or to departmentally prescribed procedures, or any other reasons? How can these difficulties be minimised?

Noting the serial numbers of the bags at the time of clearances is a departmentally prescribed procedure and it can be dropped off when the whole production is accounted for by serially numbering all the bags and kept in the bonded godowns under excise supervision.

Q. 79.—Have you any modifications to suggest in the existing system of technical control through scrutiny of accounts of sugarcane, intermediate sugar house products, sugar manufactured, and sampling of intermediate products? If so, please indicate what changes should be made.

The present system may be continued.

Q. 80.—How far has the compounded levy scheme for Khandsari sugar relieved the rigours of the normal excise control Have you any suggestions to improve upon the existing compounded levy scheme?

Compounded levy scheme for Khandsari sugar may not be advisable as production in a Khandsari factory varies day to day depending upon the quality of the cane and process. The compounded levy scheme for Khandari sugar factories may not ensure realisation of excise duty in full and might thus be a source of leakage of excise revenue. The Chamber suggests that the compounded levy may be enhanced by another 30 to 40%.



Q. 81.—Has the procedure in regard to exports of sugar in bond, or under claim for rebate, presented any difficulties? If so, what are the difficulties, and how can they be minimised?

No comments.

Q. 82.—Have you any comments on the accounts, and the periodical returns prescribed for manufacturers of sugar, or any suggestions for their simplification?

No comments.

Q. 83.—Do you feel that sugar factories are not adequately staffed by excise staff? If so, please state the changes that should be made in the excise staffing of sugar factories.

Because of the present MOR scheme factories are experiencing great inconvenience by transfer of staff frequently. There should be one Inspector permanently posted to the factories for a certain period at least for one full season and one off season. One Inspector and one Sepoy would do for a sugar factory. This would facilitate smooth work with experienced staff.

Q. 84.—Are you satisfied with the existing arrangements for supervision over clearances outside the normal working hours of the factory? If not, what improvements would you suggest?

Practically there is no difficulty in the existing arrangements for supervision over clearances outside the normal working hours of the factory. But the Chamber would like to suggest that the Officer posted to the factory may be authorised to attend to such overtime work in anticipation of sanction of the same by his superior authority.

TARIFF ITEM No. 4—TOBACCO.

Q. 99.—The production of unmanufactured tobacco varies considerably from season to season. Years of over-production with falling prices alternate with years of ow production with rising prices. For ensuring steadier market conditions, and better regulated supply, would you recommend adoption of measures to limit the production of tobacco?

The area under tobacco in India in the period 1957-58 to 1950-60 is steadily on the increase. The production also has been steadily increasing. The trade and agriculturists have themselves adjusted to proper planning in cultivation as a result of their past experience. The Chamber feels that no statutory restriction is necessary in this regard.

Q. 100.—If the answer to the foregoing is in the affirmative, would you recommend total prohibition of tobacco in those areas where it is not grown on a commercial scale?

It may be desirable to extend special assistance to cultivators of tobacco in areas specially suited for cultivation by way of supply of manures and pesticides, seeds and dissemination of scientific knowledge and information on improved methods of cultivation to produce quality tobacco as also to increase productivity. Such a step would discourage growers in other areas from cultivating tobacco.

Q. 101.—Except for tobacco exported out of India, and except for the scheme of voluntary grading of tobacco for cigarette making, unmanufactured tobacco is not subjected to sorting and grading to conform to any uniform standards, either as to quality or price. Would you recommend compulsory grading of all tobacco produced in India?

While the Chamber is not in favour of any control as to price it feels that a scheme of voluntary grading of tobacco should be drawn up so as to ensure uniformity in standards and organisations of curess and grower-curers in the respective areas should be entrusted with this work. Agmarking of tobacco for export purposes should continue and the industries using tobacco may be induced to buy tobacco which is graded under the agmark scheme or voluntary grading scheme.

Q. 102.—If the answer to the foregoing is in the affirmative, what scheme would you recommend for grading considering that unmanufactured tobacco is grown and cured annually by approximately 6,75,000 grower/curers, and it will be administratively difficult to enforce compulsory grading at every curer's premises before tobacco is sold by him?

The voluntary organisations of grower-curers and curers suggested in reply to Q. 101 supra should be able to effectively do this work. When the grading work is organised on these lines Government can have an effective control and supervision over these organisations to ensure the success of the scheme.

Q. 103.—To what extent, if any, has the present tariff for non-flue cured unmanufactured tobacco resulted in any noticeable shift :—

(i) in the production of particular grades of tobacco in particular areas;
(ii) in the technique of curing;
(iii) in the methods of processing;
(iv) in utilisation of known grades of tobacco for particular purposes;
(v) in the production and disposal of rejects and substandard grades of tobacco?

The Chamber is not aware of any noticeable shift of the nature suggested.

Q. 104.—The present pattern of excise control on unmanufactured tobacco requires control over growers, curers, wholesalers, and on its storage and transport. What changes would you recommend, so as to minimise the cost of collection by reducing the stage sat which excise surveillance is now exercised, without endangering revenue?

There should be control over growers, curers and wholesalers as also on storage and transport.



Q. 105.—(a) What comments have you to offer on the construction of the tariff for flue-cured Unmanufactured tobacco?

(b) Would you recommend continuance of a differential in rates of duty on flue-cured tobacco used in cigarette making, the quantum of the differential being related to the imported tobacco content of the cigarette?

Q. 106.—The rate of duty on flue-cured unmanufactured tobacco used in the manufacture of cigarettes varies with the proportion of imported tobacco usedin the blend; the blend determines the quality of the cigarette, which is effected in its price. Do you favour a revision of the cigarette tariff by the integration of cigarette excise duty with the tobacco excise? If so, what factors should normally guide the fixation of fair rates of duty on cigarette?

Please see replies to Q. 33 and 37 (7).

Q. 107.—Have you any criticism of the tariff relating to unmanufactured tobacco other than flue-cured and not used in cigarette-making?

The Chamber has no comment regarding the rate of duty on manufactured tobacco other than flue-cured and not used in the manufacture of cigarettes. Under Tariff 4-1-5 (i) stems of tobacco larger than 1/16" and less than 1/4" in size are liable for assessment at leaf rate. Because of this, much of the stems are destroyed for agricultural purposes. The stems as well as the butts and stalks are used for chewing purposes. The question of introducing a separate tariff for stems may be considered.

Q. 108.—Having regard to the experience of the working of the tariff under items 41 (5) and 41 (6) when the criterion for classification was the 'intended use' as during the years 1943 to 1950, and when it was changed to 'capability of use' during 1951 to 1957 would you suggest any alternative to the present 'physical form' method of classifying multi-purpose tobacco for assessment of duty?

The Chamber feels that the present method may be continued. The question of capability of use or end-use would not arise since the Chamber contemplates the collection of the duty at the last point of manufacture.

Q. 109.—It is said that construction of items 41 (5) and 41 (6) of the Central Excise Tariff relating to tobacco other than flue-cured leads, on the one hand, to a totall yunwarranted differential in the rates of duty for the same or similar tobacco and, on the other hand, to malpractices. What is your view?

Q. 110.—(a) It is claimed that the present rates of duty on different types of non-flue cured tobacco result in grossly varying incidence of duty, having regard to the price of tobacco. Is it, in your opinion, necessary to secure parity in *ad valorem* incidence of the duty?

(*b*) Considering that unmanufactured tobacco is a raw product, not always going into consumption in the form in which it is presented for assessment, please state how such parity can be secured?

In view of our suggestion to shift the duty to the manufacturer this question may not arise.

Q. 111.—(*a*) Have you any suggestion to make for changes in the existing tariff structure for cigarettes, and cigars and cheroots?

(*b*) In the light of your answer, please state whether you favour continuance of the free slabs for cigars and cheroots of which the value does not exceed 87 nP. per 100?

The recent changes in the tariff regarding cigars and cheroots raising the exemption limit upto Rs. 1-25 nP. per 100 is found reasonable.

Q. 112. The slab system of cigarette, and cigars and cheroots tariff yields, for certain wholesale prices, assessable values of a marginal nature, so that the rates of two successive slabs are equally attracted. If the higher rate is applied, the assessees have some legal basis for complaint. If the lower rate is applied, revenue suffers. What method would you recommend for avoiding this?

In the revised classification of tariff, cigars and cheroots eight items have been brought under four items giving a wide margin. The Chamber hopes that no complication would arise.

Q. 113.—To what extent does a price weight relationship exist for cigars and cheroots? Would you advocate the integration of excise duty on manufactured cigars and cheroots with the excise on unmanufactured tobacco used in their manufacture? If so, is such integration rationally feasible for all or any grade of cigars and cheroots?

The Chamber as stated elsewhere is in favour of the principle that excise duty should be collected on the manufactured products as against the levy of duty at different stages. It hopes that it would be feasible to evolve a procedure by which the factories buy tobacco without payment of duty and pay duty on the cigars and cheroots produced by them.

114. Duty on taxable cigars and cheroots is, at present, collected by affixing Central Excise labels on them. Do you consider labelling necessary to ensure that no taxable cigars and cheroots go into consumption without paying the Central Excise duty?

The Chamber feels that labelling can continue so as to ascertain as to whether the tax has been paid under proper tariff. The system of supply of labels by the Treasuries may be discontinued and this work may be entrusted to the Central Excise Officers. It should be so arranged that the label system does not amount to double taxation.



Q. 115.—Would you suggest any alternative to the present scheme of excise control, and surveillance, over growing and curing of unmanufactured tobacco?

Please see replies to Q. 140 as also replies to Q. 4 to 16 of Part I.

Q. 116.—Is any special difficulty experienced in maintaining the entry books prescribed for large growers and large curers? If so, what simplification would you suggest?

Maintenance of elaborate accounts might be unnecessary. It would suffice if the accounts are maintained in such a manner that would show complete details of tobacco received by a curer for curing. A curer curing less than 100 maunds need not maintain an entry book but a curer who cures more than 100 maunds is expected to maintain one. When an oral declaration is accepted from a small curer the same can equally hold good in the case of large curers also.

Q 117.—What is the difference in the methods employed for ascertaining and estimating the weight of cured tobacco by—

(i) the curers, or wholesale dealers, at the time of sale, and

(ii) the departmental officers, for vertification of annual return of tobacco cured?

118. Q—Considering that under normal business practice, the value of tobacco lost due to dryage would be compensated by a corresponding increase in value of the tobacco actually sold, would not a similar adjustment by the trade to include the duty incidence also—

(i) eliminate to a large extent the weighment of tobacco at several stages, resulting in saving of labour costs, etc., and

(ii) reduce the extent of official supervision, and consequently, the area of conflict, resulting ultimately in better assessor-assessee relations, and possible simplication of procedures all round?

While the Chamber has no comment to offer on the first question it feels that a statement made in the second question cannot be correct in all cases.

Q 119.—What improvements have you to suggest in the existing scheme and procedures for condonation of losses in unmanufactured tobacco during storage, transit and processing in bond, so as to reduce the area of conflict between the department and the industry?

The Chamber feels that vesting the range officers and circle officers with more powers in respect of allowing shortage and dryage would reduce much of the conflict. The Sub-Inspectors are not authorised to allow shortages while the maximum shortage allowable even by Deputy Superintendents is only about 5%. The Chamber feels that the allowance for dryage should be increased having regard to the needs of the area The Officers at different levels should also be empowered in this regard.

In the case of tobacco which is purchased by a grower and which is removed from the grower's place for curing suffers a loss of weight from 3 to 4%. Even from the time of receipt of tobacco in the curer's place till the processing is completed there is a further reduction in weight. If dryage is allowed on the basis of time, the Chamber learns that the curers are likely to experience hardship. The Chamber suggests that dryage may be fixed having regard to the area on the basis of tests and experiments.

Q 120.—How has the concentration of excise staff in major producing and consuming areas under the Multiple Officer Range Scheme affected—

(i) average yields of tobacco in your area;
(ii) your day to day official contacts with the excise officers; and
(iii) your business?

Please see replies to Q. 8, 9 and 10 of Part I.

Q. 121.—(*a*) Considering the scheme of Central Excise Control under which excisable goods are not allowed to go into consumption till excise duty thereon has been paid, there should, theoretically, be no arrears of revenue. What are the reasons for arrears of duty on tobacco?

(*b*) Considering that the major part of arrears arise out of disputes as to the quantity of tobacco produced by curers, what should be, in your opinion, the proper procedure for determination and settlement of such disputes?

The answer to (*a*) has been provided in the latter part of the question itself. (*b*) If the range officers are active and get into touch with the curers in time, much of the difficulties would be avoided. Disputes arise only because of summary assessments and estimated production.

Q. 122.—Does the present scheme of licensing of tobacco bonded warehouses and curers bonded store rooms provided—

(*a*) adequate warehousing facilities to meet local requirements; and

(*b*) adequate opportunity to growers to hold their tobacco in bond till they can secure fair prices?

The reply to the question is in the affirmative.

Q. 123.—Would you recommend setting up of Public Bonded Warehouses for tobacco in the interests of the grower-curer and for better regulation of quality control?

The Chamber feels that Public Bonded Warehouses may be thought of where a large number of growers themselves come forward with a request.



Q. 124.—What are the conditions in which the institution of Public Bonded Warehouses would succeed?

The success of Public Bonded Warehouses would depend on the support and co-operation they receive from the growers and the curers. That is why the Chamber suggests that Bonded warehouses should be thought of only when there is a demand for that by a large number of growers in an area.

Q. 125.—Are you satisfied with the existing rules and procedures to regulate the storage of unmanufactured tobacco in bond? If not, what changes would you recommend and why?

The Chamber has no particular comment to offer.

Q. 126.—(*a*) What distinction, if any, should be made between requests for destruction of tobacco, and requests for using it for agricultural purposes?

(*b*) Are requests for destruction of tobacco, or for using it for agricultural purposes, promtply attended to? If not, please state the reasons for delay.

Orders in this regard should be issued expeditiously. The licensees may be given the option of destruction or use for agricultural purposes. Even in regard to passing orders on requests of this nature the powers of the different officers are restricted, in terms of quantity. The Chamber suggests that the Superintendent may be allowed to pass orders without any limit. According to a provision the application for destruction of tobacco should be accompanied by a Certificate by the officer that the tobacco is not fit for consumption. The Chamber feels that the licensee should have more freedom in this regard, as he is the person responsible for maintenance of the quality of his product.

Q. 127.—The Central Excise Rules make no specific provision for remission of duty on unmanufactured tobacco lost or destroyed in curers' premises. Do you consider it necessary to have proper provision for such cases in the Central Excise Rules, as in the case of bonded warehouses and store rooms? If so, please state how the absence of specific provision in law is affecting curers' interests at present?

Please see replies to Q. 119.

Q. 128.—Have you any other suggestions to offer on problems connected with Central Excise Control over tobacco?

Tobacco is subject not only to the control of the Excise Department but it is also controlled by the Marketing Committees under Commercial Crops Market Act. The licence fee, registration fee, etc., imposed by the Marketing Committees are heavy. A transport permit obtained from the Central Excise Department is rendered useless and invalid unless another transport permit is also obtained by paying a cess to the Market Committee in respect of that consignment. The tobacco trade has to maintain different documents and records to suit the needs of the Market Committee and the Excise Department. The Chamber requests that the feasibility of doing away with the control through Market Committees may be examined.

The tobacco which is consumed by the indigenous cigarette, cigar, cheroot, bidi, snuff and other industries should not suffer any excise duty except at the final stage of reproduction of the manufactured product. This, the Chamber feels would enable expeditious collection at reduced costs.

TARIFF ITEM NO. 12—VEGETABLE NON ESSENTIAL OILS.

Q. 132.—It is claimed that the present system of excise control on Vegetable Non-essential Oils leaves considerable scope for evasion of duty. Do you agree with this view? If so, please state—

(i) the manner in which evasion is most commonly practised;
(ii) the extent and scope for such evasion;
(iii) whether the evasion is confined to certain areas, or certain classes of operators, and/or whether it is due to inherent defects in the scheme of excise control?

The Chamber feels that there is some truth in the statement. The oil mills are spread throughout the country and a large number of them fall under compounded levy scheme. Unless proper check over these units is ensured the possibilities of evasion would always be there. May be units in remote places far away from the offices of Excise authorities or units in places where the mills are concentrated and the officials posted are inadequate would have scope for evasion. But by proper check and supervision evasion can always be routed out.

Q. 133.—Is there any noticeable tendency towards fragmentation of units, in order to avail of the partial slab exemption? If yes, what measures would you suggest for checking such fragmentation?

After the introduction of compounded levy scheme the partial slab exemption has lost its attraction. Most of the units prefer to work only one expeller or other smaller units as permitted under C.B.R. Order No. 87/60, dated June 14, 1960 and seal off the remaining machinery. If the compounded levy scheme is extended to all types of expellers there will be no necessity for resorting to fragmentation of existing units.

Q. 134.—The first 125 tons in 1956-57, and the first 75 tons from 1957-58, were exempted from the duty. In 1959, the slab exemption from duty was withdrawn. The rate for the first 76.5 metric tonnes each year is Rs. 68-90 per tonne. Thereafter, the full tariff rate applies. This added over 16,000 millers to the list of the licensed-manufacturers, but yielded only a little over Rs. 1 crore of revenue. Do you consider the existing procedures of excise control suitable for controlling large numbers of small factories? If not, please state what scheme of revenue control would result in satisfactory control without incurring excessive costs.



Application of the compounded levy scheme to all the factories is the only best possible solution. To ensure check there should be an effective Central Excise visiting staff of high calibre and integrity. After all under the present set up evasion is not possible without the connivance of the Central Excise staff.

Q. 135.—(*a*) Are you in favour of restarting the original scheme of total exemption upto certain limits of production?

(*b*) Would such restoration lead to fragmentation of middling class of factories to avail of the exemption?

In case the compounded levy scheme cannot be extended to all types of bigger units, then such bigger units should be given the facility of total exemption from duty upto a certain limit of production.

(*b*) Since compounded levy scheme and total exemption upto a limit would remain side by side there will be no temptation to resort to fragmentation.

Q. 136.—(*a*) Do you consider a scheme of compounded levy to be the only satisfactory alternative to wholetime physical supervision for levy and collection of the duty?

(*b*) If so, should it remain optional or be made compulsory?

(*a*) Yes. As the manufacturing units are very large under the vegetable non-essential oil group, the compounded levy scheme is the only best practical measure which can bring in a larger revenue to the State. If the inspecting staff is perfect the revenue will be more.

(*b*) It must be compulsory whether the expellers are used during the season or not.

Q. 137.—Would you recommend extension of the compounded levy system to all manufacturers, or should it be restricted to only small units? If it is to be restricted what should be the criteria for determining the size of units to which it should be restricted?

Yes. The compounded levy scheme should be extended to all types of manufacturers. If it is restricted only to smaller units it will create a lot of complication, and at times some discrimination also. If it is not extended to bigger units such bigger units in course of time will be forced to close down as they cannot withstand the competition from the smaller units working under compounded levy scheme. In our opinion the scheme should be extended to all expellers in each factory and the rates should be fixed on an equitable basis, depending upon the crushing capacity of each unit.

Q. 138.—What criteria should govern the rates of compounded levy?

Compounded levy should be fixed on the basis of the working capacity of each unit. The per shift rate should be fixed on the basis of what each unit can produce during that particular period of working. For fixing the rates for the various types of expellers the critical capacity of their chamber should be ascertained and the rates should be fixed on a *pro rata* basis.

Q. 139.—Are you satisfied with the existing scheme of grouping millers into different categories for fixing rates of compounded levy? If not, what basis of rates would you recommend?

The present grouping of millers as contained in C.B.R. No. 87/60, dated June 14, 1960 seems to be all right. Expellers having double chambers but having a chamber length of less than 33" and chamber diameter less than 7" also should be included in the scheme.

Q. 140.—(*a*) Are you satisfied with the existing rate schedule for different millers?

(*b*) In the light of your answer, please indicate what you consider to be a more satisfactory rate schedule?

(*a*) The present rate schedule has not been fixed correctly. A unit containing two rotaries is enjoying the maximum benefit. A unit containing 12 rotaries, which are equal to 2 standard expellers, is definitely in an advantageous position than the unit containing one expeller. This is not fair. The rates should be fixed on the basis of production capacity of various types of machinery and on the basis of their working hours.

(*b*) Proper assessment of the crushing capacity of each unit should be made for fixing the rate of levy and existing schedule to C.B.R. Order No. 87/50, dated June 14, 1961 should be amended accordingly. The capacity of a standard expeller of chamber length 33" and chamber diameter 7" may be reckoned to be about 5 tons of groundnut kernels per day of 24 hours working or 2 tons of groundnut oil production per day. The production capacity of other types of smaller expellers can be ascertained on the basis of the cubical capacity of each type of expeller by comparing them with that of the standard expeller. It is common knowledge that expellers having bigger chambers will produce larger quantities of oil. The production, it can be said, bears relation to the volume of the chamber in each type of expellers. Therefore the cubical capacity can be taken as the safe method and the production of each type of baby expellers can be ascertained on the basis of what a standard expeller can produce.



Q. 141.—What, in your opinion, should be the minimum annual production of a Vegetable Non-essential Oil unit—

(i) per expeller, relatively to the size of expeller;
(ii) per rotary;
(iii) per ghani;
(iv) per kolhu;
(v) per chekku;
(vi) per pinto,

So that, in relation to capital cost, running expenses, depreciation and reserves, the manufacturer may obtain a fair return?

Please see answer to Q. 140 (*a*) and (*b*). An officer of the Department may be deputed in each region to examine the working of the various types of oil milling equipment, viz., Rotary, Pinto, Checku and the like and the production capacity may be fixed on that basis.

Q. 142.—In a scheme of compounded levy, are you in favour of retaining a differential between the rates of levy for millers of (*a*) copra, and (*b*) other oil-seeds?

Yes. Different rates can be fixed for the crushing of copra and the crushing of other oil-seeds. Copra contains a higher oil content while gingelly seed, etc., contain a lower oil extraction. Here also the rate can be fixed on the basis of the extraction possibilities from each type of oilseed on a *pro-rata* basis taking the groundnut crushing as the standard under the compounded levy scheme.

Q. 143.—Please state any other views, you may have, to improve the administration of the duty on Vegetable Non-essential Oils.

The administrative machinery should be geared up and there should be proper check over the excise staff themselves to see that there is no collusion for evasion.

### TARIFF ITEM No. 13—VEGETABLE PRODUCTS.

Q. 144.—Does the excisable Vegetable Product face unfair competition from Vegetable Product which is not excisable because it has not been hardened for human consumption? If so, what is the extent of such competition, and what are your suggestions?

No.

Q. 145.—Have you any comments to make with regard to the slab exemption provided for manufacturers of Vegetable Product, particularly when they form a well-organised medium and large scale sector?

No comments.

Q. 146.—How far has the partial exemption on Vegetable Product, produced out of cotton seed oil, encouraged the consumption of cotton seed oil in the manufacture of Vegetable Product?

The partial exemption has increased the use of cotton seed oil in the manufacture of vegetable products. The Chamber feels that a slab should be introduced at 7% and the exemption for over 10% should be increased. This would further increase the use of cotton seed oil.

Q. 147.—Are the provisions for relieving, on export, Vegetable Product from the total Excise Duty adequate? If not, what improvements do you suggest?

This is not adequate owing to the high rate of Vegetable non-essential oils in India. The Chamber recommends the reversion to the system of incentives given during the last year. The present incentive scheme is not adequate to stimulate export.

Q. 148.—Does the accounting procedure, as provided in the Central Excise Rules, 1944, suit the needs of the industry? If not, what alternative system would you suggest?

The present system of accounting suits the industry and no change is desired.

Q. 149.—Please state any other suggestions relating to the procedure for the levy and collection of excise duty on Vegetable Product.

None.

TARIFF ITEM No. 15—SOAP.

Q. 165.—(*a*) Do you favour retention of a distinction in the tariff between Soap produced (i) with the aid of power, and (ii) without the use of power?

(*b*) If the answer to the foregoing is in the negative, what method would you recommend for relief to small-scale producers operating without the use of power?

(*c*) Are you in favour of such aids being given when administering fiscal levies like the Central Excise duty or would you recommend any other scheme, unconnected with the revenue collecting machinery, for passing down economic aid to small-scale operators?

The Chamber is in favour of retention of a distinction in the tariff between Soap produced (i) with the aid of power and (ii) without the use of power. The factories using power extract glycerine as by-product while non-power factories manufacture Soap by combining fatty acids with caustic soda, etc. Non-power units do not obtain any by-product.

Even as at present economic aid is being given to non-power Soap makers using non-edible oils.



Q. 166.—Do you consider the quantum of relief now available to small scale producers to be excessive/adequate/insufficient? What changes would you recommend in the quantum of relief now provided?

The Chamber feels that quantum of relief now available to small scale producers is insufficient. The relief which is now available is 200 tons and this should be increased to at least 300 tons per year so that the small units can function on an economic and competitive basis. Production above 300 tons and upto 600 tons may be subject to excise duty on a slab system.

Q. 167.—(*a*) Have you any criticism of the present construction of the tariff, and the categories into which different types of excisable Soaps are grouped for fixing the rates of duty?

(*b*) Is there any simpler method for ensuring an equitable incidence of duty on Soaps of different qualities and price ranges?

The Chamber feels that the present grouping of Soaps for fixing rates of excise duty is not proper. All varieties of washing soaps must be considered as washing soaps irrespective of shapes, sizes and quality and subjected to uniform rate of duty.

Q. 168.—What scheme would you recommend for excise checks and surveillance on factories claiming to be within the exempted sector, so that duty is not evaded in the guise of exemption? In framing the details of any such system, it will have to be borne in mind that such efforts will be purely preventive and non-revenue yielding.

Q. 169.—Alternatively, if in the interest of economy no excise checks and surveillance are to be exercised over factories in the exempted sector, what should be the criteria to class a factory as wholly free from excise control?

All the units producing soap should be asked to register themseleves and submit their monthly return of production.

Q. 170.—Do you consider that the excise accounts and returns now prescribed for soap manufacturers are too elaborate or too cumbersome? If so, what simplification or rationalisation would you recommend?

The accounts and returns prescribed are too elaborate and cumbersome. It is necessary that these should be simplified. It should be enough if mention is made of the quantity of washing soap. No details as to size, shape and quality should be insisted. This would help the manufacturers to a very great extent in reducing their work.

Q. 171.—What measures would you recommend to be taken so that Soap stock obtained as a bye-product of oil-refining does not find a market as Soap, without paying the appropriate excise duty?

The refining unit may be required to produce evidence as to the manner in which the Soap stock was disposed,

Q. 172.—A preference is now allowed in the effective rates of duty for inferior soap on the basis of the sodium-palmitate contents of the soap. Are you in favour of retaining this preference and, if so, have you any modifications to suggest in the existing procedures relating to such preference?

The Chamber has no objection in the continuance of the preference in respect of inferior varieties of soap.

Q. 173.—Have you any other views on the administration of excise duty on soap?

In respect of soaps containing sodium palmitate, it is stated, that a fee of Rs. 40 is charged per test and that there is considerable delay in obtaining test reports. The Chamber suggests that the test fee may be brought down to Rs. 10 and the test report may be made available within six or seven days.

### Tariff Item Nos. 19 to 22—Cotton, Silk, Woollen and Rayon and Art Silk Fabrics.

Q. 184.—Have you any criticism of the present general scheme of total and partial exemptions for Cotton Fabrics?

No.

Q. 185.—Are you satisfied that the present classification under the Tariff, and the scheme and quantum of exemptions for each class of grey and/or processed and finished Cotton Fabrics, result in an equitable incidence of tax? If not, what changes would you suggest in the frame-work of the tariff and the scales of exemption?

Yes.

Q. 186.—For classification of "Fents" what, in your opinion, should be the criteria to determine "damaged"?

Cloth which has big floats, holes, shuttle smashes and/or irremovable stains should be treated as "damaged".

Q. 187.—The effective rates of duty on fents of superfine and fine, and on fents of medium and coarse Cotton Fabrics and the same. Does this lead to any special difficulty in marketing different classes of fents?

This does not lead to any special difficulty.

Q. 188.—What are your suggestions for simplification of Central Excise accounts, to reduce avoidable documentation alike for the manufacturer and Central Excise Officers?

Q. 189.—What technique would you suggest for conducting a periodical stock verification in textile mills?



Q. 190.—Cotton fabrics are liable to other imposts which are collected along with the excise duty, viz., the duties leviable under—

(i) The Dhoties (Additional Excise Duty) Act, 1953.

(ii) The Cotton Fabrics (Additional Excise Duty) Act, 1957.

(iii) The Khadi and other Handloom Industries Development (Additional Excise Duty on Cloth) Act, 1953.

(iv) The Additional Duties of Excise (Goods of Special Importance) Act, 1957.

While duties under the first two are recoverable only under certain conditions, those under the last two named are recoverable on each clearance on payment of the ordinary duty. Would you suggest any simplification of the procedure for assessment? If so, what?

Q. 191.—What are your views on the application of excise duties as an export promotion measure, such as the Cotton Fabrics (Additional Excise Duty) Act, 1957 and the Khadi and other Handloom Industries (Additional Excise Duty on Cloth) Act, 1953, for development of Khadi and other handloom cloth?

Q. 192.—Have you any suggestions for speeding up the excise procedures preceding delivery of Cotton Fabrics from composite mills?

In our opinion the present system of assessing the duty and collecting the excise duty is very cumbersome. A number of documents have to be maintained and presented to excise authorities for scrutiny involving in avoidable clerical work.

The Chamber therefore suggests that the excise duty may be fixed on the number of looms worked during the particular year for each individual unit taking into consideration the revenue collected from such unit during the previous years.

Q. 193.—(*a*) Does the existing scheme of staffing enable you to carry through your manufacturing and delivery schedules, without holdups due to absence of excise officers when you need their attendance, under the existing procedures?

(*b*) If not, what suggestions have you to offer to overcome the difficulties?

The existing staff is more than sufficient. However some times clearances are held up when the Inspector is called by his higher authorities to their offices there is nobody at the factory to allow clearance of the excisable goods and many times the mills have to pay overtime for getting clearances. Therefore it is suggested that in the absence of the Inspector, the officer next to him should be authorised to grant clearance.

Q. 194.—Have you any comments on the existing procedures regulating delivery of Cotton Fabrics without payment of duty for processing and finishing in other premises, and return to the parent mill?

No comments.

Q. 195.—Are you satisfied with the working of the procedures now prescribed for excise checks on removals of Cotton Fabrics for export under claim for rebate of duty, and in bond? If not, what changes would you recommend?

Yes.

Q. 196.—Have you any suggestions for improvement in the procedures flowing from Rule 191-A for grant of rebate of Cotton Fabrics duty on the contents of Cotton Fabric manufactures exported out of India?

Q. 197.—Similarly, have you any suggestions for improvements, in procedure under Rule 191-B relating to production of Cotton Fabric manufactures for export in bond?

No.

Q. 198.—Have you any other suggestion to make in respect of prevailing excise procedures at composite mills producing Cotton Fabrics?

See answer to Q. 188 to 192.

Q. 199.—The compounded levy scheme prescribes different rates of levy per loom for various slabs, according to the total number of looms installed and employed for Cotton, Art Silk, Silk and Staple Fibre fabrics. It is said that this scheme of exemptions has led to deliberate fragmentation of larger power-looms and diversification of production by the same owner to minimise, if not avoid, the duty incidence altogether thus creating unhealthy competition. Please state your views and suggestions, if any, for improvement and rationalisation of the compounded levy scheme.

This can be avoided if powerlooms also are treated on par with composite mills.

Q. 200.—The object of the Dhoties (Additional Excise Duty) Act was to peg down the production of Dhoties in composite mills to the 1952-53 level, as the increase in demand for Dhoties was reserved to be met by the powerloom sector. Has this object been achieved, considering that composite mills can, and do, get their warp beams and/or weft spindles or bobbins turned into 'Dhoties' in powerlooms?

There is no shortage of Dhoties in the country and there is no need for reservation of dhoties production to powerlooms or pegging down the production for dhoties by mills.

Q. 201.—Do you advise that a distinction should be made, for excise purposes, between powerlooms working with warp beams obtained from composite mills, and those who make their own warp beams, or obtain them from others who operate only warping machinery? If so, what are your suggestions?

The Chamber feels that no distinction should be made between the two categories as it would involve additional excise staff and the revenue realised would not be commensurate, with the expenditure incurred.



## TARIFF ITEM No. 23—CEMENT.

Q. 208.—Have the relaxations, made in 1960, in respect of certain checks exercised by the Central Excise staff on production and clearance of Cement, given the desired relief to the industry? If not, what other checks, if any, can be eliminated without risk to revenue?

Q. 209.—Would you recommend reintroduction of the special procedure experi, mentally tried in 1956-57 at factories of the Associated Cement Companies? If sowhat precautions would you advise to be taken to ensure that the Central Excise Department is enabled to verify that all Cement produced has been fully accounted for, and deliveries for home consumption are all charged to the duty?

The Central Excise procedure in respect of levy of Central Excise duty on cement issued by Cement factories had been in force from 1953. The time has now come for a simplified procedure so that the Government of India may be assured of proper payment of duty on cement despatches and proper accounting of production and proper maintenance of records.

In order to ensure the above objectives the Chamber suggests that the following procedure may be adopted.

It may not be necessary for the Central Excise Staff to function at the factory as at present. In the event of the staff being posted no part of the expenses for their salary, etc., should be recovered from the producers.

The present procedure regarding Current Account should continue except the Central Excise Officer's assessment on A.R.I. is unnecessary. The companies execute bonds to make good any short payment of duty and for strict observance of rules.

The daily statements of production and despatches should be submitted by the factory to the Superintendent of Central Excise or the competent authority as may be specified.

The cement factories should be allowed to issue gate passes and copies should be submitted daily to the Superintendent. They should be printed by the Department and supplied to the company on payment.

The Central Excise Officer should visit the factory once in a week or more often to check the production and despatches and the relative registers.

The present returns and registers would continue to be maintained and they would be open for inspection at any time. Daily production and despatch of Cement statements are forwarded to the State Trading Corporation of India and it will not be difficult for the cement factories to submit regularly their daily statements to the Central Excise Authorities.

Raw materials used and the relative production statement would also be submitted once in a quarter.

Q. 210.—Is the existing procedure for reconditioning of Cement adequate? If not, what changes would you like to be made?

Yes.

Q. 211.—Are you satisfied with the existing porcedures for export of Cement out of India under claim for rebate or in bond? If not, what changes would you recommend?

Yes.

TARIFF ITEM NO. 38—MATCHES.

Q. 281.—(*a*) Are you satisfied that the only effective method of collection of Match excise duty is through the system of banderolling, and there is no alternative whereby the costs incurred in printing, stocking, distribution, accounting and affixing a banderol to each box or booklet can be avoided?

(*b*) If you have any alternative system in view, please describe it.

Q. 282.—If banderolling is to be abandoned, what physical or other checks would you recommend, having regard to the paramount need for keeping down establishment costs and the relative revenue potential of different factories?

We suggest that the present system of banderolling may be continued as it is quite exhaustive and efficient. The leakage of revenue can be minimised by the present system.

Q. 283.—Is the present scheme of control through licensing and maintenance of accounts of the manufacture and storage of splints and veneers and of composition for match heads necessary? What revenue risks would you anticipate in abandoning these controls?

Control through licensing and maintenance of accounts of the manufacture and storage of splints and veneers and composition for match-heads is necessary from the point of view of checking use of counterfeit banderols. Cross check of accounts relating to veneers, splints and match head composition would help to detect leakage.

Q. 284.—If the banderol system is to continue, do you recommend any changes in the present method of excise control of Match Factories?

The Chamber suggests that there should be regular check and supervision over the factories.



Q. 285.—Do you consider the two sizes of match boxes permitted now to be manufactured necessary in view of the consumption pattern? Will not one standard size of match box facilitate both the industry and the excise administration? If all matches are to be packed in standard boxes of the same single size, what would be the most convenient number of sticks per box?

Only one standard size of matches is preferred. It is suggested that 50 matches to a box would be the convenient size. It is also suggested that the measurement of the box and the length of the sticks should also be standardised and thus 'matches' should mean and denote only one size.

Q. 286.—What do you think of the utility of Rule 71 (5) requiring the intended retail price to be marked on each box or booklet, considering that there is no price control on matches? Is the price marking of any real benefit to the consumer?

Mere mentioning of price on the box would not ensure the sale of the box to the consumer at that price. The selling price of matches has more or less become standardised and therefore there appears to be no need for price marking.

Q. 287.—Although match boxes of 40s are price-marked at 4 nP. and 60s at 6 nP., actually match boxes are not sold at these prices. What do you consider to be the appropriate size or sizes, so that match boxes can be profitably retailed for convenient units of currency, e.g., 5 nP. or 10 nP. coins?

The Chamber suggests that 50s matches may be sold at 0.05 nP. retail per box.

Q. 288.—Rule 182 prohibits licensing of a Match Factory owned by a member of a Hindu undivided family which has a licence to manufacture Matches in the same district. What are your views on this restriction, and do you recommend its continuance?

While Article 14 of the Constitution of India provides equality before the law or equal protection of laws to any person, the Rule 182 of Central Excise is quite contrary to the fundamental right. The Chamber therefore urges that Rule 182 may be deleted.

Q. 289.—Prior to the change to the metric system, the Match Excise Tariff provided concessional rates of duty for small producers whose output did not exceed specified limits. On the limit being exceeded, not only the concession ceased, but a higher rate became payable on the whole production. The pattern has been changed on conversion to the metric system. Under the current exemption notification, as soon as the production of a (*b*) class factory exceeds 4,000 million, the entire output attracts the next higher rate, but for (*c*) class factories there are three preferential slabs for the first 100, next 150 and the balance of 250 million matches.

Are you satisfied with this scheme of relief to the smaller manufacturer?

In our opinion there should be only two sectors, i.e., power sector and non-power sector and there should not be any restriction on the production. The Government may fix two different rates of duties and there should not be any slab on the production. The manufacturer should be free to manufacture any quantity and there should not be any differentiation in the rate of excise duty. If a particular factory finds that its brand becomes popular and the demand increased day by day, they are compelled to convert their factory to higher class according to the present rules in force, paying more duty. In case there is any reduction in the demand and the factory prefers to manufactute lesser quantity and if they are classified at the higher class, they may have to pay more duty. This should be avoided.

### Income Tax and other Direct taxes—Discussion on.

Sri V. V. Chari, Senior Member, Central Board of Revenue, visited the Chamber on January 16, 1961 to have a discussion with the members on matters relating to Direct Taxes. Sri V. Emberumanar Chetty, President of the Chamber, welcoming Sri Chari, said that meetings of this nature gave an opportunity to the businessmen to place their viewpoint before the officials and find out ways and means of solving them. Referring to the signal improvement that had taken place in the matter of public relations, Sri Chetty hoped that this cordial relationship would not only be maintained but would be strengthened further so as to promote an atmosphere conducive to the development of commerce and industry. A memorandum of points for discussion was presented to Sri Chari on the occasion.

The memorandum read as under :

EXPENDITURE TAX—(SECTION 3, PROVISO I)—DEFINITION OF INCOME :

The above proviso reads as under : "Provided that no expenditure tax shall be payable by an Assessee for any Assessment year if his *income* from all sources during the relevant previous year as reduced by the amount of taxes to which such income may be liable under any other Law for the time being in force, does not exceed Rs. 36,000."

The Chamber would like to have a clarification whether the *income* for the purpose of this proviso is taken as shown by the books of the Assessee or as determined by the respective authority.

WEALTH TAX—(SECTION 7 (i) )—VALUATION OF ASSETS :

Under this section the Wealth Tax Officer shall estimate the value of the Asset at a price which in his opinion it would fetch, if sold in the open market, on the valuation date. The Wealth Tax Officer has, however, the option to determine the net value of the Assets of the business as a whole having regard to the Balance Sheet of such business as on the valuation date. While this procedure is being adopted in the



case of Companies, the Chamber learns that the Officers are only estimating the market price in respect of Assets held by partnership firms. The Chamber requests that partnership firms which produce accounts duly audited by Chartered Accountants should also be given the benefit of this provision in the valuation of Assets.

SET OFF OF SPECULATIVE LOSSES—INSTRUCTIONS TO I.T.Os.

The Chamber learns that instructions have been issued to the Income Tax Officers in this regard. The Central Board of Revenue in reply to a communication from the Federation of Indian Chambers of Commerce and Industy on the subject have stated that necessary instructions in the matter have been issued to the Income Tax Authorities.The Chamber requests that a Circular may be issued clarifying the position in the interest of the assessees.

COMPUTING PERCENTAGE OF YIELD OF RICE TO PADDY FOR PURPOSES OF ASSESSMENT.

The Chamber had occasion to take up this subject during the last visit of the Member, Central Board of Revenue to the Chamber. It was represented that the percentage of yield of rice to paddy was arrived at 69.06 per cent after an experiment was carried out in the presence of Income Tax Officials and representatives of the trade in the Guntur Area. The Rice Millers' Association and the Indian Chamber of Commerce, Guntur, our affiliated bodies wrote to you and to the Commissioner of Income Tax, Hyderabad that this outturn should be taken as the basis for purposes of assessment. Unfortunately this has not found favour with the Department. The Chamber once again requests that the matter may be gone into and a decision taken.

APPELLATE ASSISTANT COMMISSIONERS :

The Appellate Assistant Commissioners of Income Tax should be placed under the Ministry of Law to maintain the independence of the judiciary. The Direct Taxes Administration Enquiry Committee also made a recommendation in this connection. This has not, however, found favour with the Government. The Chamber requests that this question may be reconsidered.

PUBLIC RELATIONS :

While appreciating the improvements made in the matter of public relations, the Chamber desires that all complaints of inconvenience in the matter of Income tax, etc., should be immediately and quickly attended to. Adequate and proper amenities such as waiting rooms, furniture, reading room arrangements, parking place for cars of Assessees and their representatives should be provided in all Tax Offices. Greater attention should be paid to organised departmental publicity and more literature in the form of pamphlets, booklets, etc., dealing with various branches of taxation should be issued to help the assessees, In places other than those where Public Relations Officers function, those in charge of enquiry counters should be responsible for assisting the assessees in filling the returns and explaining the difficulties and doubts, answering their queries and giving them assistance in all possible ways.

When letters are addressed to the Income Tax Department it is found that they are received by the Public Relations Office and either there is delay in transmission to the respective offices or communications are not traceable. Arrangements should be made for the respective officers to receive the communications or in the alternative serially numbered acknowledgements should be given in respect of each communication received by the Public Relations Office by local delivery or by personal delivery.

DOUBLE TAXATION RELIEF IN RESPECT OF PONDICHERRY INCOME.

During the last visit of the Member, C.B.R., a point was raised by a member of the Chamber that double taxation relief in respect of income earned in Pondicherry by residents in India should be given. It is learnt that no instructions to the Income Tax Officers have been issued in this matter. The Chamber requests the Member, C.B.R. to give specific direction to the Income Tax Officers for grant of double taxation relief in respect of income earned in Pondicherry by residents in India.

Sri Chari thanking the Chamber for its appreciation of the record of work of the Department said that there has been a change in the approach of Income Tax officials ever since independence. The Government and the Department have been laying more emphasis on the need for developing good relationship between the officials and the assessees. Public Relations Officers are functioning in all important centres in the country. They have been extending necessary assistance in the matter of filing returns. They will at least assist the assessees as to what they should do if they could not do the things themselves. The Department had brought out a number of pamphlets and publications on Wealth Tax, Expenditure Tax and also on other Direct Taxes. The Department had also brought out a publication giving information as to the treatment of foreign capital and the like with a view to assist those seeking foreign collaboration. He said a Central Advisory Committee for Direct Taxes was going to be constituted and he hoped that this Committee would help to bring the assessees and the Department still closer.

As regards the suggestion of the Chamber that the Appellate Assistant Commissioner should be placed under the Ministery of Law, Sri Chari tracing the origin of the Appellate Assistant Commissioner said that before 1940 the Assistant Commissioner was guiding the Income Tax Officers and was also reviewing the cases. According to the recommendations of the Ayers Committee a separate Appellate Assistant Commissioner was appointed to be in charge of Appeals. If the Appellate Assistant Commissioner is not there the Assessees can appeal to the Appellate Tribunal direct. But the Appellate Assistant Commissioners have been playing a useful role. In the



absence of the Appellate Assistant Commissioner it is the small businessmen who would suffer. Judged from the result and performance, Sri Chari said, that the Appellate Assistant Commissioners were rendering a useful service to the assessees.

Continuing Sri Chari said that the number of appeals in the Madras area have fallen by 30 per cent compared to the previous year and he was glad to say that this indicated that the officials as well as the assessees are fair-minded and they have been co-operating with each other.

Regarding the suggestion of the Chamber that the instructions given by the Central Board of Revenue to the Income Tax Officers regarding setting off of speculative losses should be made available to the Chambers of Commerce, Sri Chari said that he would have no objection in forwarding a copy of the circular to the Chambers.

As regards the definition of income under the Expenditure Tax, Sri Chari said that the income from all sources of the assessee will be taken into account for computing the taxable minimum and the amount will be as determined by the assessing authority.

In the matter of valuation of assessment for the purpose of Wealth Tax, Sri Chari said that the accounts of partnership firms as well as individuals would be accepted if they are duly audited by Chartered Accountants and balance sheets were available. As to the assets being valued at 20 times the rental value, Sri Chari said that this was not an inviolable rule and the circumstances of each case should be gone into. The assessee was free to bring in evidence to substantiate the actual value.

As regards the computing of the percentage of yield of rice to paddy for the purpose of assessment of rice mills, Sri Chari said that there were various factors that had to be taken into account in assessing rice mills and a uniform basis of assessment based on Test yields cannot be accepted.

Referring to the payment of advance taxes Sri Chari said when there was any delay on the part of the Department in the refund of any amount due to the assessees and when there was delay on the part of such assessee in the payment of advance taxes the Income Tax officials had instructions not to proceed with the recovery of advance tax, at least to the extent of the amount to be refunded to them.

Asked about the treatment of Equity shares and Preference shares allotted to foreigners for supply of know-how Sri Chari said that the value of such shares will not be taxable under Section 42 of the Income Tax Act. The position was, however, different if the shares are allotted towards the cost of machinery supplied. Towards the transfer of know-how if the foreigner gets free shares, those free shares will not be treated as cash payment. This has to be treated as Capital Gain. Even here the Board of Revenue have decided not to treat them as such.

Sri S. Venkatarangam, Vice-President of the Chamber, proposed a vote of thanks.

Sri F. H. Vallibhoy, Commissioner of Income Tax, Sri A. M. Rao, Inspecting Assistant Commissioner, Sri K. S. V. Raman, Inspecting Assistant Commissioner and Sri U. M. Subrahmaniam, Appellate Assistant Commissioner, were also present on the occasion.

The following note is an extract from the minutes of the meeting with Sri V. V. Chari as circulated by the department :

2. *Point No. 3—Set off Speculation Losses—Instructions to Income-tax Officers.* Dealing with this point first, Shri Chari explained the various types of speculative and hedging transactions and stated that necessary instructions had been issued to the Officers in the matter. He clarified that hedging transactions in different categories of the same commodity would not be treated as speculative transactions, like differents type of Cotton, Oil seeds, etc. He added that forward sale contracts for quantities slightly different from that of ready stocks would be treated as hedging transactions. He also stated that in the case of *bona fide* ready delivery contract duly settled by delivery to a substantial extent and by payment of differences of the balance the differences so paid would not be treated as losses arising in speculative transactions.

3. *Point No. 5—Appellate Assistant Commissioners.*—Sri Chari traced the history of the creation of the institution of Appellate Assistant Commissioners and said that as opined by the Taxation Enquiry Commission and the Law Commission there was no reason for effecting any change in the present set-up. Statistics showed that 90% of the orders of the Appellate Assistant Commissioners were either accepted by the assessees or confirmed in second appeal by the Income-tax Appellate Tribunal. He explained that the institution of Appellate Assistant Commissioners was proving very successful and he assured the members of the Chamber that neither the Central Board of Revenue nor the Commissioners of Income-tax ever interfered with the functions of the Appellate Assistant Commissioners who were exercising their powers in a fair and independent manner.

4. *Point No. 1—Expenditure-tax (Section 3 (1) Proviso)—Definition of income.*—Sri Chari stated that Sri J. P. Singh, another Member of the Board, was dealing with the subject. However, he informed the members of the Chamber that under the proviso to Section 3 (1) of the Expenditure-tax Act the income as determined for Income-tax assessment subject to certain adjustments and other inclusions was required to be considered.

5. *Point No. 2.—Wealth Tax (Section 7 (1)—Valuation of assests.*—The Senior Member explained that the adoption of global valuation for the purpose of Wealth-tax was only a privilege given to the Wealth-tax Officers and not a right conferred on the assessees. He, however, added that global valuation could be adopted for businesses carried on by firms or individuals provided regular and reliable accounts were maintained by them.



With regard to the subject of valuation, Sri Vummidi Anantham Chetty complained that the basis adopted for valuing immovable properties at twenty times of the rental value caused hardship to many assessees. Sri Chari explained that the basis of twenty times of the rental value was applied only as a last resort. The value to be adopted was the fair market value on the date of valuation. Only in cases where the fair market value could not be proved or ascertained that the basis of twenty times of the rental value was adopted. In particular cases of hardship, the assessees could approach the Commissioner of Income-tax in the matter.

6. *Point No. 4—Computing percentage of yield of rice to paddy for purposes of assessment.*—The Senior Member stated that this problem mainly related to cases in the charge of the Commissioner of Income-tax, Andhra. He added that no hard and fast rule could be laid down on this question of yield which depended on various factors. In cases of hardship, the matter could be taken up with the higher authorities.

7. *Point No. 6—Public Relations.*—The Senior Member stated that more attention was being paid in recent years to the aspect of public relations and as appreciated by the Chamber, there was marked improvement in this regard. He stated that Public Relations Officers were appointed in important places including Madras and these Officers helped the assessees in filling up forms and securing other clarification. In small places where there were no Public Relations Officers, Enquiry Counters were set up for helping assessees. Sri Chari added that several pamphlets explaining in lay-man's language the various provisions of the Direct Taxes and Laws had been published recently for the benefit of the public and these had been translated in various regional languages.

A Central Advisory Committee was shortly to be formed on the recommendations of the Tyagi Committee.

Sri Chari stated that the system of receiving letters by the Public Relations Officers was introduced with a view to help the assessees and expedite receipt and distribution of letters. This procedure was necessary in multi-circle centres and worked well both for the benefit of the assessees and the department.

8. *Point No. 7—Double Taxation Relief in respect of Pondicherry income.*—The Senior Member stated that relief claimed in regard to double taxation of income earned in Pondicherry by residents of India would be considered on the production of a finality certificate and evidence regarding payment of tax in Pondicherry. On a point raised by a member that there were difficulties and delay in obtaining finality certificates from the Pondicherry Income-Tax Authorities, Sri Chari suggested that if required the Commissioner of Income-tax, Madras would correspond with the Income-tax Authorities at Pondicherry if specific instances of delay were brought to his notice.

9. The following additional points were raised by the members of the Chamber at the meeting :

(i) *Property Income of Chambers of Commerce.*—The Vice-President of the Chamber said that taxation of the rental income of the Chamber from properties worked harshly and he suggested that the over-all income of the Chamber from all sources should be taken into consideration. Sri Chari stated that the property income was taxable under Section 9 of the Income Tax Act and subscriptions as such from members were not taxed. He referred to the recommendations of the Tyagi Committee with regard to taxation of income of Chambers of Commerce and stated that the point raised by the Vice-President in this regard would be considered.

(ii) *Black Market Purchases.*—On a point raised by a member that in regard to controlled commodities, purchases had to be made sometimes in black market and it worked unfair to disallow the on-money paid even though the Income-tax Officer was satisfied that it was essential for the manufacturing process to buy certain raw materials in the black market, the Senior Member replied that unless the name and address of the seller was given and proof produced with regard to purchases at higher than controlled rates the Department had no alternative but to disallow such claims in the hands of the purchasers.

(iii) *Payment of Tax—Delay in Refunds.*—Replying to a point raised by another member of the Chamber, Sri Chari said that if the same person had paid advance tax and was likely to get a refund in the next year he could request the Income-tax Officer not to charge penalty for non-payment of subsequent demand, He referred to the recommendations of the Direct Taxes Administration Enquiry Committee about granting of interest in respect of delay in giving refunds and said that the Government had accepted this recommendation subject to certain modifications.

(iv) *Payment for Technical Services.*—On a point raised by a member of the Chamber, Sri Chari explained that with regard to technical services rendered in India by a foreign collaborator, a fair proportion of revenue expenses incurred at the Head Office would be allowed if requisite connection was established between the work done in the foreign country and the services rendered in India. He added that in cases where free shares were allotted to the foreign collaborator in consideration of the transfer of know-how, the value of such shares would not be subjected either to Income-tax or Capital Gains Tax.

## Speculative Transactions—Income-tax.

When Sri V. V. Chari, Member, Central Board of Revenue, visited the Chamber in early January, the Chamber requested him to furnish a gist of the instructions issued by the Board to the Income-tax Department regarding the provisions of Section 24



of the Income Tax Act relating to hedging and speculative transactions. The Secretary, Central Board of Revenue, forwarded a gist on February 18, 1961 and the same has been reproduced hereunder for the information and guidance of the members :

"(1) Where a *bona fide* forward sales transaction is entered into with a view to guard against a risk of fall in the value of raw materials or merchandise held in stock, such hedging transactions should not be treated as 'speculative transactions' within the meanings of Explanation 2 to Section 24 (1), and consequently the losses arising from such forward sales should not be treated as speculation losses. However, such a transaction can be regarded as being of the nature of hedging only, if, the quantity sold does not exceed stock of raw materials or merchandise in hand. (2) Genuine hedging transactions in commodities which are not identical in type or variety to those dealt in by an assessee but are in respect of *connected* commodities, e.g., transactions in one type of cotton against another type of cotton or one variety of oil-seed against another, should not be treated as speculative transactions, provided the other conditions of Explanation 2 to Section 24 are satisfied. Here also, if the total amount of the forward transactions exceeds the ready stock, the excess transactions will not be regarded as hedging transactions. (3) Where a transaction contemplating actual delivery is ultimately settled, wholly or partially, by paying differences and without actual delivery due to any reasons, the transaction would normally fall in the category of speculative transactions. However, where a *bona fide* ready delivery contract is settled by actual delivery to a *substantial* extent and the payment of differences for the balance is exceptional, the difference paid in such a case need not be treated as a loss arising in a speculative transaction. (4) In the case of a dealer or investor in shares, hedging transactions having a reasonable relation to the value and volume of his *holdings* should not be regarded as speculative transactions, but transactions in scrips outside his holdings will, of course, stand to be treated as speculative transactions. (5) Speculation loss arising in any year, or a speculation loss brought forward from an earlier year should be allowed to be set off against the speculation profits of a particular year before adjusting any other loss against those profits, if the assessee so chooses."

## Tax on property income of Chambers of Commerce—Madras High Court Judgment.

In a reference under the Income-tax Act, their Lordships Sri Justice P. Rajagopalan and Sri Justice K. Srinivasan held in the Madras High Court on February 22, 1961, that the promotion and protection of trade, commerce and industry was an object of "general public utility" and attracted the definition of "charitable purposes" under the Act. The reference arose from an assessment to income-tax under Section 9 of the Income-tax Act, of the income derived by the Andhra Chamber of Commerce, from the rental it received from tenants who occupied the building owned by it. The assessment related to the assessment years 1948-49 to 1954-55. According to the Memorandum of Association, the assessee-Chamber was required to expend its income solely on the promotion of its objects, one of which being the promotion and protection of trade, commerce and industry in the country prohibited it from distributing any portion of its income amongst its members by way of dividend or otherwise. The principal sources of income of the asessee-Chamber were the subscriptions and donations it received from its members and the rental it received from the tenants who occupied the building owned by it. The assessment was resisted on the ground that the income derived from the property was exempted from tax under Section 4 (3) (i) of the Act. The Income-tax Appellate Tribunal over-ruled the objection and sustained the assessment, but referred the following questions to the High Court for decision: "Whether the income from the property owned by the assessee is exempt under Section 4 (3) (i) of the Act for the six years of assessment; and (2) if the answer to the above question is in the negative, whether the activities of the assessee amount to a trade or business the profit and loss from which is assessable under Section 10?" Section 4 (3) (i) of the Act exempts from tax income derived from property held under a trust or other legal obligation, wholly for "charitable purposes". The definition of "charitable purposes" included relief to the poor, education, medical relief and the advancement of any other object of general public utility. Answering the first question referred to them in favour of the assessee, their Lordships observed that the real question for determination was whether the objects of the Chamber satisfied the statutory test "the advancement of the other object of general public utility." It might at first sight appear to be a startling claim that a trade association like the Chamber was a charitable institution or a charitable organisation. It was not, however, the popular concept of what constituted charity that mattered. As had often been pointed out by Courts, the term "charitable purposes" was used in enactments as a term of art. For purposes of income-tax it had to be given the meaning the Act accorded to it in the explanation to Section 4 (3) which was an inclusive and not an exhaustive definition. There should be little difficulty in holding, Their Lordship said, that advancement of trade, industry and commerce, of the country was an object of "general public utility" which expression was included in the definition of "charitable purposes". When the purpose of the assessee-Chamber was the advancement of trade, commerce and industry in the country, Their Lordships observed (and that was an object of general public utility) neither the object of the individual members of the Chamber to benefit themselves nor the fact that they did derive such individual benefit from the activities of the Chamber in the pursuit of its object, should cloud or affect the determination of the issue namely was the object of the Chamber one of the general public utility? It should be noted that Section 4 (3) (i) of the Income-tax Act covered the case not only of trusts, that is, public charitable trusts, but also cases where there was a legal obligation to spend or accumulate the income for public charitable purposes. In the present case, the question was whether in utilising its income from whatever source it was received, property or subscription, the assessee-Chamber was under a legal obligation to apply or to accumulate it wholly for "charitable purposes". Their



Lordships thought the Chamber was under such an obligation. In the result they answered the first question referred to them in the affirmative and in favour of the assessee. In view of the answer, namely, that the income of the Chamber from its property came within the scope of the exemption granted by Section 4 (3) (i) of the Act and was not assessable. Their Lordships thought there was no need for them to record a formal answer to the second question. Sri T. V. Viswanatha Ayyar, Sri S. Krishnamurthi and Sri C. Vasudevan appeared for the assessee-Chamber, and the Advocate-General and Sri Ranganathan for the Income-tax Department.

**Central Budget, 1961-62.**

Sri V. Emberumanar Chetty, President, Andhra Chamber of Commerce, commenting on the Central Budget observed:

The Finance Minister in his budget speech has stated that in framing tax proposals he had endeavoured to see that the burden does not fall too heavily on a particular section of the community and that he had also tried to ensure the economic objective of socialistic pattern of society through the tax system. He has also said that the fiscal policy should discourage imports and consumption and encourage exports and investment. In this context the proposals of the Finance Minister should be considered incompatible with the objects in view.

While the business community had been pleading for the creation of a favourable climate for capital formation by re-adjustment of tax structure, increasing depreciation allowance and development rebate, the proposal to reduce the development rebate from 25 to 20 per cent and increase the surcharge on earned income also has come as a surprise. While some incentive is sought to be given to the foreign investor by reducing taxation on royalties and the tax on bonus issues has been reduced from 30% to 12.5%, the Finance Minister has not gone far enough since the plea of the business community has been for the total abolition of bonus tax.

The levy of excise duties on a large number of commodities in daily use as also on industrial raw materials is likely to boost prices and accentuate the inflationary pressure which the Finance Minister desires to hold in check.

The increase in duties on capital goods and machinery coupled with the other measures are likely to raise costs of production in many of the industries.

Though the present budget appears to indicate recognition by Government that the limit to any increase in revenue by additional direct taxation has been reached, the Finance Minister has not chosen to acknowledge this fact.

**Sales Tax in Madras State.**

Sri S. Venkatarangam, President of the Chamber accompanied by Sri V. Emberumanar Chetty, former President of the Chamber and Sri M. S. Sambasivam, Secretary of the Chamber called on Sri S. K. Chettur, I.C.S., Commissioner for Commercial Taxes on July 28, 1961 and presented the following memorandum:

"I am desired by my Chamber to thank you for giving the representatives of the Chamber an opportunity to meet you and explain to you the difficulties experienced by the trade and place the following before you for your favourable consideration:—

**Sales Tax on Pencils:**

Pencil factories are located in Bombay, Ahmedabad, Madras, Calcutta, Delhi and Quilon. The States of Maharashtra and Gujarat have exempt lead pencils and crayons from sales-tax since 1946. Coloured and copying pencils have been exempt from sales tax recently. In Madhya Pradesh and in Madhya Bharat, crayons (coloured pencils) have been exempt from sales tax. With effect from October 1, 1959 the Government of Delhi have exempt crayons and chalks from sales tax. In Madras State also crayons enjoy exemption. An exemption from sales tax in a State carries with it an exemption from tax under Central Sales Tax Act also. Consequently the factories outside Madras State stand at an advantage when making sales in other States.

In Madras State black lead pencils are subject to sales tax at 2% at every point of sale. Pencil factories located in other States send their pencils to dealers in Madras State. In such cases the transaction is liable to Central Sales Tax at 1% and when the latter sell to consumers in Madras they charge 2% sales tax. In all, pencils received from other States into Madras would attract a total sales tax of 3% when sold to the ultimate consumer. It would, however, be only 2% if the pencils are obtained by Madras dealers from Gujarat and Maharashtra since pencils have been exempt from sales tax in those States. Factories in Madras have to sell their pencils to dealers who in turn sell to consumers. Pencils produced in Madras State and sold in Madras State attract a total sales tax of 4%. The pencil industry in Madras is facing competition from pencil factories located outside the State and is unable to compete in regard to their supply to places outside the State also because of levy of sales tax in Madras and exemption from sales tax granted to factories in other States, particularly Gujarat and Maharashtra. Pencils are dealt by small traders who are not registered under sales tax and as such when pencils are sent form Madras to traders in other States who are not registered a sales tax of 7% has to be charged. Because of this pencils manufactured in Madras State are unable to compete with pencils manufactured elsewhere.

The Chamber has invited the attention of the Board of Revenue and the Government as early as August 12, 1959 and again on February 12, 1960 and November, 1960. The Chamber took this matter up at a meeting of the Sales Tax Advisory Committee also. But so far the Government have not acceded to the request of the Chamber. I am desired by my Chamber to submit that sales tax on pencils in Madras State should be withdrawn with a view to place the industry on an equal footing with factories located elsewhere in the country. Our Chamber is of the view that any loss in revenue from sales tax on pencils, if an exemption is granted, would be more than compensated by the immense benefits of the expansion of the pencil industry and increase in the employment avenues. In view of the foregoing I am desired to request you to recommend the grant of an exemption to the pencil industry from sales tax.



**Sales Tax on Fountain Pens:**

Sales tax on fountain pens—pencils or pen and pencil sets sold for Rs. 20 or more is levied at 3% single point—while pens of other varieties are subject to 2% sales tax at multi-point. Consequent on the ban on imports of fountain pens the sale of imported variety of fountain pens is limited to purchases made at Customs auctions. The dealers in fountain pens have to maintain different sets of bill books, stock books, etc., for pens attracting single point tax and multi-point tax. The Chamber and the trade feel that pens of all varieties may be brought under multi-point at 2% as it would reduce much of clerical work on the part of the dealers. The Chamber believes that there should be no difficulty in accepting this suggestion.

**Sales Tax on Excise Duty:**

It is brought to the notice of the Chamber by some members that certain Commercial Tax Officers are of the view that sales tax is leviable on excise duty paid on the sale of motor cars and scooters sold by dealers in Madras and recovered from the Customers. The argument seems to be based on the fact whether the dealer, concerned paid the excise duty directly to the Central Government or not, relying on the wording in Rule No. 6 (1) of Madras General Sales Tax Rules, 1959 which states "the Excise Duty, if any, paid by a dealer to the Central Government from the total turnover of the dealer". The Officers seem to insist on proof that the excise duty has been paid directly by the dealer who claims exemptions in respect of the goods sold.

The Chamber believes that the intention of the Government and the Board of Revenue in this regard is to exclude excise duty while calculating the turnover irrespective of whether the same has been paid by the assessee concerned or by the dealer from whom the assessee purchased. I am therefore desired to request you to issue a clarification in this regard so that dealers would not be put to unnecessary hardship.

**Declaration Forms under Central Sales Tax Act:**

According to an amendment to the Central Sales Tax (Madras) Rules published on April 1, 1961 no single declaration certificate shall cover more than one transaction of sale. Previously one declaration form was valid for a series of transactions effected during a financial year not exceeding Rs. 5,000 in value. The change in the procedure is causing considerable hardship to the trade. The amended proviso contemplates the use of a single form in respect of goods delivered in instalment within the same financial year against one purchase order. But in most cases dealers place orders on wholesalers or manufacturers periodically according to their requirements. No dealer would place an order in advance for twelve months. He would always prefer to place his orders having in view the price, quality, consumer preference and several other factors. In such cases the amended proviso would be a serious hardship. To obviate this difficulty the Chamber suggests that while buying goods from a dealer in Madras if a dealer issues a declaration form and mentions that the same may be used for all transactions with him during that financial year the Madras dealer may be permitted to endorse the declaration form in respect of all the future purchases during that calendar year. If this is not possible for any reason the Chamber requests that the position prior to April 1961 may be restored.

DESPATCH OF GOODS TO OTHER STATES BY LORRIES:

When goods are despatched from Madras to other States by lorries, the dealers are asked to produce duplicate copies of the relative lorry receipts. Since there is no statutory obligation on the part of lorry agents to issue receipts in duplicate, very often duplicate receipts are not given with the result the concerned dealers experience hardship. The dealers produce 'C' Form, No. of lorry receipt, evidence relating to payment and the like. The Chamber is of the view that this evidence should be adequate to prove that the goods have been sold to dealers outside the State. The Chamber requests the Board of Revenue to issue instructions to the assessing officers to accept lorry receipt Nos. as proper evidence as in the case of Railway Receipts and not to insist upon the production of duplicate receipt.

CORRECTION OR SUPPLY OF OMISSION IN 'C' FORMS:

When the purchasing dealers send declaration forms to the selling dealers, very often the declaration forms are not complete in all respects. The selling dealers supply the omission on the strength of a letter of authority issued by the purchasing dealer. The Chamber is of the view that a letter of authority in the form of a letter to the selling dealer mentioning therein the concerned 'C' Form No. should be enough to enable the selling dealer to supply the omission. But there appears to be a view among the Commercial Tax Officers that 'C' Forms should be filled in only by the dealer who furnishes the form and not by anybody else. The Chamber requests the Board to issue instructions that the selling dealer can supply omissions in 'C' Forms on the strength of a letter from the purchasing dealer.

CLARIFICATION OF DOUBTS AS REGARDS S.T.:

Whenever there is any doubt as to the liability to tax of a particular type of transaction or as to the rate of tax on a particular item the businessmen naturally look to the Government or the Board of Revenue for clarification. More often it happens



that clarification is not given expeditiously and even if it is given, it is given only to the person who seeks and the benefit accruing from such clarification is not available to other businessmen. If an organisation receives a clarification it is circulated among the members. But it is not so if an individual obtains a clarification. The Chamber learns that copies of such clarifications are made available to all Commercial Tax Officers. But the Chamber has not come across any case where the Commercial Tax Officers have advised the assessees of the benefits accruing from such circulars or clarifications. On the contrary such circulars are treated as "Confidential" and assessees have no access to it. The Chamber is of the view that all clarifications regarding Sales Tax, should be given only by a single officer, for the whole State designated for the purpose and the clarifications given by him should be made available to all assessees in the form of a monthly or fortnightly circular or Gazette at a nominal cost. The Chamber suggested some time back to the Minister for Commercial Taxes to bring out a Commercial Tax Gazette. While it was stated that the Gazette would be issued shortly, the Chamber has not heard anything in the matter even though it is more than a year since the suggestion was made. Even if all clarifications could not be published in a Gazette or other publication, the Chamber desires that they should at least be made available to Chambers of Commerce and Trade Organisations in the State to enable them to circulate the clarifications to their members.

APPEALS AND MEMORANDA SUBMITTED BY COMMERCIAL ORGANISATIONS:

Another point which the Chamber would like to mention is when Chambers of Commerce pursue any subject and take up on appeal to the Board of Revenue, the Government or the Minister concerned they are asked to affix non-judicial stamps of the value of Rs. 2 for each communication addressed to each officer or Minister. While the Chamber can understand the Government or Board insisting on this stamp fee in respect of appeals from individuals on matters of individual importance it is at a loss to understand as to why Government or Board should insist on Chambers also to pay stamp fee in respect of appeals on general policy matters. The Board of Revenue and the Government should exempt communications from Chambers from the purview of stamp fee in so far as they do not relate to individual cases and as an impartial criticism of the rules and regulations as also the Government policies by Chambers of Commerce would go to improve the working of the administrative machinery and help the smooth working of the various measures.

While placing the above suggestions before you I am desired by our Chamber to request you to consider the same favourably and take necessary action thereon at the earliest."

—The Commissioner for Commercial Taxes forwarded the following reply to the representation made by the Chamber:

"With reference to the representation made in its letter cited, the Andhra Chamber of Commerce is informed as follows :—

(1) EXEMPTION FROM TAX ON PENCILS.

The matter is under consideration and the Orders of the Government are awaited.

(2) SALES TAX ON FOUNTAIN PENS.

As the transactions in pens or pencils or pen and pencil sets costing over Rs. 20 will be limited, the Board considers that it will not be difficult to maintain separate accounts and to conform to the single point scheme of tax.

(3) SALES TAX ON EXCISE DUTY.

Only the dealer who has paid Excise duty to the Central Government is entitled for deduction on the amount so paid and not other dealers who have paid the amount to their suppliers.

(4) DIFFICULTIES IN ISSUING DECLARATION FORMS UNDER CENTRAL SALES TAX ACT, 1956.

The matter is under examination.

(5) PRODUCTION OF PROOF OF DESPATCH OF GOODS TO OTHER STATES BY LORRIES.

To verify the genuineness of the claim that a particular sale is one of inter-State nature, the production of documentary evidence to show that the delivery was actually made outside the State is necessary. So documentary evidence as is necessary in the circumstances of each case has to be produced by the assessee as according to Section 10 of the Act the burden of proving that a transaction is not liable to tax is on the dealer. The assessees, if aggrieved may avail themselves of the statutory remedies provided for in the Act.

(6) CORRECTIONS OR SUPPLY OF OMISSION IN 'C' FORMS BY SELLING DEALERS.

The matter is under consideration.

(7) CLARIFICATION OF DOUBTS IN REGARD TO SALES TAX AND PUBLICATION OF COMMERCIAL TAXES GAZETTE.

It is not possible to issue copies of clarifications to all the assessees or to all Chambers of Commerce. The Commercial Taxes Gazette, which is being published once in a quarter may be referred to for important clarifications regarding this tax.



(8) COURT-FEE STAMPS FOR APPEALS AND MEMORANDA SUBMITTED BY COMMERCIAL ORGANIZATIONS.

Petitions containing suggestions which do not involve specific relief to the petitioners are not chargeable with court-fees. In cases where specific relief is sought for, the Government have declined to exempt the Chambers and Trade Associations from paying the Court fees due on the petitions."

**Andhra Pradesh General Sales Tax—Amendments to.**

Sri S. Venkatarangam, President of the Chamber and Sri M. S. Sambasivam, Secretary met Hon'ble Sri K. Brahmananda Reddi, A.P. Minister for Finances and Commercial Taxes on August 22, 1961 and presented the following memorandum :

"I am desired by the Andhra Chamber of Commerce to write to you as under regarding the Sales Tax Amendment Bills passed in the Assembly recently and request you to give your consideration to the various points raised herein. I hope and trust that you would not enforce the amended bills without eliciting the views of the business community.

The Government of Andhra Pradesh introduced a Bill amending the Andhra Pradesh General Sales-tax Act on December 9, 1959. The Andhra Chamber along with its members, member bodies and other trade interests throughout the State, voiced its emphatic protest against the various changes of far reaching character the amending bill sought to introduce. Most of the amendments were likely to affect the interests of trade and industry to a very great extent. The Chamber was glad that this bill was not taken into consideration then, and it hoped that the bill would be dropped. But to the surprise of the trade, the Government have come forward with the Andhra Pradesh General Sales-tax Second Amendment Bill on July 28, 1961 incorporating there in a number of clauses which found place in the earlier bill of December 1959 and all of which were objected to by the trade.

I should say that in bringing the bill as also the subsequent bill the Government have not taken into consideration the part played by the business community in the collection of sales-tax and in augmenting the revenues to the State Exchequer. The Government have instead of taking the business community into confidence and giving them all facilities to develop their trade and turnover and pay their tax to the Government, have taken a number of steps to curb the freedom of the trader and impose unnecessary restrictions. As the Chamber has always maintained it has no objection to the Government taking stern measures to check evasion and take appropriate action against anti-social elements. But the Chamber wishes to state that the Government would stand to gain to a very great extent if they take the business community into their confidence and enlist their co-operation in the smooth working of the Act. The Commercial Tax Officers should be asked to have a realistic view of things treating the businessmen as partners in a common endeavour in gathering revenues to the State Exchequer instead of eyeing them with suspicion.

WORKS CONTRACTS—CLAUSE 2.

This clause seeks to amend Section 2 of the Andhra Pradesh General Salex-tax Act and defines the works contract. The Government have thought of introducing an amendment without giving the benefit of the judgment of the Court to the business community.

CASUAL TRADERS—CLAUSE 3.

This clause seeks to give powers to the officers of the check-post to assess casual traders, besides the assessing authorities. If the authorities at the check-post as also the assessing authorities in the area of operation of the casual trader were to be empowered it may result in duplication of work and unnecessary hardship to the casual traders. The existing arrangement that the casual trader should submit his return to the assessing authority in the area where he has his business should be adequate.

ASSESSMENT OF ESCAPED TURNOVER—CLAUSE 4.

This clause seeks to raise the period for making assessment including assessment of escaped turnover from four to six years. Besides, the clause seeks to give retrospective effect to this provision with effect from June 15, 1957. In cases where assessments under the Act were set aside by a Tribunal or High Court for any reason and a fresh assessment was to be made the period between the date of assessment and the date on which it has been set aside by the Tribunal or Court is proposed to be excluded for the purpose of making fresh assessment.

While the Chamber is one with the Government in taking measures to avoid evasion in all possible ways it is of the view that the extension of the time limit provided for the purpose from four to six years would not help the actual prevention of evasion in any way. On the other hand it would contribute to a certain amount of delay in the disposal of assessments of the type envisaged. According to the Sales-tax Regulations and the Act, the accounts and books of the dealers are required to be produced before the authorities concerned and ample opportunities are available for assessing authorities, or the licensing authorities to verify the correctness of the accounts and assess the dealers concerned. The Chamber is therefore of the view that the present time limit of four years would be sufficient if the sales-tax authorities are a little more vigilant.

ASSESSMENT BY BOARD OF REVENUE AND DEPUTY COMMISSIONERS—CLAUSE 3 (*b*).

The Government have not mentioned in the Statement of Objects and Reasons and/or the Notes on Clauses as to the reasons that prompted the Government to vest the Central Board of Revenue and/or the Deputy Commissioners of Commercial Taxes with powers to assess escaped turnover. The mere fact that the Court stated that the Act does not give powers to the Commissioner and the Board of Revenue to assess escaped turnover, the Chamber feels should not be the reason for the Government to come forward with an amendment to validate such action. The existing arrangements that the assessing authority of the area can call for the books and assess any assessee within four years should be found adequate.



ASSESSMENT OF TAX ON CASUAL TRADERS—CLAUSE 5.

This clause envisages the framing of rules for assessment of tax on casual traders. The Chamber hopes that the rules so framed would be circulated among the representative organisations of trade and commerce and that they would be given an opportunity to express their views thereon. In any such rules framed, care should be taken that the casual trader is not put to harrasment by the officers at the check-post as also by the officers in the area of operation of the casual trader.

COMPUTATION OF THE PERIOD FOR MAKING A FRESH REVISION—CLAUSE 8.

This clause seeks to exclude the period between the date of assessment order and the date on which it has been set aside by the Appellate Tribunal or the High Court or the Supreme Court for any reason should be excluded in computing the period of years prescribed for making a fresh revision. The Chamber feels that this provision would only give room to the officers to reopen cases which were decided in favour of the assessee. If this section is passed, it would result in the commercial tax authorities trying to harrass the assessee and somehow make the earlier assessment stand legally valid.

SUBMISSION OF RETURNS BY VEHICLES OF NEIGHBOURING STATES CARRYING GOODS WITHIN ANDHRA PRADESH—CLAUSE 10.

While this clause appears to be a reasonable one intended to check evasion of taxes, the Chamber is afraid, in actual practice, it would result in undue hardship to inter-State goods transport. Even as at present the system of check posts is creating lot of inconvenience and hardship to the business community.

PROHIBITION OF COURT TO QUESTION THE VALIDITY OF ASSESSMENT—CLAUSE 12.

The note on the bill states as under: "Assessments otherwise valid and just are most often set aside on account of technical defects or irregularities of a procedural nature. It is proposed to provide that assessments, otherwise regular and just should not be set aside merely on account of any defect or irregularity in the procedure relating thereto unless it appears that the defect or irregularity of procedure has in fact occasioned material hardship or failure of justice". There is no such provision in the Andhra Pradesh General Sales Tax Act from 1957 and there is no such provision in Madras Act also at present. The Government have not mentioned as to how they have suffered by not having this provision. The Chamber likes to emphasize that the present position should continue. Then only it would keep the assessing authorities on the alert and they would be careful in assessing the cases. If a statutory bar is introduced, it is likely to result in officers going on assessing in their own way on the strength of this provision. In so far as the assessing authorities or the Government are not going to ignore such defects or omissions if committed by the assessees it stands to reason that the officers also should be careful and observe all the formalities and procedures. The Government should take appropriate action against officers whose assessments are set aside for procedural defects or irregularity instead of trying to give them immunity by seeking an amendment of the Act. If the amendment is passed, the Chamber is afraid that the efficiency in the administration would be hampered and the assessing authorities are likely to ignore the procedures and formalities envisaged in the Act and the rules much to the detriment of the business community. In the interests of efficiency, accuracy and good administration the Chamber requests that this clause may be dropped.

TRANSFER OF CASES—CLAUSE 30.

The Chamber would have no objection to the Government taking powers to transfer cases if similar facilities are extended to the assessees also to transfer their cases from one officer to another. The Government should state under what condition and for what reason a case is to be transferred from one officer to another. The Government have not mentioned either in the Notes on Clauses or anywhere else as to why this power is sought to be taken.

GENERAL.

Ever since the introduction of Andhra Pradesh General Sales Tax Act on June 15, 1957 there have been a number of amendments to the Act and ordinances have also been issued to change the Act. Even the rules have been amended a number of times making it impossible for the business community to follow. It is rather surprising that one and the same commodity has been changed from purchase to sales point and sales to purchase point more than once and the rate also has been too frequently changed in respect of many a commodity during the short period of three years.

The Government of Andhra Pradesh are at present charging sales tax on sale-tax, even though it was not there till about a few years ago. In Madras and elsewhere sales-tax is not charged on sales-tax. It is necessary that the Government of Andhra Pradesh should introduce a clause to discontinue collection of sales-tax on sales-tax.

In respect of many commodities like ghee and jaggery the State has to depend for market on other States and the State Government should see that the tax is levied in such a manner that the competitive nature of goods of Andhra Origin is not seriously affected. Finally the Chamber requests the Hon'ble Minister to keep the enforcement of the two legislative measures regarding sales-tax adopted recently in abeyance



and constitute a Sales Tax Enquiry Committee consisting of representatives of trade, industry, consumers and the Government, invite suggestions from the public and the trade on various aspects of sales-tax and think of amending the Sales Tax Act in accordance with the recommendations of such a Committee. Pending that, I request the Minister not to go ahead with the enforcement of the above amendments which are highly detrimental to the interests of the business community.

### Sales Tax Law in Andhra Pradesh—Need for Change in.

The Chamber presented the following memorandum to Hon'ble Sri Brahmananda Reddi, A.P. Minister for Finance and Commercial Taxes on August 23, 1961 :

SALES TAX ON SALE OF SHIP STORES.

" At present Government of Andhra Pradesh are collecting Commercial Taxes (Sales Tax) on the sale of liquors sold as Ship Stores to ships calling at Visakhapatnam Port at the rate of 25%. Such Sales Tax is not collected in the Ports of Madras and Calcutta, between which Visakhapatnam is situated, though there is a Sales Tax of 50% in Madras State on Foreign Liquors sold in the State. Madras and Calcutta sell a case of whisky to ships at Rs. 101 (Rupees one hundred and one only) a case, whereas the same whisky is sold at Visakhapatnam Port at nearly Rs. 130 (Rupees One hundred and thirty only) a case. Thus the ship stores business at Visakhapatnam Port has come to almost a standstill, as ships do not like to pay nearly Rs. 30 more a case when the next port of call is very near.

These bonded stocks are imported exclusively for the purpose of supplying to ships in the course of International Trade and Commerce, while they are on their onward journey to Foreign countries. These sales are classified as Exports and are described as such in the forms approved by the Government of India. The Government have exempted to import these bonded stores from Import Trade restrictions and also from Customs duty, as they have proved to be a valuable source of earning Foreign Exchange. They are not meant for local sales or consumption but are intended only for re-export to vessels to be consumed on the highseas and they are classified as Free Goods and as such they are exempt from Sales Tax Act of 1957.

The Chamber requests the Hon'ble Minister to look into the matter and exempt them from the operation of Sales Tax.

PURCHASE OF TIMBER FROM GOVERNMENT AUCTION DEPOTS :

Timber merchants from Madras purchase timber at various Government Auction Depots in Adnhra Pradesh and in Maharashtra. All depots in Maharashtra are charging Sales Tax at 1% on production of ' C ' forms under the Central Sales Tax Act while the Government Auction Depot at Jannaram in Andhra Pradesh insists that the timber merchants should pay sales-tax at the rate applicable locally. All purchases by dealers from Madras State involve inter-State sale. We request that the Government Auction Depot at Jannaram may be advised to charge sales tax at 1% on timber sales outside the State as is done by depots elsewhere.

TAX ON JAGGERY.

In many of the States in India jaggery is not subject to any Sales Tax since it is a cottage industry. The Government of Andhra Pradesh are levying a purchase tax at 3%. Jaggery of Andhra Pradesh is being exported to places like Orissa, Bengal, Bihar, Madhya Pradesh, Gujerat and Maharashtra. The levy of purchase tax is causing much hardship to the cultivators and producers of jaggery as also to the merchants. Merchants purchase jaggery only when they are able to sell jaggery to places outside the State. The high cost of jaggery as a result of the addition of purchase tax has resulted in the accumulation of jaggery stocks in many centres. Even export of jaggery to foreign countries is not encouraging since some of the foreign countries have been restricting imports. In view of the above, the Chamber requests the Minister to withdraw the tax on this commodity and save the cultivators and producers of jaggery. Such a step would also enable the merchants to compete with jaggery produced in other States and continue to be in the market.

PURCHASE TAX ON TURMERIC :

The Government of Andhra Pradesh are levying purchase tax at 6% on turmeric. Bombay, Madras and Kerala which are producing turmeric do not charge any purchase tax on turmeric with the result, the price of Andhra Pradesh turmeric has become uneconomic. The Government thought of introducing the purchase tax to enable the collection of tax from the dealer who purchases goods like turmeric, instead of forcing the producers, who are invariably cultivators to pay tax and maintain accounts for the purpose. The high rate of purchase tax has resulted in the price of turmeric of Andhra Pradesh origin going up compared to the prices obtaining elsewhere. As a result of this, there is accumulation of stocks at different centres in Andhra Pradesh. If Andhra producers have to sell their turmeric they have to pay this 6% purchase tax by reducing their own margin of profit. In effect therefore this measure is not helping the producers and does not serve the purpose for which it was originally intended. In order to enable the turmeric producers of Andhra Pradesh to sell their turmeric in other centres without any difficulty the Chamber requests that the tax on turmeric may be levied at the point of sale at a reduced rate.

CORIANDER SEED :

The Government of Andhra Pradesh are treating coriander seed as oilseed and are subjecting it to sales tax at 2% at the point of first purchase in the State. Leaving aside the question of the wisdom behind treating coriander as oilseed when it contains not more than ½% oil and nobody in the country is manufacturing coriander seed oil,



the Chamber wishes to invite the attention of the Government to a recent judgement of the Andhra Pradesh High Court which has upheld the decision of the Tribunal that coriander seed was an item taxable at the point of sale and not at the point of purchase. This means coriander seed is not treated as an oilseed and does not fall under item 3 of Schedule IV of the A.P.G.S.T. Act. In view of this, the Chamber requests the Government to issue a clarification explaining the correct position. Probably the same would be the case in respect of a number of other seeds like cummin seed, fennel seed, fenugreck and the like which are also treated as oilseeds. May we request you to kindly advise the Department and the Board of Revenue to issue necessary clarification in this regard early.

**Taxation in Andhra Pradesh—Discussion with Hon'ble Sri K. Brahmananda Reddi.**

Hon'ble Sri K. Brahmananda Reddi, Minister for Finance and Commercial Taxes, Government of Andhra Pradesh was the guest of honour at a reception got up by the Chamber on August 23, 1961.

Sri S. Venkatarangam, President of the Chamber welcoming Sri Reddi observed:

"I have great pleasure in extending a hearty welcome to Hon'ble Sri Brahmananda Reddi to our Chamber this evening. Sri Reddi is no stranger to us and he is known to most of our members personally and in a fairly intimate manner. We all know of his varied services to the community. He has been devoting his energies in strengthening the economic fabric of Andhra Pradesh and in paving the way for the economic rehabilitation of the people of Andhra Pradesh. It is a matter of supreme gratification that the finances of the Andhra Pradesh have been steadily rising under the able guidance of Sri Reddi during the past few years and I am sure that with his indefatigable efforts he will be able to make our State financially a very strong one. The fact that the loans floated by our State Government in the past two years have been easily oversubscribed leading to partial allotment, demonstrates clearly, the financial soundness of the State and the confidence the investors all over the country have in the financial stability of the State. The business community is glad that the finance of the State are in the able hands of Sri Brahmananda Reddi and it has every confidence that Sri Reddi would continue to guide the financial destinies of the State in an able manner with his knowledge, experience and drive. We have in Sri Reddi, a person who responds to practical and useful suggestions and who tries to redress all genuine grievances and difficulties. I therefore venture to invite his attention to some of the problems facing the business community today. Sri Reddi is a believer in initiating policies and programmes which would confer maximum benefit to a large number of people and I have therefore every confidence that Sri Reddi would give his consideration and thought to our suggestions.

Andhra Pradesh has completed her Rs. 183.5 crore Second Five Year Plan by the end of March this year and has embarked on a more ambitious Third Five Year Plan with a total outlay of Rs. 305 crores. While it is a matter for gratification that the State has incurred an actual expenditure of Rs.183.5 crores, an achievement of 104% during the secon plan, we apprehend that the State may not be able to complete the third plan unless the State is able to get substantial assistance from the Centre. As the State Government themselves have pointed out to the Finance Commission there was an overall gap of Rs. 60 crores in the estimated expenditure and anticipated receipts during the third plan period even after providing for heavy taxation. The State Government should prevail upon the Finance Commission and the Government of India and see that Andhra Pradesh secures adequate additional grants. This is particularly necessary because the scope for additional taxation is very limited and further taxation cannot be thought of without hampering the industrial and agricultural development in the State. When the Finance Minister draws proposals for additional taxation in the coming five years I hope he would bear in mind the need for providing the necessary climate for growth of industry and agriculture and would not stifle them by undue tax burden.

Sales tax is one of those vexed problems agitating the minds of businessmen. Businessmen do not mind collecting and paying sales tax. They are willing to assist the State in earning a sizeable revenue by way of sales tax. But they only desire that their role in this regard should be recognised. The Commercial Tax Authorities today view the businessmen always with suspicion and harrass them in ever so many ways. Added to this, the Sales Tax Rules and Regulations have been amended to arm these officers with more powers. While the Chamber is in agreement with the Government that evaders should be punished and action should be taken against all offenders, I wish to emphasize that there should be a change in the outlook of the Commercial Tax Officers. They should be practical and realistic and try to assist the business community in their endeavour to do more business and earn more tax revenue rather than harrass them. The Government have rushed with two sales tax amendment Bills without eliciting public opinion and they intend giving retrospective effect to many clauses from June 15, 1957 having no regard to the rights of the business community. The latest move to extend the powers of the officers to reopen cases even after six years, transfer cases from one authority to another as also the move to legalise assessments which are technically defective, is not conducive to the development of trade. While the amendments aim at strengthening the hands of the department, it is not known as to why a turnover should be left unnoticed by the assessing authority for six years and it is also not known why an assessing authority should not be compelled to pass assessment orders complying with all formalities and without any technical defect. It is really unfair to legalise technically defective assessments especially when Commercial Tax Officers refuse to overlook even defects of a very minor nature like omission to mention some date or some particulars in 'C' forms, declarations and returns and levy penalties. Above all an irregular procedure can never be legalised and the Chamber is afraid it would result in the Commercail Tax Authorities proceeding with assessments having no regard to the set procedures. Levy of compounding fee has become a common feature and invariably the compounding fee is paid only under pressure. The compounding fee being in the nature of a penalty, the Chamber is of the view that the assessee should be given the opportunity to appeal to the higher authority.



The Chamber would like the rules to be applied srtictly to the officers also and stern action should be taken against officers who delay disposal of assessments, who do not conform to procedure and whose assessments are turned down on appeal beyond a given percentage.

I am glad to note that the Finance Minister has assured to abolish purchase tax on jaggery. Merchants are undergoing serious hardship due to a slump in jaggery prices and it would go a long way in liquidation of stocks if the purchase tax on jaggery is withdrawn. Sales Tax on butter and ghee needs revision to enable Andhra Pradesh ghee to compete in North Ihdian markets. School requisites like pencils and books also need exemption.

I learn that the Commercial Tax Authorities at Visakhapatnam are assessing sale of liquor, etc., sold as ship stores even though such sales are treated as exports and exempt from sales tax at all ports in the country. I request Sri Reddi to see that sales of ship stores are exempt from sales tax as they earn foreign exchange to the country. In the matter of purchase of timber at Government auctions held at several places in the State the Chamber learns that 1% sales tax is levied on production of 'C' form while at Jannaram alone the Depot adopts a different procedure and calls for payment of local tax. I am citing these as instances where varying procedures are adopted in different places. I request you to ensure uniformity in rules, procedure and levy throughout the State and also see that the business community is not put to unnecessary hardship.

I am glad to note that the Government of Andhra Pradesh have assured to offer incentives to entrepreneurs by way of reduction in sales tax on manufactured goods among others. I am sure members of the Chamber would be anxious to hear from you the types of concessions you envisage in order to enthuse entrepreneurs to start industries in Andhra Pradesh.

The business community in Hyderabad have been agitating for a long time for the removal of Octroi which is causing undue hardship to the businessmen. This Chamber as also several other organisations have been repeatedly representing in this regard. While speaking on the floor of the Assembly at the time of discussion on the Bill to abolish the Toll Tax it was expressed that Government were also of the opinion that the Octroi should be abolished but the Government were unable to advise the municipality which was an autonomous body. The Chamber learns that the Regional Committee is considering the question as to how best to compensate the losses if

Octroi is abolished. In the meantime the Hyderabad Corporation is trying to introduce the Model Schedule sent to them by the State Government. The schedule covering as it does as many as 150 categories of items does not leave almost any article while the Octroi charged hitherto has been only on about 24 articles. It is not only necessary that the Corporation should be pursuaded not to introduce the Model Schedule, but the Government should do away with the levy of Octroi duty which is being levied in Hyderabad alone in the whole of Andhra Pradesh. I am sure the Corporation would be benefited to a large extent if their taxation is based on the system obtaining in places like Madras and if the trade in Hyderabad is carried on without any disadvantage as against its counterparts elsewhere in the State.

In the matter of development of industries, while I am glad that the State Government have set up a Development Corporation, I hope this Corporation would effectively assist in the growth of industries in all regions in the State. The Government of India appear to be in favour of licensing 10 to 12 spinning mills in Andhra Pradesh. I urge upon Sri Reddi to assist the development of these new units in different areas in the State and thus help the handloom weavers to obtain their requirements of yarn at a reduced cost besides contributing towards utilisation of the cotton grown in the State and provision of employment avenues. It is needless for me to point out that the establishment of 10 or 12 spinning mills would mean a sizeable revenue to the State Exchequer by way of sales tax and cess. There are plans for development of a pig iron and fertiliser industries in the private sector. I request Sri Reddi to see that some of the public sector projects are located in Andhra Pradesh as these projects would give an opportunity for a number of ancillary industries to develop.

While on the subject of industries I wish to make a mention of the difficulties encountered by industries in getting supply of coal and coke and iron and steel. Even though the Chief Minister has stated on the floor of the Assembly that there is no coal shortage in the State, I wish to submit that the industries are not able to maintain their production programme for want of fuel. In addition, the allotment of iron and steel to South India, particularly Andhra Pradesh and Madras, is not adequate with the result industries are able to obtain only a small portion of their actual requirements. It is stated that Andhra Pradesh and Madras are able to obtain only 20% of their actual requirements of iron and steel. I take this opportunity of requesting Sri Reddi to move the Government of India to increase the iron and steel quota for Andhra Pradesh and Madras. I feel the Zonal Council, which is shortly meeting should discuss this subject and make out a strong case for the increase of iron and steel quota for the South. Development of a power grid is one of the other subjects the Zonal Council is likely to discuss. Just a few days ago the Prime Minister has stated that a nuclear power station would be started in the South. I therefore request the Finance Minister to see that the Zonal Council takes some effective steps to translate the assurance of the Prime Minister into action at the earliest.



Permit me to mention to you the difficulties encountered by the Sandalwood Oil Distilleries in Andhra Pradesh. The distilleries in Andhra Pradesh are today unable to obtain adequate supplies of sandalwood. These units which were getting supplies from Madras are facing competition from the Mysore Government Factory as it is entering the Madras market for purchase. If the Government of Andhra Pradesh do not intervene in the matter immediately and prevail upon the Government of Mysore to adopt a policy which would enable the Sandalwood Oil Factories in Andhra Pradesh and Madras to obtain their sandalwood requirements, the industry would be threatened with closure resulting in unemployment and loss of revenue to the State besides untold hardship to the trade. Hereagain I seek the assistance of the Finance Minister.

I do not want to take much of your time by presenting to you various points of interest to the trade. The question of laying new railway lines in the South, strengthening the line capacity between Madras and Calcutta, I learn is also coming up before the Zonal Council. The development of north-east line would promote the economic prosperity of the entire South Zone and it would facilitate the speedy movement of goods. As such I request the Government of Andhra Pradesh to move the Zonal Council and see that this work is given utmost priority. As regards new railway lines I wish to urge upon the need for connecting the developing ports in the State with the railway network and for increasing the railway mileage and line capacity in the State having regard to the requirements of the industry and trade.

The State Government is shortly floating a loan for Rs. 10 crores. The finances of the State is in a fine fettle and the people in and out of the State have been impressed with the way in which the Governemnt have been usefully utilising their resources. Hence I am sure the loan would meet with a thumping success. The business community in Andhra Pradesh and elsewhere, I may assure Sri Reddi, would more than fulfil his expectations in raising the funds for the State Exchequer.

I thank Sri Reddi for making it convenient to visit our Chamber this evening. I assure Sri Reddi and the Government of Andhra Pradesh on this occasion of the wholehearted co-operation of Andhra Chamber of Commerce and its constituent members and member-bodies in all their endeavours to develop the State and I express the hope the Chamber would continue to receive the consideration and support of the State Government as hitherto and its counsels would be sought on matters relating to trade, industry and general economic wellbeing of the State."

Hon'ble Sri Brahmananda Reddi thanking the Chamber for the reception invited industrialists all over the country to develop industries in Andhra Pradesh. There was an excellent climate for starting all types of industries in Andhra Pradesh and the Government would offer all incentives to entrepreneurs. The Government of Andhra Pradesh were endeavouring their best to develop industries in the State which was essentially an agricultural State. Sri Reddi stated that the heavy electrical plant and the synthetic drug project would be located in Andhra Pradesh. Two fertiliser factories in the private sector, one at Kothagudem and the other at Visakhapatnam coupled with the factory of Usha which would be located in Hyderabad would go a long way in accelerating the economic development of the State. The State Government were considering the establishment of a newsprint factory at Bhodan. They have given up this idea and have decided to allow the industry to develop in the private sector. Referring to the power position, Sri Brahmananda Reddi said that the Government were making sustained efforts to augment power position. He recalled the visit of a World Bank Team to Kothagudem which suggested that thermal power can be developed to a greater extent in the Kothagudem area. Andhra Pradesh was assured of Rs. 200 crores by the Centre out of its Third Plan outlay of Rs. 305 crores. The State prepared a plan for a larger and ambitious figure and it had to be cut as many other States had to. During the Third Five-Year Plan period the State Government will have to raise about Rs. 105 crores by way of revenue surpluses, additional taxation, public loans and small savings. The State Government would be entering the market soon for a loan of Rs. 10 crores. The Minister was sure that as in the past this loan also would be a grand success. He said the Government had so for spent Rs. 40 crores on Nagarjuna Sagar Project and had planned to spend another Rs. 35 crores in the Third Five-Year Plan period. The Government hoped that the first phase of the project would be completed before the end of the present plan. By 1964-65 the project was expected to provide irrigation facilities for about 4.5 lakhs of acres and irrigation facilities for an additional 4.5 lakhs acres for second crop. The Government were taking all steps to relieve the difficulties faced by the trade in the collection of sales-tax. Referring to the points raised by the Chamber regarding, sales-tax he stated that most of the points in the bill were included only after their approval by the Sales-tax Advisory Committee. He, however, stated that there might be some points which required examination. He appealed to the business community to make the loan a grand success.

Sri J. V. Somayajulu, former President of the Chamber, proposed a vote of thanks.

### Andhra Pradesh General Sales Tax

A meeting of the members of the Chamber was held on September 18, 1961 at the Office of the Chamber, Rashtrapathi Road, Secunderabad with Sri Sirnam Satyanarayana Guptha in the Chair. The draft memorandum to be presented to the Hon'ble Minister for Finance, Sri K. Brahmananda Reddi was considered and approved. It was also resolved that a deputation of the Chamber should wait on the Hon'ble Sri K. Brahmananda Reddi, Minister for Finance and Commercial Taxes and represent to him about the difficulties that would be caused to the trade if the amending bill were to be introduced. The following gentlement were nominated to form the deputation: Sti M. Harischandra Prasad, M.L.A., Sri Sirnam Satyanarayana Guptha, Sri K. R. Nandagopal, Sri Goli Eswaraiah, Dr. Ramesh Gandhi, Sri L. S. P. Natarajan, Sri Satyanarayan Agarwal and Sri B. Sundar Rao.



### Development of Small Industries v. Tax Structure

A meeting of the Small-Scale Industrialists of Andhra Pradesh was held at the Office of the Director of Industries and Commerce, Hyderabad to discuss problems connected with the levy of Central Excise Duties. The Andhra Chamber was represented at the meeting by Sri Dundoo Balakrishnamurthi and Sri K. P. Ramamurthi, Assistant Secretary of the Chamber. The representatives of the Chamber suggested that packing materials should be exempt from levy of Central excise duty. Central excise duties should be collected on the basis of weights or measures or number and not on value. Small-Scale Industries and Cottage Industries employing 10 or less number of workers without power should be exempt from payment of duty, the number of registers to be maintained for the purpose of Central excise should be minimised in the case of Small Industries and that the collection of Central excise duty should be modelled on the lines of sales tax collection. The representatives of the Chamber stated that the Andhra Chamber had already made recommendations on these lines to the Central Excise Reorganisation Committee and requested the Chairman of the meeting to make similar recommendations to that Committee. The meeting approved of the suggestions of the representatives of the Chamber and it was decided to forward them to the Central Excise Reorganisation Committee with the recommendations of the Government of Andhra Pradesh.

### Octroi Duty in Twin Cities.

A meeting of the members of the Chamber was held on Monday, September 18, 1961 at the Office of the Chamber, Rashtrapathi Road, Secunderabad. Sri Sirnam Satyanarayana Guptha presided over the meeting. The members present participated in the discussion regarding the proposed levy of Octroi on a number of items in the Twin Cities and it was resolved that the Chamber should wait in deputation on Hon'ble Sri M. Narasimha Rao, Minister for Local Administration, Government of Andhra Pradesh and represent the difficulties experienced by the trade in the matter of Octroi and particularly the situation arising out of the introduction of model schedule. It was also resolved that the following shall form the deputation: Sri M. Harischandra Prasad, M.L.A., Sri Sirnam Satyanarayana Guptha, Sri K. R. Nandagopal, Sri Goli Eswariah, Dr. Ramesh Gandhi, Sri L. S. P. Natarajan, Sri Satyanarayan Agarwal and Sri Juluri Veeresalingam.

### Octroi in A.P.—Discussion with Hon'ble Sri M. Narasinga Rao

A deputation of the Andhra Chamber of Commerce consisting of Messrs. M. Harischandra Prasad, M.L.A., Vice-President, Juluri Veeresalingam, Satyanarayan Agarwal, Dr. Ramesh Gandhi and Sri K. P. Ramamurthy, Assistant Secretary of the Chamber, called on the Minister for Local Administration, Hon'ble Sri M. Narasinga Rao at the Secretariat on October 4, 1961 and explained to him the difficulties encountered by the business community in the Twin Cities in the matter of Octroi. The deputationists urged upon the Minister to appoint a Sub-Committee to find out ways and means of compensating the Corporation for the loss of income resulting from the abolition of Octroi. The deputationists pointed out that the model schedule proposed by the Corporation covered 150 categories of items, as against the existing number of 25. Already the trade in Hyderabad and Secunderabad was being affected as a result of the Octroi duty and any extension in the taxable items with a levy ranging from half to ten per cent would paralyse the trade. The Minister assured that the model schedule would not be implemented for some time to come as the same has to be approved by the Standing Committee of the Corporation, the Telangana Regional Committee and the Legislature.

### Octroi—Difficulty Encountered by the Trade

The Chamber submitted the following memorandum to Hon'ble Sri M. Narasing Rao, Minister for Local Administration, Government of Andhra Pradesh on August 4, 1961 :

" I am desired by the Committee of the Andhra Chamber of Commerce to address you as under with regard to the Octroi duty in the Twin Cities with a request to give your immediate consideration to the various points raised hereunder.

The businessmen in the Twin Cities have been agitating for a long time for the removal of Octroi which is causing undue hardship to the entire business community. This Chamber as also several other Organisations have been repeatedly representing to you and to the Government for the withdrawal of this measure. While the business community was glad that the Toll tax was being abolished it was expecting that Octroi also would be abolished in view of the difficulties expressed by the busines community. While speaking on the floor of the Assembly at the time of the discussion on the bill to abolish the Toll tax you were good enough to state that Government were also of the opinion that Octroi should be abolished, but the Government were unable to advise the Municipality to do so since it was an autonomous body. You also stated that the Telangana Regional Committee was considering the question as to how best to compensate the loss if Octroi was abolished. The members of our Chamber as also the other businessmen were very glad to hear the timely announcement you made expressing the views of the Government in this regard and they were anxiously awaiting to hear from the Government that Octroi would be abolished.

Unfortunately the Corporation of Hyderabad has come forward to introduce a model schedule which has been sent to them by the Government for adoption. This schedule covering as it does as many as 150 categories of items does not leave almost any article while the Octroi charged hitherto had been only on about 25 categories of articles. In view of waht we have stated and in view of the fact that the question is engaging the attention of the Regional Advisory Committee, the Chamber feels that it is not only necessary that the Corporation should be persuaded not to introduce the model schedule but the Government should do away with the levy of Octroi duty which is being levied in Hyderabad alone in the whole of Andhra Pradesh.



It is needless for us to point out once again that the trade in the Twin Cities has been seriously affected by the imposition of Octroi duty in addition to other taxes levied by the State and Union Governments. While difficulty is experienced even while a small number of items is covered by the Octroi duty, we apprehend that the trade and business life of the Twin Cities would be paralysed if the duty is extended to cover the long list of items enumerated in the model schedule with levies ranging from a ½% to 10%. This Octroi imposed on a number of commodities consumed by the people of Hyderabad and Secunderabad would cause serious hardship to the general public of this area because of a steep rise in the cost of living of the people. The Octroi duty is unquestionably a tax opposed to all canons of taxation and it has been diverting the trade to quarters outside the municipal limits and has been causing the dislocation of established business in the Twin Cities.

In view of the foregoing I am desired by the Committee of my Chamber to request you to advise the Corporation of Hyderabad not to introduce the model schedule till the whole question of levy of Octroi duty and the ways and means of compensating the Corporation on the abolition of Octroi duty are examined by the Government of Andhra Pradesh as also the Regional Committee. The Corporation may be advised to find out ways and means of raising revenues from sources other than Octroi duty. I am sure the Corporation would be benefited to a large extent if the taxation is based on the system obtaining in places like Madras and if the trade and industry in the Twin Cities is allowed to be carried on without any disadvantage as against its counterparts elsewhere in the State.

I am desired by my Chamber to appeal to you and to the Government of Andhra Pradesh once again to abolish the system of Octroi and advise the Hyderabad Corporation not to proceed with the introduction of the model schedule till you take a decision in this regard."

### Discussion with Hon'ble Srimathi Tarakeshwari Sinha, Union Deputy Minister for Finance

The following is the text of the speech-cum-memorandum of Sri S. Venkatarangam, President of the Chamber which was to be delivered on September 22, 1961, when Hon'ble Srimathi Tarakeshwari Sinha, was expected to visit our Chambeer An advance copy of the speech-cum-memorandum was submitted to her. However she could not attend the function owing to indisposition :

" I have great pleasure in extending a hearty welcome to Srimathi Tarakeshwari Sinha to our Chamber this evening. I do not want to take up much of your time in introducing Srimathi Sinha to you all, as she is know[illegible] of the subjects she has been handling and for the practical appro[illegible]ing to various problems. Even in the matter of Small Sav[illegible] she has roused [illegible] enthusiasm among various sections of the community fo[illegible] raising large sums dur[illegible] "Pada-yatra" movement.

I feel sure that Srimathi Tarakeshwari Sinha with her knowledge and experience of economic affairs will be able to contribute a good deal in shaping the various economic and financial policies and thus make the Third Five-Year Plan a great success.

The Third Five-Year Plan envisages additional taxation of Rs .1,100 crores at the Centre, in addition to Rs. 610 crores to be raised by the States, while it is generally admitted that the scope for a further increase in direct taxation is rather limited, it is somewhat doubtful as to how far indirect taxation can be increased reconciling the ever-increasing spiral of inflationary forces on the one hand and the need to hold the price line at a reasonable level without in any way causing serious strains on the economy of the country.

This is considered to be the minimum additional taxation essential. It is stated that direct and indirect taxes should be increased to obtain this additional revenue. While taxation even at the present level is inhibiting production and raising the cost of production, I wonder whether any additional resources can be raised without endangering the economy.

The Third Plan also envisages an increase in our exports from the present level of Rs. 645 crores to the tune of Rs. 750 crores annually, on an average. I do not wish to anticipate what the Import and Export Policy Committee is going to recommend about this matter, but I am inclined to think that unless export promotion is expanded and accelerated, this target may not be reached and it may not be possible for us to raise the necessary foreign exchange required to meet the maintenance imports and exchange needed for other requirements. A major hurdle in our export promotion is the strong internal market even at high prices. Unless the internal price level is brought down, it would be very difficult to step up exports. The wage policy in industries should also be devised in such a way as to bring down the cost of production and to lower the cost of export goods. Incentives should be given for export, not only by way of introduction of currency retention scheme but also by providing for rebate in income tax on income-derived from exports.

It may not be possible to reduce our costs beyond a particular point due to our internal high cost economy. Any incentives given to reduce the costs may prove to be only palliatives confering temporary benefits. Strong friendship which can be developed by frequent visits and provision for allowing credit facilities may be of some advantage in promoting trade between various countries and I hope the Mudaliar Committee will give serious thought to this aspect of the problem.

This apart, the States are expected to raise additional taxation to the tune of Rs. 610 crores. During the Second Five-Year Plan, the balance from current revenues was envisaged to be about Rs. 350 crores but actually it turned out to be a negative balance of Rs. 50 crores. In view of this, I do not know as to how the States can raise additional taxation to the extent desired without hampering the economy.



Sales Tax is the main elastic source of revenue to the States and it is also reaching the saturation point in the case of many items. There is already a move to replace Sales Tax by Central Excise Duty and this may narrow down the scope for any marked increase in the revenue under State Sales Tax.

Added to this, there is a move to enforce total prohibition before the end of the Third Five-Year Plan and it is not known as to how far the Union Government would be able to compensate the States for the loss of revenue from this source. Moreover it is reported in the papers recently that the Union Finance Minister would consider meeting a portion of this loss.

Unless the States are assured of compensation to the full extent by the Centre, it will be very difficult for the States to balance their budgets, if they are forced to go ahead with total prohibition.

The States were also experiencing difficulties in the matter of getting a large share from the divisible pool of Central Taxes. There appears to be a tendency to levy additional excise duties and thereby deny any share to the States. The Finance Commission is seized of the matter and I hope the Finance Commission and the Government would consider ways and means of providing increased grants to the States and also for giving weightage to industrially backward States so as to enable them to correct the present imbalance.

As a result of the recommendations of the First and the Second Finance Commissions, the divisible pool of Income Tax as well as of Excise, has been incereased. Whatever the principle that may be adopted for the distribution of this divisible pool, whether on the basis of population or consumption or area, there appears to be an increasing tendency on the part of the States to depend upon the Centre for financial assistance. The Finance Commission may therefore consider some measures which would make the States not to unduly depend upon Central Assistance.

There also appears to be a view gaining ground that economic power is being concentrated in private sector. The Government of India also seem to be interested in arresting this alleged concentration. A survey ofthe situation as also of the structure of Corporate enterprises and industrial projects in the private sector would reveal that there is no concentration of economic power. On the other hand, there is concentration of economic power in the Public Sector. Even in the Third Five-Year Plan the role assigned to the Public Sector is such that the private sector has only an insignificant role to play. The distribution and generation of power, rail and air transport and a large section of coal industry—are all in the Public Sector. I feel that the Wealth Probe Committee appointed by the Planning Commission in October last under the Chairmanship of Prof. Mahalanobis should be asked to proceed with the enquiry and submit their report early so that the public would be apprised of the real situation.

In the matter of Small Savings I wish to congratulate Srimathi Sinha for her drive and initiative and the way in which she has been able to raise sizeable funds. The Government have also been able to realise large amounts by way of sale of Prize Bonds and National Savings Certificates. As it happens the urban savings which constitute a very small part happen to be the only source left for corporate investment today. I feel this should be left untouched by the National Savings Organisation so as to enable capital formation and corporate investment in the private sector. The National Savings Organisation should tap the rural surplus to the maximum possible extent. I hope the Deputy Minister will give her consideration to this suggestion. While complementing the authorities for the success they have achieved in the National Savings Compaign, I consider that it may be desirable to devise ways and means for reducing the wide gap in interest rates that now prevail as between the rural and urban areas and also to make these certificates more easily negotiable.

Another problem to which I would like to invite your attention is the need for doing away with heavy State Sales Tax on excisable goods. While I do not plead for replacement of sales tax by additional excise duty in respect of all excisable commodities, I feel that at least in the case of important items like paper and iron and steel the sales tax should be replaced by excise duty.

I also request the Deputy Minister to think of bringing about some uniformity in the rates of sales tax at least in respect of manufactured products. Though sales tax is essentially a State subject, I believe it would be possible to evolve a formula in consultation with the State Governments."

**Central Sales Tax—Admission of 'C' Forms without the seal of the Issuing Officers.**

In response to a communication from the Andhra Chamber of Commerce, the Deputy Commissioner of Commercial Taxes, Madras, informed the Chamber that instructions have been issued to the Commercial Tax Officers not to insist on the Seal of the Issuing Officers and not to invalidate the 'C' forms which do not bear such Seal so long as the old declaration in Form 'C' (as have existed prior to amendment of October, 1958) are used.

The Chamber represented that the Commercial Tax authorities were not accepting the 'C' forms which do not bear the Seal of the Issuing Officers and that it was causing hardship to the business community. If the Issuing Officers did not affix the Seal, the Chamber stated that the merchants should not be penalised.

## FOREIGN TRADE

**Import and Export Policy Committee—Replies to Questionaire**

The Government of India appointed a Committee to review and make recommendations regarding Import and Export Policy and Procedure under the Chairmanship of Sri A. Ramaswamy Mudaliar.



The Committee issued a questionaire calling for replies from all interested exporters; importers and organisations.

The Andhra Chamber submitted the following in reply to the questionaire issued by the Committee:

"The Andhra Chamber of Commerce is glad that the Government of India have constituted the Import and Export Policy Committee with Sri A. Ramaswami Mudaliar as Chairman to enquire into the working of Import Trade Control and to review the efficacy of the existing Export Promotion measures and make recommendations with regard to measures necessary to step up exports during the third plan. The Chamber with its offices in Madras and Secunderabad has over 800 members and over thirty affiliated Chambers of Commerce and Trade Associations. As an organisation representing the interests of trade and industry in Andhra Pradesh and Madras in particular and South India in general the Chamber has endeavoured to reply the questionaire having in view the needs and difficulties of the Southern region.

PART I—IMPORT POLICY AND PROCEDURES.

(i) (a) *Procedure followed in the formulation of import policy and methods followed in dealing with applications.*

OBJECTIVES OF IMPORT POLICY.

Q. 1.—What, in your judgement, are or should be the objective of import control and to what extent are these objectives being fulfilled?

*The objective of import policy should be to plan our imports in such a way as to ensure the development of industries in the country and also make available to the consumer and industry essential items which are not being manufactured locally.* Especially in the context of planned economic development India has to import a large volume of plant and machinery *The import policy should be so framed as to accommodate the import of plant and machinery of the type not manufactured within the countrv and once an industry is started it should also be ensured of raw materials and components. Even while the import of plant and machinery is allowed care should be taken to see that the installed capacity in industries is used to full capacity and new units should ne allowed to be set up and imported only when there is need for additional capacity.* In many of our industries full capacity is not being utilised and still we find new units being set up and licences being given for import. Again after the industry is set up we find the industries unable to continue their production for want of supply of raw material or some items needed in the manufacturing process. There are also cases where certain industries were denied licences for even small value as Rs. 1,000 or Rs. 2,000 for the essential component with the result the production programme was upset. In the case of another industry which has been started with the support of the Government the industry was denied a licence for import of a basic ingredient and it was asked to contact another competitor within the country and obtain its requirement of the item in question. While stress is laid on industries manufacturing quality products when they ask for raw materials or ingredients of correct type they are advised to go in for substitutes which are tolerably good or which are considered good by the department. If quality is to be ensured the industry should naturally be ensured of the right type of raw material.

*The import policy should be continuous and it should be framed in such a way that it would not cause any serious jolt to the economy.* But we find that the import policy in the case of certain items has been too often changed and the normal channels of trade have been disrupted as a result of introducing S.T.C. in several fields.

*The import policy should aim at curtailing or completely restricting the imports of items manufactured locally to the desired extent and quality.* Here again the volume of items coming into the market through Customs auctions is so large that it defeats the very object of import control. May be the Government would be levying penalty for such unauthorised imports and also taking action against such unauthorised importers. But the Chamber feels that measures should be taken for re-export of such commodities to see that the internal market does not suffer on account of the entry of such goods, The established channels of trade should be made use of to the maximum possible extent and intervention of organisations like the S.T.C. should be reduced to the minimum. The Chamber finds the at the S.T.C. though originally intended to develop trade relations with Communist Countries has today entered almost all trades. S.T.C. is handling caustic soda, soda ash, chilean nitrate, betelnuts, spices, cork and manufactures and newsprint, among others. It has also imported in the past, mercury, camphor and milk powder. Even as at present it is entering almost any field, displacing normal trade channels. In the distribution of products imported by S.T.C. no regard is given to the established importers. The Chamber is of the view that the established importers should be allowed to have a decent share in imports either direct or through the S.T.C.

*The import policy should also take into account the need for importing certain new and novel items with a view to know the improvememt in techniques and quality in foreign countries and should allow industries to import* small quantities of items similar to those manufactured by the industries concerned.

The actual user, the established importer, and the newcomer constitute the different categories of importers. But the newcomer is practically out of picture. Not only that, even an importer who has participated in the import, but does not have the good fortune to have an import during one of the years chosen as basic period is denied an opportunity to participate in the trade. The Chamber feels the basic period as far as possible should be extended to accommodate newcomers of the above category to participate in the import trade. Even while licensing imports to actual users



the Chamber has come across cases where licences are given for very small quantities that it is uneconomic for the parties to import. In the case of small licences the Chamber feels that the actual users may be permitted to import their requirements through established importers. In other words, the established importers who pool up the small orders (requirements) of small actual users should be given licences to import the items concerned to cater to the requirements of the industries concerned. The Chamber feels that this procedure would be of immense benefit to the small actual users also who neither have the experience nor the facility to handle imports. On the other hand they would stand to gain by the expert knowledge of established importers. Though it is stated that established importer is an intermediary and he should be avoided if the industry were to get goods at reduced rates the Chamber is of the confirmed view that the actual users, especially small units would stand to gain by utilising the services of established importers and they would be able to obtain their requirements without any difficulty and probably at a much lower rate. *The objective of the import policy should be to maintain a balance between the actual user and established importer and the scale should invariably weigh in favour of the established importer.* There is at present considerable emphasis on import by actual user. Again on the pretext of assisting small industries the S.T.C. again comes into the picture to import in bulk and allot to the different small actual users against essentiality certificates of the Directors of Industries. The Chamber is of the view that import policy should be framed in such a way as to give the established importer a fair treatment and import control should not be used as an instrument for diverting trade from the private sector to the public sector.

Q. 2 to 10.—To be replied by officials only.

### Import Licensing Policy.

Q. 11.—Is the import policy of different items of imported goods changed frequently? If so, why? If you consider this unnecessary or harmful please make your suggestions for avoidance of such frequent changes.

There have been frequent changes in import policies for certain items resulting in hardsip to the trade and the public. Due to shortage of stocks there has been a spurt in internal prices also.

Some quota restrictions are made at a premature stage even when the indigenous industry is in the planning stage or does not have adequate capacity.

In the case of certain items the established trade is given a small quota while a major portion is left to the S.T.C. to handle. In the case of yet a few other articles the S.T.C. is made the sole importer eliminating the established importer totally from the picture.

Policy for many items is not announced simultaneously with the announcement of the import policy. The announcement is delayed resulting in uncertainty and speculation.

Q. 12.—Why is licensing of imports done on half yearly basis? Could it be done on annual basis or a longer term basis? Do you favour such alternate basis?

The Chamber feels that except for a few items in respect of which the import requirements would fluctuate the policy for most of the items can be framed on an annual basis. In respect of industries which are under the Development Wing and also registered under I.D. & R. Act the production capacity and import requirements can be estimated on an annual basis and their demands can certainly be met on an annual basis. The import of items not being manufactured locally and of items not being manufactured adequately can also be assessed and their imports can be allowed to be made annually. The requirements of plant and machinery and components may vary from period to period and as such this may be done on a half yearly basis. There are many items in the import list the import of which are not being allowed for more than six or seven licensing periods because those items are adequately manufactured in the country. In respect of such items and also in respect of manufactured items or produce where the country has attained adequate capacity a long term announcement extending to even more than a year can be made that import of such items would not be permitted. The Chamber believes that such a step would give a fillip to the indigenous industry and also enthuse enterpreneurs to promote new units to produce new items with the hope of rceiving protection after some time.

It has been stated that imports are done on half yearly basis to enable the department to correct the imbalance of trade at least in the second half year if the balance of trade is not found satisfactory at the end of the first half year. When imports have been more or less stabilised and there is no prospect of curtailing imports further, unless indigenous capacity and production is stepped up, the Chamber considers that it would not be difficult to have an annual licensing. Even the recent experiment as regards certain items has been found convenient and helpful both to the trade and the department.

Q. 13.—What steps could be taken to introduce perspective planning in Import control? In other words, could we plan our import requirements over a period of say five years?

In so far as we plan the requirements of different items in the country and fix targets of production for different items it should be possible for us to estimate our import requirements during the plan period. However care should be taken to phase the import as to spread it evenly during the plan period. Again in respect of items where we have reached adequate capacity Government can announce that for another five years those items would not be allowed to be imported. Licensing on a five year basis may be deferred till there is visible improvement in our Foreign Exchange resources.



Q. 14.—Can the list of items licensed to actual users and established importers on annual basis be expended? If so, please suggest items.

As suggested in reply to Q. 1 the Chamber feels that the annual licensing scheme can be introduced to all industries falling under I.D. & R. Act and/or borne in the Registers of the Development Wing. In respect of small industries the option to import direct or pool their imports through small established importers should be given. Though the list of items to be imported may not be expanded this may at least enable the established importers also to participate in the trade. Certain items can be allowed to be imported by established importers on the condition that the goods to be imported should be supplied to actual users nominated by the State Director of Industries.

Q. 15.—Would you suggest any change in the present repeat and annual licensing scheme?

A specific simplified application form may be prescribed for repeat licensing. The applicant should be relieved from the responsibility of taking copies of number of documents, and making a number of declarations.

Q. 16.—What role do the established importers play in the import trade of the country? Do you think that their share in the import trade could be increased? Or should their scope be curtailed?

As stated elsewhere in our replies supra the established importer is a necessary and essential adjunct. He should not only continue to remain in the field but he should be made fullest use of with advantage. Established importer because of his specialised handling of certain lines of trade and his experience is in a position to contact the right parties in right time and obtain the right goods at as low a price as possible. He is also able to plan the import in such a way that maximum goods are moved with minimum freight. There are cases where actual users get licences for import of items far below the minimum economic shipping unit and pay the freight for that minimum unit. This can be avoided by utilising the services of established importers. The small actual users who are already faced with many a problem like production, management, quality control, sales promotion and the like can certainly entrust the import of their raw material and other requirements to people experienced in the line, i.e., the established importers.

Q. 17.—Have you any suggestions to make for improvement or simplification of procedure in regard to fixation of quotes?

Fixation of quota would arise in the context of present licensing policy only in a few cases, viz., when there is any division or transfer of part of the quota rights and also when a particular item is placed under a different Serial and Sub-Serial No. There will also be need for quota fixation in cases where the basic period is extended.

In so far as the entry of new comers is not allowed and there is restriction on imports of almost all items as far as established importers are concerned new cases of quota fixation except as otherwise stated above would not come up.

The quota fixation work can be done at the ports instead of centralising them.

Details of transfer of quota rights should be endorsed on the quota certificates at the time of approval of such transfers or when quota certificates are issued later.

Since quota certificates contain full details of licences issued the conditions regarding production of certified copy of import licence, if any received for previous half year (Vide sub-para. (2) of para. 22 of Section I of current I.T.C. Policy Book) may be deleted.

When the basic period is over five years the importers are unable to trace copies of Bills of Entry and Bills of Exchange. The Chamber suggests that copies of invoices certified by Chartered Accountants and Bank Certificates evidencing receipt of payment should be accepted. If necessary the importers may be asked to produce in addition details of their past imports as published in the Daily List of Imports and Exports of the port concerned duly certified by a recognised Chamber of Commerce.

There does not appear to be any co-operation between quota section and licensing section. When documents are with quota section the licensing section should be satisfied with a declaration by the importer that the documents are with the quota section and the licensing section should get into touch with quota section to verify the correctness of the declaration. On no account an importer should be denied an opportunity to apply for a licence simply because his quota certificates and other papers are with the quota section.

While quotas are fixed during a licensing period for a given item the probable requirements of the country after taking into account the indigenous availability should be estimated. After providing for imports by actual users, the balance should be allocated to established importers. In so doing each established importer should be allowed an economic minimum quota. The procedure followed in the case of betelnut and spices of giving a quota of Rs. 500 to each established importer and allowing the S.T.C. to import the rest of the requirements or of totally eliminating the established importers as in the case of camphor, cork manufactures to mention a few should be discontinued.

Q. 18.—What provision is made in the import policy to introduce newcomers in the import trade? Do you favour newcomers, and if so, under what conditions?

Except to the extent that certain newcomers can get in by extension of basic period there is no possibility of newcomers coming into the import trade. However



newcomer actual users come into the trade. The Chamber would welcome newcomers to come into the trade to the extent extension of basic period would permit. Certain newcomers can come into the field by means of importing items under O.G.Ls.

Q. 19.—To be answered by officials only.

Q. 20.—What steps are taken to ensure a fair price for imported goods to consumers in the country?

The trade is alive to the need for keeping prices under check and has always been offering imported goods at fair prcies to consumers. There is always the element of competition in the trade and as such prices would always adjust themselves. In the case of certain items Government have regulated the margin of profit to the importer. In the case of import of raw materials the object is achieved by fixation of prices for the manufactured products.

Q. 21.—Do you consider that the provision for *ad hoc* licensing in the import policy covers an excessive number of items and that the list of such articles may be reduced? Please give reasons therefor in detail in respect of each article.

The very term 'ad hoc' denotes uncertainty and the trade is unaware as to what the actual quantity or value that would be licensed. In the policy for the period April to September, 1961 there is provision for *ad hoc* licensing for as many as 180 items in the case of actual users and 22 items in the case of established importers. As far as possible the policy should be specific and the importer should not be left to depend on the discretionary power of the licensing authority.

Q. 22.—Have you any suggestions to make regarding import regulations governing import of samples, advertising articles, literature, calendars, etc.?

To the extent that import of samples, advertising articles, literature and, calendars help to promote new ideas, inventions and also help to disseminate information regarding products imported or for facilitating sale of imported items, they should be permitted. In most cases these items are offered free of cost or in some cases they are supplied free up to a certain percentage of the import of the goods to which such materials relate. There should be no difficulty in allowing such imports as they involve no foreign exchange.

There are cases where samples, etc., have to be obtained on payment. To promote our export sales probably certain exporters may require advertising materials and literature prepared abroad also. In such cases also the import should be allowed upto a certain limit. In addition a condition should be imposed that samples so imported should not be sold and should be used only for sales promotion.

Q. 23.—What is your opinion about minimum value of licences granted to established importers? Have you any suggestions to make?

At present minimum value licences are given to established importers in the following manner:

| | |
|---|---|
| 20% quota or less ... ... ... | ... Rs. 500 minimum. |
| Over 20% and upto and including 40% | ... Rs. 750 minimum. |
| Over 40% ... ... ... | ... Rs. 1,000 minimum. |

The Chamber feels the minimum should be Rs. 1,000. In certain cases like import of zinc sheets the minimum economic unit is a barrel, the cost of which comes to nearly Rs. 500 to Rs. 600. Facility should be given to import goods economically. Otherwise the established importer possessing a licence should be given the facility to pool licences of similar nature from other importers and effect a consolidated import. The importers who part with their licences should have the freedom to take the goods or value thereof. Since the concession is restricted to licence holders having similar licences it would ensure imports at economic rates. A condition can, however, be imposed that any increase in imports of any established importer by such pooling of licences would not entitle him to refix his quota for the higher value but the original licence holder would continue to get his quota.

Q. 24.—What should be the validity period of different category of import licences and what suggestions have you to make regarding extension of their validity?

For plant and machinery the validity period should be 12 months, licences granted on annual basis and for established importers should be valid for 12 months and licences for all other articles may be made valid only for six months. The validity period should not be extended except under special circumstances like shipping difficulties, difficulties in delivery or production on the exporting side due to strike, lock out, or causes like cyclone, flood, earthquake and the like. The tendency to import almost at the time of expiry of the licence should be discouraged.

### LICENSING PROCEDURE.

Q. 25.—What is the procedure for dealing with applications for import of (*a*) Capital Goods, (*b*) Goods for actual users and (*c*) for established importers? What improvements would you suggest?

At present applications for capital goods and H.E.P. have to be submitted to different authorities. In the case of textile goods they have to be sent to Bombay while in the case of jute goods they have to be sent to Calcutta. Again in the case of Machine Tools they have to be sent to Tools Directorate. While applications in the case of industries borne on the Register of Development Wing the applications are to be forwarded to the Deevlopment Wing direct while in all other cases they have to be routed through the proper certifying authority. It is felt that all applications for



capital goods and H.E.P. irrespective of the type of machinery may be received by a single authority designated for the purpose, who may however dispose the applications in consultation with the appropriate authority.

As far as actual users are concerned those borne on the registers of the Development Wing get their raw material requirements without the need for essentiality certificates. All other actual users have to obtain their requirements against essentiality certificates. There have been cases where the State Directors of Industries issue essentiality certificates for the required quantities while the licences are given only for part of the value recommended. Again there have been cases where essentiality certificates are not either given or are given for very low value here while essentiality certificates in other States are given for the quantities asked for. Once a factory obtains an essentiality certificate from the Director of Industries or other certified authority on the basis of its capacity the certificate should be considered valid till a report to the contrary is received from the Director of Industries or other certified authority. The actual user can simply produce a copy of the essentiality certificate given earlier and get a licence. He will have to apply for a fresh certificate, however, when he increases his production and needs an essentiality certificate for higher value or for new items. There may be cases where production programme is affected or the units stop functioning. In such cases the certifying authorities should report to the licensing authorities to treat the previous essentiality certificates as cancelled. In short, the Chamber would suggest that the repeat licensing for raw material requirements of actual users which is allowed for two periods against one essentiality certificate in case of all units and for three periods in the case of small scale units may be enlarged in scope.

In the case of established importers also the import licensing can be simplified by resorting to simplified procedure of repeat licensing.

Please also see replies to Q. 12, 13, 14 and 15. Time limit should be prescribed for issue of licences and giving replies to enquiries and action should be taken in cases where dilatory tactics are adopted. A sense of urgency should prevail while dealing with import applications. The effort should be to accommodate and assist importers and not to find out ways and means of rejecting an application. Once the policy lays down the import of an item and essentiality certificate is obtained licence should be given and the actual user should not be asked to turn to indigenous sources.

Q. 26.—Do you think there is further scope for decentralisation of licensing of imports?

If licensing work as far as items other than capital goods and H.E.P. plant is decentralised it would be of considerable help to importers. Even as at present a major portion of Andhra Pradesh and Madras and Mysore is under the jurisdiction of Joint Chief Controller of Imports, Madras with the result the importers have to come over to Madras from these States.

There have been requests from States like Andhra Pradesh and Mysore to locate an office of a Deputy or Joint Chief Controller of Imports in their respective States. The Chamber feels that instead of locating such offices in different States the purpose would be served by locating a pilot office of the Joint Chief Controller of Imports, Madras at Hyderabad and Bangalore where enquiries can be answered, applications received and appeals or requests can be entertained for onward transmission.

Q. 27.—Do you consider it necessary to adopt S.I.T.C. of goods for I.T.C. purposes and are any difficulties experienced in correlating I.T.C. classification with Indian Customs Tariff?

Sooner or later we will have to adopt the Standard Indian Trade Classification for import as well as Customs purposes. Once this is done it would correlate import statistics, import policy as also the Customs Tariff. The introduction of S.I.T.C. Classification in import and Customs should be slow and there should be adequate time given to the trade to adjust itself with the change.

Q. 28.—Which industries are granted import licences for raw materials through their Associations and which through actual users? How far has this scheme been successful? Do you suggest extension of this concession and if so, to which industries (a) through Associations, (b) through actual users.

Import licences are being given for the following items through Associations:

| | |
|---|---|
| S. No. 38-A/II Studio and Projector lamps ... | *Film Associations. |
| S. No. 115 (c)/IV Studio make up materials ... | Film Associations. |
| S. No. 117/IV Art silk yarn and thread ... ... | *Art Silk Mills Association. |
| | *Art Silk Powerlooms or Handloom Weavers Association. |

* Allowed to be imported direct by actual users also.

b.

There have also been cases where imports by S.T.C. have been distributed through Associations. For instance, camphor, milk powder, mercury, photographic goods to mention a few. In the distribution of iron and steel also Associations have been made use of.

The Chamber feels that extension of the scheme of collective imports by Associations is not necessary. But the Chamber is of the view that the services of the Associations should be made use of for distribution of goods imported by S.T.C.

In any scheme of canalising imports through Associations provision should be made for non-members of Associations to apply for direct quota or licence as otherwise the scheme would confer some sort of a monopoly to Associations. Instead of the Associations remaining voluntary bodies they would tend to depend on import restrictions for their existence.



DISPOSAL OF APPLICATIONS.

Q. 29.—To be replied by officials only.

Q. 30.—Is the procedure for disposal of applications streamlined? Have you any suggestions for its improvement?

The procedure for disposal of applications needs streamlining. A time limit should be fixed for acknowledging applications, calling for clarification or explanation, issue of licence or rejection. Action should be taken when this time limit is exceeded. Instances are many where applicants received letters that the matter is receiving consideration and nothing was heard for many months.

When the Red Book allows a particular item to be imported by actual users and essentiality certificate is also issued it is found that the licensing authorities advise the parties to obtain their requirements from indigenous producers. The Chamber is opposed to this. If the Government feel that a particular item should not be allowed to be imported it should be clearly mentioned in the Red Book and not left to the discretion of the licensing authorities.

Q. 31.—Do you think there is scope for mechanising a part of the work in the Licensing Offices such as statistical work, card indexing, etc.? If so, what is the scope of such mechanisation and what would be the advantages thereof?

Certainly use of mechanical devices for improving the efficiency and speed can be thought if. If long range import licensing is planned the need for card indexing would all the more be greater. Before a licence is granted various factors are considered, such as I.V.C. or Exemption No., Address/Name of parties, Quota Certificate No. and details in case of Established importers and Essentiality Certificate and probably find out whether any references are there from Directors of Industries, Special Police Establishment or other agencies regarding the applicant or whether there are any departmental instructions to suspend issue of licences for offences connected with Import Trade Control. Even the calculation of quota may have to be checked up in each case with reference to the Quota Certificate. In the case of import entitlement under Export Promotion Scheme the proportion between exports and imports may have to be worked out. In all these matters if some sort of indexing is introduced and the same is maintained efficiently the Chamber believes there would be considerable speeding up in licensing work.

Q. 32.—Do you think it is possible to gear up the organisation of the Licensing Offices to secure greater efficiency? If so, please make specific suggestions.

Yes. The Import Control authorities should have a sense of urgency in their work. They should have a change in outlook. They should realise their part in feeding the industry with its requirements of raw materials, ingredients, components and spares as also tn ensuring the consumer of his essential requirements. They should endeavour to assist importers and not find out ways and means of rejecting an application or reducing the quantum of licence.

By introducing time and labour saving devices and equipment efficiency can certainly be mproved. If time limit is fixed for acknowledgment calling for further particulars or clarifications and for issue of licences and the responsibility for conforming to the time schedule is fixed on concerned officials the Chamber is quite sure that greater efficiency would be secured.

Interviews by officers like Controllers who have to attend to the actual licensing work should be allowed on alternate days and that too only during specified hours. If interviews are allowed on all the days there is every likelihood of the work getting delayed.

Q. 33.—How much time is normally taken in grant of licence from the date of receipt of an application? Have you any suggestions to make in this behalf?

Applications are forwarded by established importers right from the announcement of the policy till the last date prescribed which is normally 90 days before the closing of the licensıng period. In the case of actual users the last date is 45 days before the closing of the licensing period.

Even though three months time is available after receipt of all applications in the case of established importers and 45 days time in the case of actual users licences, cases are not lacking where licences have not been given even after the expiry of the licensing period.

Licences should be issued at the most within one month from the date of application. In the case of actual users, repeat licensing and the like the licences should be issued within a week.

Q. 34 and 35.—To be answered by officials only.

Q. 36.—Have you any other suggestions to make for the methods followed in dealing with applications for import licences to different categories of applicants?

None.

(i) (*b*) *Organisation of the existing machinery for Import Control.*

Q. 37 and 38.—To be answered by officials only.

Q. 39.—Have you any comments suggestions regarding the improvement of the administrative machinery of the Import Control Organisation? Do you consider that the application for an import licence has to pass through more stages than is, necessary or reasonable? If so, what improvements could be suggested?



Please see our answers to Q. 25, 26, 30, 31, 32 and 33. The Joint Chief Controller of Imports and Exports should be vested with more powers to deal with situations arising from the licensing work entrusted to them without making reference to the Chief Controller of Imports. The Deputy Chief Controller of Imports and Exports should also be delegated with larger powers. These officers should be available to the trade for interview. Interviews with Controllers should as far as possible be avoided. This is necessary to ensure efficiency in administration.

(iii) *Questions relating to allocations for import of raw meterials ann capital goods with special rejerence to thv requirement of the Third Five year Plan*

Q. 40.—What are the minimum import requirements of capital goods for achieving the targets laid down in the Third Five-Year Plan taking into consideration the present installed capacity, wherever available as to supplement existing installed capacity, (*b*) for expansion of existing capacity and (*c*) for new industries.

According to the estimate of the planners the foreign exchange requirement for import of machinery and equipment during the Third Five-Year Plan ahs been placed at Rs. 1,900 crores, components, intermediary products, etc., for increasing capital goods within the country has been placed at Rs. 200 crores.

Q. 41.—How much of the capital goods have been obtained from the Rupe payment countries?

According to Foreign Trade Statistics Rs. 9.2 crores worth of capital good have been imported from Eastern Europe, U.S.S.R., China and Egypt during 195[illegible]

Q. 42.—There are countries which accept Rupee payment for import of capit goods and other articles. What in your opinion are the advantages of th arrangement?

These import of goods under rupee payment from certain countries whi offer facijities have to be thought of ın the light of developments taking place. Pr sently a market is being created for Idnian goods in these ountries. This may in t long run help our export trade. At the moment this enables India to obtain h requirements of machinery, etc., without spending any foreign exchange.

Q. 43.—How do the prices of capital goods, etc., so imported compare with t prices of such goods from countries which require payment in foreign exchar (*a*) immediately, (*b*) on deferred payment basis?

The prices of machinery imported under rupee payment compare favoura with imports from other countries either on ready basis or on deferred payment.

Q. 44.—Having regard to the Barter Agreements which are generally ente into with countries accepting rupee payments, how far do you consider foreign excha is saved to the importing country on a long term basis?

To the extent this arrangement enables the country to obtain the import requirements in exchange for goods without involving any foreign exchange it should be welcomed. This should however give place in the long run to normal methods of export and import.

Settlement of blocked balances becomes a problem and when the balance is adverse to India Foreign Exchange resources have to be found for settlement. Unless imports and exports automatically balance it would not be advantageous to India.

Q. 45.—Do you consider that by such arrangements more export of commodities have been promoted or do you consider that export trade has been diverted without increasing its volume particularly in relation to traditional export goods?

A statement showing India's exports to Eastern Europe and U.S.S.R. in the past few years is appended hereto. (see Appendix I).

It can be seen from the statement that India's exports have increased as a result of the rupee payment arrangements.

Q. 46.—What is your experience of the price paid for commodities exported to rupee account? Is a fair price obtained by the Indian seller?

The Chamber has not come across any case where India had to undersell her goods on rupee account.

Q. 47.—It has been alleged that in some cases the exported goods are subject to re-export either at higher prices or to obtain valuable foreign exchange to the importing country. Do you consider there is any basis for such an allegation?

It is learnt that Egypt took considerable quantity of India tea and jute and these were sent to Continental countries. Czechoslovakia is buying coffee from India and it is learnt that such coffee finds a way into Germany at prices much lower than at which India can offer. In these cases the countries concerned obtained foreign exchan e readily while we have to be satisfied with some credits in our block accounts.

Probably it would help India is a clause is inserted in our rupee payment agreements restricting the re-export of goods imported from India.

Again our exports are more and the imports are less. Here the other party in the rupee payment agreement gets the advantage. The other country should be compelled to fulfil its part of the obligation. Otherwsie there should be a clause that to the extent goods are not supplied against exports from India, such exports should be paid for in Sterling or U.S. Dollar.

Q. 48.—Is it feasible to undertake forward planning for placing bulk orders for raw materials on rupee payment countries; if so, what procedure would you suggest for it?



Once the raw material requirements of the country are ascertained we can plan for placing bulk orders on rupee payment countries. Efforts should be made only to obtain a part of our requirements from rupee payment countries the balan e being obtained from India's traditional suppliers. This is necessary in order to avoid dislocation of supplies at a future date. An effective way should be found for the individual importer to participate in imports under rupee payment. Instead of the S.T.C. taking physical control and possession of imported goods and allotting them to parties, individuals should be enabled to handle the imports, payment arrangement only being routed through S.T.C. This would enable the importer concerned to negotiate and obtain the right type of material required by him.

Q. 49.—Have you experienced any difficulties in being directed to meet your requirements of (*a*) raw materials, (*b*) components, (*c*) capital goods for new industries, from countries on payment of rupee basis? If so, please give in detail the nature of the difficulties and the kind of industries?

The Chamber has come across a case where a manufacturer of nitric acid was asked to contact the S.T.C. for his requirements of Nitrate of Soda. The party was allotted only 50% of his requirements and it was stated that the balance would be supplied out of the next consignment. Even after nearly a year the party was not given the balance, but was only given about 6 tons. The balance for the previous year and his requirements for subsequent half years have yet to be supplied by the S.T.C. In the absence of proper supply of raw material the industry has been considerably affected.

Considerable difficulty is being experienced by manufacturers of Fertiliser mixtures, in importing rock phosphate and Muriate of Potash from East Germany and Egypt who make supplies on rupee account. tI is stated that offers are given even without having materials on hand and consequently there is delay in supply.

When applications are submitted fo import of plant and machinery for certain industries the licensing authorities advise the applicant to arrange import from rupee payment countries. It appears that in many cases the rupee payment countries are either unable to supply machinery or even if they are able to supply the delivery period is considerably long.

There was a case where a pharmaceutical manufacturer who required a particular kind of zinc in ingot form to be used in one of his products. This party was asked to contact the S.T.C. to obtain his requirements even though the essentiality certificate contained a clear endorsement as to the special nature of import and indicated that the decision had been arrived at a meeting of Small Industries Licensing Committee. It was only after a lapse of time that the party was enabled to obtain his requirements direct.

In yet another case an applicant was asked by the licensing authorities to contact the S.T.C. for his requirements of anodes. He was not able to obtain supplies for more than one year because the S.T.C. did not decide the policy to be adopted as regards the distribution of this item.

Manufacturers of camphor tablets are directed to contact the S.T.C. for their requirements of camphor. Even though essentiality certificates have been given by the State Directors of Industries, it is stated, that theS .T.C. had allotted camphor to these manufacturers without having any regard to recommendation made. The ratio between actual allotment and recommended quantity, itis stated, was varying from person to person. The last allotment was made some 12 months ago and nothing is known as to when further supplies would be made. The S.T.C. should make an announcement as to the quantities it would be importing and request State Directors to send in their recommendations before a prescribed date.

This arrangement should be followed in respect of all items.

It happens that only such importers who get some information are able to get essentiality certificates and obtain their requirements. Hence wide publicity should be given to imports by S.T.C. and the procedure that would be adopted in the matter of distribution.

There has been a case where actual users requiring ultramarine blue were asked to contact S.T.C. for supplies. Even for small quantities the concerned actual users were asked to take delivery of the stock from the S.T.C. Office in Bombay. This involved in considerable extra cost to the party concerned.

Even in the case of newsprint due to delay in supply and other factors a shortage in supply is experienced. Some of the newspapers have had to resort to use paper of non-standard size while some have been compelled to reduce the number of pages.

Q. 50.—How much of the installed capacity of different industries is being utilised at present? Please enumerate reasons for underutilisation of existing capacities.

A statement (Appendix II.) showing the different industries which do not utilise their full installed capacity, their installed capacity, production, gap and reasons for underutilisation is appended hereto.

Sir Donald MacDougall, the British Expert who was invited by the Planning Commission has mentioned that as many as 36 out of 94 Industries were working on single shift basis in 1959-60 and they were utilising only 60% or less of their productive capacity. The unused capacity indicates shortage of raw materials, components, spare patrs, replacements, etc. It is conceded there are other reasons such as transport and power difficulties also.

Under ,utilisation is noticeable in steel, non-ferrous metals, wood pulp rubber, intermediates for chemicals and drugs.



Q. 51.—Has the present liberalised scheme of licensing of raw materials in favour of small scale industries resulted in any abuses? If so, what steps can be taken to prevent such abuses?

There are adquate safeguards to prevent abuse of raw materials by small actual users. If proper check and supervision is exercised by the State Directorate of Industries as also the licensing authorities abuse can certainly be avoided to a very great extent. In fact the grievance of the industry in Southern States has been that the Directorates of Industries themselves have been screening the applications and granting essentiality certificates only to the extent of bare minimum requirements after taking into account the stock on hand and that the licensing authorities are not granting licences even for such small quantities recommended. In the case of iron and steel Madras and Andhra get an allotment of Rs. 35 lakhs as against the estimated requirements of Rs. 150 lakhs. Hence the recommendation for licence is not made for full quantity. The licensing authorities do not issue licences even to the full extent of the small value recommended, The Chamber also suggeststhat the quota of iron and steel for the individual States should be increased. The Chamber suggests that Expert Committees may be constituted at State an Union level to find out indigenous substitutes and indigenous raw materials and ingredients for the various industries. These Committees should also examine the question of the items required for packing of different maunfactures and make recommendations to the Ministry of Commerce and Industry. On the basis of the recommendations of these bodies the Government should decide as to which items should be licensed for actual users for use in the manufacturing processes and for packing purposes.

Q. 51.—What principles should be followed in determining the kind of small scale industries to which import assistance for raw materials, etc,. should be granted?

Small scale Industries which are ancillary to large scale industries or small-scale industries which manufacture products not manufactured by largescale industries should be given assistance for import of raw meterials. Small scale industries which try to manufacture in a small way the items manufactured by largescale industries may not be able to stand on their own but for the official patronage and price perference in respect of Government purchases. The development of such units should not be encouraged, A detailed list should be drawn up showing the industries in respect of which raw material imports would not be permitted in the smallscale sector. This would prevent the springing up of new units. The import policy should not discriminate small units and big units in the same industry. Starting of smallscale industries merely to assemble imported components without any programme for indigneous manufacture or purchase if at least 50% of indigenous components should not be encouraged.

Q. 53.—Would it be practicable to issue bulk licences in favour of State Government or in favour of Corporations run by the State Governments for storing commonly used materials in raw materials depots for the use of small scale industries?

Already the S.T.C. is there as an intermediary and if State Government, Corporation/State Governments come into the picture to handle raw materials, etc., the Chamber is afraid that the normal trade channels would be seriously dislocated. In any arrangement made. care should be taken that normal trade channels are not dislocated. The experience of the normal trade channels should be availed of. Much of the shortage is experienced in the case of iron and steel. non-ferrous metals. coal and coke. The State Government can confine themselves to handling the items to cater to the requirements of small industries.

Q. 54.—Are the requirements of imported raw materials decreasing consequent upon the progress and development of indigenous industries and increase in agricultural production? If not please give reasons therefor?

As industries and agriculture develop in the country there would be a decrease in our requirements of imported raw material. But we have been depending on external sources of supply even now for iron and steel. certain chemicals. raw cotton. jute and copra among others, The indigenous capacity in agriculture and industry should be stepped up to reduce our imports of raw materials. The imports should be reduced by stepping up indigenous production.

The statement appended hereto shows the imports of certain raw materials during the past few years. Appendix III.

Q. 55.—To what extent, in your judgement, can indigenous materials and substitutes be utilised more fully for meeting maintenance and development requirements so as to reduce the import bill? The list of such materials considered may be stated.

The Government of India should take steps for manufacture of sulphur from Indian pyrites and for supply of the same to fertiliser manufacturers. Consideration should also be given to manufacture of Muriate of Potash from salt bitterns. Pyrites should be considered as an alternative to gypsum for the manufacture of ammonium sulphate at Sindri.

It is stated that the National Metallurgical Laboratory has evolved a process for aluminising wires and that such wires have been found useful in telephone and telegraph maintenance. It is not known how far these wires can replace aluninium cables. If use of aluminised cables is encouraged in the place of aluminium cables wherever technically feasible it would reduce or uimport bill. The aluminium so released can be put to other uses. In addition, the cost of projects where such aluminised cables are used would also be minimised. The National Laboratories in the country should be asked to constantly examine ways and means of utilising substitutes



and evolve processes. The Government should see that the knowledge, experience land processes evolved are made use of in the development of industries in the country and goods needed for internal consumption are thus made available.

Q. 56.—How far has the grant of bulk import licences helped the industries in maintaining a high level of production? Do you suggest extension of this facility to new industries?

Grant of bulk licences would certainly help industries to plan the production and go ahead without any difficulty. Once a new industry is licensed it is assumed that such an industry is essential for the economy. Grant of licences to such new units would naturally go to help the development of the industry.

Q. 57.—Is there a prompt examination of the availability of indigenous new products and are steps taken to restrict or ban import of such items?

A vigilant local industry coupled with official policy to conserve foreign exchange by restricting imports to the maximum extent possible enables immediate restriction or banning of items manufactured within the country. But when we find shortages or high prices in respect of certain items we are led to the belief that the indigenous production is not adequate or the estimates of requirements have not been properly assessed. In respect of certain items import is banned far in advance of the commencement of production and due to delay in production the industries suffer for want of material. The public and business community should be made aware of the methods adopted in assessing the requirements and availabilityof different items.

Q. 58.—How do the prices of indigenous raw materials compare with those to imported ones? Give examples.

The Chamber has not come across any case where prices of indigenous raw materials have been put up. But due to the play of supply and demand prices of certain articles tend to go up when there is short supply.

(i) (c) *General matters relating to import control policy and procedures and requirements of raw materials.*

Q. 59.—Have you any comments to make about the different application forms prescribed for grant of import licence? Have you any suggestions for their simplifications?

The forms of applications can certainly be simplified. Particulars relating to Date of Establishment, Constitution, Address, Sales Tax Registration, Shops Act Registration, Branches, Associate Companies, etc., can be dispensed with by recording such particulars in respect of each applicant in a Register. There may be a declaration in the application to the effect that there has been no change in the particulars so filed. If there is any change a fresh statement may be filed along with the application.

Q. 60.—Have you any suggestions for improving the existing forms of "essentiality certificate", "Income Tax Verification Certificate" and registration numbers?

The Chamber is of the view that Income Tax Verification Certificates should be dispensed with. In the case of actual users a check can be ensured because of essentiality certificate. In the case of established importers they become eligible for a quota because of past imports. It appears as though that I.T.C. should serve as a means to facilitate Income Tax Collection. For proper collection of Income Tax there are adequate provisions and the Income Tax Amendment Bill which is now before the Parliament intends strengthening the hands of the authorities still further. There was need for an elaborate machinery in this regard when imports were allowed by newcomers in order to find out whether applicants were in the trade or not. The Chamber is of the view that the production of Income Tax Verification Certificates or Exemption can be restricted to transfer of quota rights or establishment of quota rights.

Essentiality Certificates, as we have stated in reply to Q. 25, can be given a validity to two or three years with option to obtain essentiality certificate for higher value on production of evidence. The certifying authority instead of spending his time in the issue of essentiality certificates every six months can spend his time usefully in supervising the factories of various actual users and in ensuring proper utilization of raw materials. The actual user application forms also may be simplified accordingly.

Q. 61.—Have you any suggestions to make for improving the procedurre for obtaining essentiality certificates recommendation of the certifying authorities?

Please see our reply to Q. 60.

Q. 62.—Various last dates have been prescribed for each category of importers for each half year. Are these satisfactory or would you advocate a change? If so, please give your reasons.

There appears to be no need for changing the last date, for different category of importers.

Q. 63.—Are enquiries made from C.C.I.'s Office (Headquarters and Port Offices) attended to promptly? Are enquiry Officers able to give replies to queries promptly?

The Chamber suggests the appointment of a Public Relations Officer in each Licensing Office to deal with enquiries and complaints. This Officer must be of the rank of a Controller at the ports and of a higher cadre at the Centre. There is delay in disposal of enquiries. The Enquiry Officers merely receive the enquiries and pass on to the different sections and obtain a reply. The replies given invariably fall under one of the following: reply under issue, matter is under consideration, action being taken or referred to Headquarters. These replies lead the enquirers nowhere. Instead the Chamber feels that the Enquiry Officer can be replaced by a P.R.O. of a higher cadre who will maintain liaison with different departments and



dispose of enquiries in an expeditious manner. If clarifications are sought he must be in a position to give the information at a very short notice. If an application is made it should not be rejected stating that there is no provision under the existing policy or procedure adopted is not proper. The licensing authorities should state all the grounds for rejection and also give an indication as to the procedure to be adopted if the procedure adopted is wrong.

Q. 64.—Do you experience any serious difficulty in obtaining interviews from officers concerned? What is the procedure for grant of interviews? Have you any suggestions to make in this behalf?

The Chamber finds that as many as 50 interviews per day on the average were given by officers in the Office of the Joint Chief Controller of Imports and Exports, Madras during 1960. If the suggestions given in answer to Q. 63 and Q. 26 and Q. 30 to 33 are implemented the need for interviews would be minimised contributing thereby to greater efficiency.

Q. 65.—Is the procedure followed for transfer/division of quota rights satisfactory? What is the normal time taken in deciding upon a case of transfer/division of quota rights?

All *bona fide* cases of transfer or division of quota rights should be accepted. Care should be taken to see that division does not take place merely to earn more number of minimum value licences. A time limit of three months may be fixed for disposing an application for transfer or division of quota rights.

CLEARANCE OF GOODS THROUGH THE CUSTOMS.

Q. 66.—Do you experience any difficulty in clearance of goods from the Custom House on account of I.T.C. formalities?

Yes. There have been occasions where clearance has been delayed due to varying interpretations between Customs and I.T.C. authorities. The remedy lies in correlating the I.T.C. and Customs classifications with Standard I.T.C. classification. The feasibility of interchanging officers of Customs and Import Trade Control and of giving training of I.T.C. Officers in Customs Department and Customs Officers in I.T.C. Department so as to understand the working of the respective departments may be considered.

Q. 67.—Is the co-ordination between the Import Control Authorities and Customs Authorities satisfactory?

Co-ordination in an increasing measure can be ensured if the suggestions given in answer to Q. 66 and Q. 27 are accepted. Representatives of trade may be associated in the joint meetings of Customs and I.T.C. officials held periodically or the conclusions arrived at such joint meetings may be made known to the trade through circulars or public notice.

Q. 68.—Do you experience any difficulty in the use of bulk Import Licences from the point of view of clearing the various categories of goods from the Customs? If so, have you any suggestions to offer to eliminate this difficulty?

In the case of bulk licences the importers at times get goods by post and through other means and they require the licences to be presented at different places at one and the same time. This may be overcome porbably by issuing the bulk licences by bifurcating them into three or four licences.

CANALISATION OF IMPORTS.

Q. 69.—What is your experience of imports of certain items through the S.T.C? Has this ensured regular availability of the material at fair prices? If not, what steps would you suggest to improve the present position?

Please see answer to Q. 49.

With the development of industries in the country the need for proper purchase of industrial raw materials, etc,. is being felt. It requires specialised knowledge and experience. Development of industries is dependent on purchasing material and equipment in proper quantity and qua ity and at the proper time and place, This work should be entrusted to business houses of experience and not to official agencies like the S.T.C.

In the case of imports of tyres from China it is stated that the material was of sub-standard quality.

DISPOSAL OF APPEALS.

Q. 70.—Are appeals/complaints regarding the grant of import licences attended to in reasonable time by the C.C.I./J.C.C.I.?

The Chamber suggests that time limit should be fixed for deciding appeals by Joint Chief Controller of Imports and Chief Controller of Imports to ensure quick disposal. There have been occasions where there has been inordinate delay in disposal of appeals.

Q. 71.—Have you any suggestions to make in regard to the disposal of appeals by the licensing authorities and the C.C.I.?

Please see answer to Q. 70. It appears that the same Officer who handles the application invariably handles the papers till the time the Joint Chief Controller of Imports takes the final decision on the appeal. Again in the Office of the Chief Controller of Imports also one and the same officer deals with the paper even in cases of appeals to the Secretary of the Ministry or to the Minister himself, The Chamber feels that appeals should be disposed by officers other than those who rejected the same earlier. Reasons should be invariably stated while rejecting the applications, and also while rejecting the appeals,



Q. 72.—What steps can be taken to eradicate the malpractices resorted to by some persons in connection with the import trade? What kind of assistance can be given by the Chambers of Commerce and Trade Associations in curbing and dealing with these abuses?

The Chamber is not aware of the types of malpractices the Committee has in view. Malpractices are there both at official and non-official level. The S.P.E. checks and supervision by authorities issuing Essentiality Certificate and powers vested in the department under the Import and Export (Control) Act should be adequate to meet the situation. The department should publish a list of firms or ndividuals who have been black-listed on a temporary or permanent basis. The list should be circulated among leading Chambers of Commerce and Trade Associations in the country. The condition of recognition by Government of such bodies should be on the latter agreeing to remove the persons or firms which are so black listed from their rolls. This step would bring down the firm or person in the esteem of the business community and to that extent malpractices would be reduced. Severe action should be taken against officers found to be adopting corrupt practices

IMPORT AND EXPORT (CONTROL) ACT.

Q. 73.—Have you any suggestions to make in regard to the provisions of the Import and Export (Control) Act. 1947 as amended from time to time and the Import Control Order. 1955?

The Act and its schedules are amended so frequently that one finds if difficult to keep track of the amendments. Again when amendments are published the business community is unable to understand the purpose of the amendments. Whenever any amendment is published. along with the amendment a note mentioning the purport of the amendment should also be published. This would enable businessmen to follow the amendments and conform to the same.

Since many changes have taken place after the introduction of the above measure the Chamber would suggest the introduction of an Import Regulation and Export Promotion Act to suit the present day needs. The I.T.C. and E.T.C. Schedules to the Act need drastic revision so as to conform to standard I.T. Classification.

The Chamber has suggested in answer to Q. 16 and Q. 23 that actual user-and/or small users should be permitted to pool their licences to make effective utilisation of their licences and import the goods at favourable rate. The Act should make provision for this kind of arrangement. In the issue of letters of authority a very liberal treatment is meted out to S-T.C. Almost all licences are being transferred to some body or other under letter of authority. The Chamber feels that in cases where such letter of authority is required by established importers or actual users in order to seek financial and or expert assistance from others the request should be considered favourably.

Q. 74.—Are there any difficulties in enforcing or applying the provisions of the Import and Export (Control) Act and rules made thereunder? If so, state the difficulties and suggest ways and means of overcoming the same.

None, except of what has been mentioned in answer to Q. 73.

Q, 75,—Are you satisfied with the basic structure of Import Trade Control. Schedule? If not, what are your suggestions in this behalf?

The I.T.C. Schedule should conform to Standard I.C.T. Schedule. This is necessary from the point of view of ensuring effective co-ordination between the Customs and the Import Trade Control Authorities. Even from the point of view of maintaining foreign trade statistics this is urgently called for. Certain items are grouped together under a particuar S. No. with the result import statistics or licensing particulars are not available for such individual items.

Q. 76.—Are there any malpractices which do not fall within the scope of the Import and Export (Control) Act and the rules made thereunder? If so, suggest the amendments which should be made in the Act to cover such malpractices.

Imports by Government agencies and S.T.C. also should be covered by the Act. They should also be made to conform to the provisions of the I. & E. (C.) Act and rules made thereunder.

Q. 77.—To what extent is it true that trafficking in import licences exists and is on the increase? If so, have you any suggestions to make to prevent it? What assistance can be expected from the trade to check this abuse?

If the suggestion given in answer to Q 16 and 23 is accepted there would not be much of abuse. As regards checking of abuse please refer our reply to Q. 72.

Q. 78.—How would you distinguish a forward sale of goods from a sale of licence? What steps would you take to prevent this?

While the Chamber is agsinst the sale of the licences it is of the view that forward sale of goods covered by the licences issued to established importers should ber permitted. Under the existing rules a licence as well as the goods covered by the licence should be the property of the licence holder at the time of import. The Chamber is of the view that forward sale of goods can be effected without any violation of this rule as there is only an agreement to sell the goods under import after the import is effected. The I T.C. authorities should make an announcement as to what constitutes a forward sale so that there will not be any ambiguity. The I.T.C. authorities have ample powers to prevent sale of licences.



CONSULTATIONS WITH TRADE AND INDUSTRY.

Q. 79.—Do you think the consultations at present held with the trade though the Import Advisory Council and the Port Import Advisory Committees are sufficient to elicit their views regarding import policy? What improvements would you suggest?

It so happens that the Import Advisory Council meets twice in a year while the Port Advisory Committees meet once in three months or six months. Previously the C.C.I. was visiting different centres before the announcement of the policy and was having discussions with the trade. This practice has been discontinued. The Chamber feels that C.C.I. should visit different centres before formulating of licensing policy for next period and place the different suggestions before the Import Advisory Council.

The Import Advisory Council should have the representatives of at least important organisations in different regions in the country. Effective liaison should be maintained between the Secretaries of Chambers of Commerce and Trade Organisations and the Department.

Q. 80.—What basic period would you suggest for determining the quota for (*a*) actual users, (*b*) established importers?

In the case of actual users ability to produce and actual performance in the past should be taken into consideration while deciding their import requirements. In the case of new units the C C.I. may announce a list of industries for which import licences will not be granted if newly started. This list should be drawn in consultation with the Development Wing and taking into account the present and projected demand and the production capacity of the established units.

In the case of established importers basic period may be extended up to the end of 1960. Since there has been a restriction on imports for long it would not alter the foreign exchange position seriously even it were contended that the issue of large number of minimum value licences would increase the total value of imports.

APPENDIX I—INDIA'S TRADE WITH EASTERN EUROPE AND U.S.S.R. EXPORTS.

(*Rupees in lakhs.*)

| | 1956 | 1957 | 1958 | 1959 | 1960 |
|---|---|---|---|---|---|
| Eastern Europe ... ... ...... | 5,14 | 7,91 | 7,81 | 15,00 | 19,42 |
| U.S.S.R. ... ... ... | 12,50 | 17,53 | 23,32 | 30,05 | 29,94 |
| Total ... | 17,64 | 25,44 | 31,13 | 45,05 | 49,36 |

*Source*: Journal of Industry and Trade—July 1961,

APPENDIX III—IMPORT OF CERTAIN RAW MATERIALS

(Rupees in lakhs.)

| | 1957 | 1958 | 1959 | 1960 |
|---|---|---|---|---|
| Crude Rubber, including Synthetic and reclaimed ... ... ... | 420 | 422 | 672 | 1,100 |
| Cotton ... ... ... | 4,862 | 3,066 | 3,477 | 7,515 |
| Jute including jute cuttings and waste ... | 720 | 339 | 147 | 794 |
| Iron and Steel ... ... ... | 14,698 | 9,780 | 8,511 | 11,083 |
| Cashew Nuts ... ... ... | 737 | 747 | 607 | 807 |
| Copra ... ... ... ... | 1,214 | 1,044 | 1,122 | 1,197 |

*Source:* Monthly Statistics of the Foreign Trade of India.

Q. 81.—What is your view regarding the penalties that may be imposed by departmental action for breaches of import trade control regulations?

The Chamber is against conferring upon the I.T.C. authorities powers to levy penalties. If importers contravene I.T.C. regulations and import any item the goods so imported would be subject to heavy penalty or forfeiture. In addition it is open to the I.T.C. authorities to debar the importer concerned from participating in the import trade for a given period. The Chamber considers that powers for punishment of offenders and levy of penalty should be left to the Courts.

APPENDIX II—STATEMENT SHOWING CERTAIN OF THE INDUSTRIES UTILISING LESS THAN 50% INSTALLED CAPACITY.

| *Name of Industry* | *Number of Units* | *Installed capacity* | *Estimated Production* in 1960* | *Gap* |
|---|---|---|---|---|
| Expanded metals (tons) ... ... | 4 | 4,964 | 1,872 | 3,092 |
| Hypodermic Needles (Gross) ... | 1 | 11,700 | 554 | 6,146 |
| Sewing Machine Needles (Million No.) ... ... | 1 | 3.6 | 0.8 | 2.8 |
| Rolling stock (railway wagons) and under frames (Nos.) ... ... | 11 | 22,255 | 8,000 | 14,255 |
| Steel belt lacing (Boxes) ... | 5 | 1,072,200 | 116,416 | 9,55,784 |
| Steel link chains (Metric Tonnes) | 3 | 2,683 | 450 | 2,233 |
| Steel structurals (including E.O.I. Cranes & Hoists) (Metric Tonnes) | 122 | 346,785 | 150,000 | 196,785 |
| Utensils (Domestic) (Metric Tonnes). | 51 | 24,487 | 10,955 | 13,532 |



APPENDIX II—STATEMENT SHOWING CERTAIN OF THE INDUSTRIES UTILISING LESS THAN 50% INSTALLED CAPACITY—*cont.*

| *Name of Industry* | *Number of Units* | *Installed capacity* | *Estimated Production in 1960* | *Gap* |
|---|---|---|---|---|
| Chain Link Fencing Wire (Tonnes). | 1 | 300 | 63 | 237 |
| Netting wire (Tons) ... ... | 4 | 2,484 | 912 | 1,572 |
| Zip Fasteners (Meters) ... ... | 6 | 3,969,176 | 1,808,040 | 2,161,136 |
| Bandswa Blades (R. Feet) ... | 2 | 6,200,000 | 1,879,968 | 4,320,032 |
| Hacksaw Blades (Gross) ... ... | 4 | 264,000 | 73,973 | 190,027 |
| Twist Drills (Nos.) ... ... | 4 | 3,088,680 | 1,385,993 | 1,702,687 |
| Motor Cycles (Nos.) ... ... | 1 | 23,000 | 3,849 | 19,151 |
| Trailers (Nos.) ... ... | 11 | 6,638 | 2,101 | 4,537 |
| Electric Horns (Nos.) ... ... | 3 | 146,000 | 12,672 | 133,328 |
| Gudgeons Pins (Nos.) ... ... | 1 | 600,000 | 257,305 | 342,695 |
| Pistons (Nos.) ... ... | 2 | 900,000 | 294,968 | 605,032 |
| Shock Absorbers (Nos.) ... | 3 | 255,100 | 62,409 | 192,691 |
| Valves (Nos.) ... ... | 2 | 1,192,000 | 514,568 | 677,432 |
| Gliders (Nos.) ... ... | 2 | 132 | 18 | 114 |
| Cultivators (Nos.) ... ... | 1 | 1,800 | 72 | 1,728 |
| Ploughs (Nos.) ... ... | 1 | 200 | 56 | 144 |
| Tractors (Assembled) (Nos.) ... | 2 | 3,000 | 769 | 2,231 |
| Pressure Gauges (Nos.) ... ... | 2 | 132,000 | 44,959 | 87,041 |
| Aluminium Wirerods for ACSR (Tons) ... ... ... | 3 | 14,016 | 4,900 | 9,116 |
| Brass/Copper Pipes and Tubes (Tons) ... ... ... | 2 | 4,020 | 1,300 | 2,720 |
| Lead Pipes and Tubes (Tons) ... | 3 | 4,872 | 800 | 4,072 |
| Lead Sheets (Tons) ... ... | 2 | 2,316 | 65 | 2,251 |
| Non-ferrous Alloys (Tons) ... | 15 | 70,000 | 23,000 | 47,000 |
| Nicotinic Acid and Amide (Kgms) | 2 | 8,000 | 48 | 7,952 |
| Activated Carbon (Metric Tons) ... | 3 | 2,508 | 452 | 2,056 |
| Ammonium Chloride (Tons) ... | 2 | 48,250 | 13,000 | 35,250 |
| Bismuth Salts (Tons) ... ... | 2 | 298,644 | 83,439 | 215,205 |
| Bleaching earth activated (Metric Tonnes) ... ... | 5 | 7,394 | 2,800 | 4,594 |
| Bleaching Powder (Metric Tons)... | 3 | 20,410 | 5,700 | 14,710 |
| Bromides (Metric Tonnes) ... | 1 | 456 | 190 | 266 |
| Precipitated Calcium Carbonate (Metric Tonnes) ... ... | 3 | 3,180 | 600 | 2,580 |
| Calcium Gluconate (Kgms) ... | 5 | 211,596 | 57,987 | 153,609 |
| Calcium Lactate (Kgms) ... | 2 | 161,545 | 70,726 | 90,819 |

**APPENDIX II—STATEMENT SHOWING CERTAIN OF THE INDUSTRIES UTILISING LESS THAN 50% INSTALLED CAPACITY—*cont.***

| *Name of Industry* | *Number of Units* | *Instal-led capacity* | *Estimated Production in 1960* | *Gap* |
|---|---|---|---|---|
| Electroplating compound salts— | | | | |
| (i) Brass (Metric Tonnes) ... | 2 | 85 | 8 | 77 |
| (ii) Cadmium (Metric Tons) ... | 2 | 175 | 44 | 131 |
| (iii) Copper (Metric Tons) ... | 2 | 2,363 | 36 | 2,327 |
| (iv) Nickel (Metric Tons) ... | 3 | 5,663 | 208 | 5,327 |
| (v) Tin (Metirc Tons) ... | 2 | 54 | 12 | 42 |
| (vi) Zinc (Metric Tons) ... | 4 | 907 | 20 | 887 |
| Ether (Anaesthetics) (Kgms.) ... | 3 | 392,000 | 66,497 | 325,503 |
| Ferric Chloride (Tons) ... ... | 4 | 2,397 | 21 | 2,376 |
| Carbon Dioxide Gas (Metric Tonnes) ... ... | 17 | 20,036 | 8,248 | 11,788 |
| Heat Treatment Salts (Metric Tonnes) ... ... ... | 2 | 11,455 | 970 | 10,485 |
| Hydrogen Peroxide (Metric Tons) | 1 | 3,000 | 1,100 | 1,900 |
| Magnesium chloride (Tons) ... | 4 | 39,600 | 5,262 | 34,338 |
| Nickel Ammonium Sulphate (Metric Tonnes) ... ... ... | 2 | 128 | 6 | 122 |
| Nickel carbonate Metric Tonnes)... | 4 | 307 | 6 | 301 |
| Nickel chloride (Metric Tonnes) ... | 3 | 99 | 8 | 91 |
| Nickel sulphate (Metric Tonnes) ... | 3 | 675 | 101 | 574 |
| Silica Gel. (Metric Tonnes) ... | 3 | 156 | 37 | 119 |
| Sodium Aluminate (Metric Toones) | 4 | 2,520 | 500 | 2,020 |
| Sodium Hydrosulphite (Metric Tonnes) ... ... ... | 2 | 2,300 | 600 | 1,700 |
| Sodium Sulphide (Tons) ... | 8 | 9,074 | 2,373 | 6,701 |
| Copper Oxy Chloride (Metric Tonnes) ... ... ... ... | 5 | 2,268 | 455 | 1,813 |
| Organic Pigments (Thousand Kgms.) | 3 | 504 | 180 | 324 |
| Red Lead (Tons) ... ... | 3 | 8,360 | 3,690 | 4,670 |
| White Lead (Tons) ... ... | 2 | 3,720 | 900 | 2,820 |
| Abrasive Grains (Tons) ... ... | 2 | 2,064 | 890 | 1,174 |
| Cork Sheets (Sq.ft.) ... ... | 2 | 10,800,000 | 4,761,117 | 6,038,883 |
| Confectionery (Metric Tonnes) ... | 43 | 52,672 | 15,180 | 37,492 |
| Textile Auxilliaries (Tons) ... | 5 | 31,528 | 4,970 | 26,558 |

* Based on actuals for the first nine months and estimated production for October, November and December 1960.

*Source*: Journal of Industry and Trade—April, 1961.



## PART II—EXPORT POLICY AND PROCEDURE

### (iii) (a) *Review of the efficiency of the existing Export Promotion Measures.*

**Q. 1.—Have you any general comments on the various export promotion measures taken by the Government?**

The Chamber is glad that the Government of India have taken a number of measures to promote exports. India's sterling balances have dropped to Rs. 115 crores by the end of first half of this year. Exports have not fared well as they should have. The export promotional effort has to be increased and activised.

The Planning Commission has suggested that exports should be stepped up to Rs. 750 crores annually while some exports have suggested that it should be placed at about Rs, 1,000 crores annually, But the actual performance in the past years does not enthuse us. The following table gives details of exports of five distinct groups of items in the past few years:

(*Rupees in crores.*)

| | 1950-51 | 1955-56 | 1958-59 | 1959-60 |
|---|---|---|---|---|
| 1. Agricultural Commodities and related manufacturings ... ... | 496.5 | 489.3 | 453.4 | 473.6 |
| 2. Cotton and Jute Manufacturings ... | 250.5 | 181.7 | 153.4 | 180.5 |
| 3. Other Manufacturings ... ... | 58.4 | 61.0 | 53.3 | 105.0 |
| 4. New Manufacturings ... ... | 8.9 | 8.6 | 12.5 | 25.0 |
| 5. Minerals ... ... ... | 23.4 | 34.4 | 46.2 | 53.0 |
| Total ... | 578.3 | 584.7 | 553.0 | 631.6 |
| Total Exports ... | 601.4 | 609.4 | 570.1 | 645.7 |

This points to the need for giving greater attention to traditional items and also explore the possibilities of increasing the trade by diversifying our exports.

A major hurdle in exports is the strong internal market at high price. So long as the internal demand is more exporters would have no incentive to export. Internal price level should come down to make the exporter more export conscious and to bring down the cost of export goods.

The wage policy in industries should be so devised as to bring down the cost of production and to lower the cost of export goods.

The Export Trade Control Department should be designated as Export Trade Promotion Department. The Department should change its outlook and assist exporters in promoting exports instead of placing procedural impediments in the way.

EXPORT CONTROL.

Q. 2.—Have the relaxations in Export Control Regulations in respect of exportable items made during the last few years been helpful in increasing exports from the country? Can you suggest any further relaxation in export control which would increase such exports?

Generally relaxation in export trade control helps to promote trade. In respect of items like manganese ore control and interference by S.T.C. has damaged India's exports. Export of items like manganese ore should be free from interference of agencies like the S.T.C. to enable larger exports. In the case of items like chillies and onions relaxation has not been of much benefit in view of prevailing high internal prices. The same is the case with groundnut oil. Many items are being licensed freely. Even free licensing means that applications should be submitted along with the licence fee and all the formalities should be undergone. The Chamber feels that all these can be dispensed with. This would reduce the volume of work in the department and also help the exporter to cut red tape and despatch goods expeditiously. Incidentally the price would also come down in the absence of export licence fee.

Q. 3.—Has the export policy in regard to various quota items been satisfactory? Have you any suggestions in this regard?

Nux vomica is subject to an export quota for the past two or three years. The restriction on the export of this item may be removed. Export of ghee by Agmark ghee packers may be allowed. Whenever exporters come forward with requests for relaxation the same should be considered leniently to the extent such relaxation does not come into conflict with other factors.

Q. 4.—It has been suggested that export quotas of items may be released to a larger extent in view of foreign exchange requirements even though it may cause some scarcity of supplies for internal consumption. Do you agree with this suggestion? If so, what items of exportable commodities, do you consider can be so increased?

Even the Prime Minister has stated that we should export more even though it may cause some scarcity of supplies for internal consumption. In so doing care should be taken that internal prices do not go up. If prices go up internally there may be temptation to sell the goods locally and earn more profit than exporting. This apart, owing to a general rise in prices the ultimate export cost of different items may also go up much to the detriment of export promotional effort.

Q. 5.—Is the licensing procedure for exports satisfactory? Can it be further simplified?

As mentioned earlier, items under free and liberal licensing may be passed on presentation of shipping bills without the need for application and licence fee. Shipping bills should be passed expeditiously since steamers are berthed on 24 hours basis.



In respect of certain items quality control grading and inspection schemes are enforced. Particularly in the case of wool and bleeding Madras textiles the Chamber learns that there is considerable delay in obtaining such inspection certificates. It should be seen that the inspection certificates are issued within a maximum period of seven days so that export trade will not be affected.

The Chamber suggests that the shipping bills may be passed by export licensing authorities subject to production of such certificates at the time of customs examination.

The Chamber has come across cases where the Export licensing authorities have rejected the applications for export of bleeding Madras textiles without assigning reason. They however orally stated that the export price was low, though no notification has been issued as to the minimum price at which such goods should be exported. Exporters should not be forced to comply with conditions not communicated to them by way of circulars.

Q. 6.—Do you experience any difficulty in getting shipping bills in respect of "freely licensed" items passed? If so, give your suggestions for improving the procedure.

Please see answer to Q. 2 and Q. 5.

EXPORT DUTIES.

Q. 7.—Has the abolition/reduction of export duty in respect of export goods made in the last few years been satisfactory? Has the abolition/reduction of duties been responsible for increasing exports of particular commodities? If not, give reasons for it.

Reduction in duty has been made in the last few years in cases where exports have been found difficult to effect. Duties on certain oil seeds, oils and oil-cakes among others were removed in 1957-58, 1958-59 and 1959-60.

In the case of items like deoiled groundnut meal, raw cotton and cotton waste the export duties were reduced during 1957-58. The duty on tea was reduced on May 1, 1957 from Rs. 37-50 nP. per lb. to 25 nP. per lb. But the duty was enhanced from 25 nP. to 38 nP. on August 1, 1957. It was reduced to 26 nP. on September 28, 1958 and to 24 nP. on March 1, 1959. Duty on manganese ore was removed in November 1958.

As at present export duties are being levied on tea (24nP. per lb.), raw cotton (Rs. 25 per bale of 400 lbs.), soft cotton waste (15% *ad valorem*), hard cotton waste (50% *ad valorem*), raw jute cuttings (Rs. 4-50 nP. per bale of 400 lbs.), raw jute, other varieties (Rs. 15 per bale of 400 lbs.), mercury (Rs. 300 per flask of 75 lbs.) and rice (14 nP. per maund of 82-2/7 lbs.). It is felt that export duty on tea may be removed, In the case of items like groundnut oil exporters are not in a position to effect exports in sizeable quantities due to high price of Indian oil. The duties have been removed on oils and oil seeds long time after agitation from the trade. Coupled with the ban on export of groundnut oil and high duties, importers abroad had switched over to other sources of supply. When exports were allowed again, Indian exporters were faced with competition. It is only at this stage duties were withdrawn. If exports of groundnut oil had been effected recently it has been more due to the incentives given.

Q. 8.—Does export promotion of any commodity suffer by the sudden imposition of export duty? If so, what remedy do you suggest?

At present India has to compete in the International market and India is not having any monopoly or semi-monopoly in any item. We cannot think of levying heavy export duty on any item without detriment to export promotional effort. Foreign buyers always prefer to keep up connection with countries which have stable export policies and other duties. Hence it is suggested that no duty should be levied on exports of any commodity for about another five years.

Q. 9.—Have you any suggestions to make for further reduction/complete removal of export duties on export goods subject to export duties? Please give detailed reasons therefor.

The number of items subject to export duty is limited. With the exception of tea, raw cotton and cotton waste the revenue from other items is negligible.

For reasons set out in answer to Q. 7 and Q. 8 and to create a psychological change in the minds of exporters in India and importers abroad the Chamber suggests that export duty may be completely withdrawn on all items at least for five years to come. Any loss in revenue would be more than compensated by increased exports and the resulting revenue from other sources.

REFUND OF EXCISE DUTIES.

Q. 10.—Is the amount of refund of excise duties allowed on export of various excisable commodities satisfactory? How far has this concession helped in increasing exports?

Refund of excise duties is allowed on export of various excisable commodities. The quantum of amount refunded is being decided after scrutiny of records of various manufacturers and exporters and an announcement is made under Customs and Central Excise. The quantum of refund allowed in the case of different items should be revised as and when the exporters make out a case therefor.

Q. 11.—Is the procedure for refund of excise duty satisfactory? Do you have any suggestions for its improvement?



For obtaining refund, exporters have to show clear proof that the item exported has been subjected to excise duty. Exporters of dyed yarn, it is learnt, are experiencing hardship in obtaining refund of excise duty. Under the present system the small processors who are getting orders to dye 2/20s, 2/32s an 50s, etc., have to get permission from the excise authorities before they open the bales. They have to obtain permission for reprocessing dyed yarn and they should have the seal from the excise departments on all bales to claim refund. Since dyeing is done by hand process by small processors it is found difficult to comply with all the formalities. It is suggested that refund may be allowed against production of invoices, shipping bills and purchase vouchers for yarn.

DRAWBACK OF IMPORT DUTIES.

Q. 12.—How far has the scheme for drawback of import duty (originally paid on imported components/raw materials) in respect of manufactured goods helped in increasing export of these goods?

Drawback of import duty paid on components or raw materials used in goods exported outside the country should continue as they help to bring down the cost of the goods exported.

Q. 13.—Is the procedure for obtaining drawback of import duty under the various drawback schemes satisfactory? Do you experience any difficulty in getting drawback duty? If so, what are the difficulties?

The schemes for grant of rebate of import duty have been simplified. However it is felt that the formalities should be reduced to the minimum and drawback should be made available within a reasonable period.

Q. 14.—Have you any new items to suggest where drawback of import duty could be allowed?

Facilities for drawback of import duties should be extended on a continuous basis depending upon the articles imported and used in export goods. As and when any exporter needs any drawback facility he should approach the customs authorities and the drawback should be allowed. Drawback rules are published now and then in respect of diffrent items and at times one finds it difficult to keep track of developments. It is suggested that all rules and notifications as regards drawback facilities should be made available in the form of a booklet brought up-to-date once in every six months.

Q. 15.—Have the facilities for manufacture of goods in bond for export allowed under Section 100-A of the Sea Customs Act and Rule 191-B of the Central Excise Rules been adequate and have they resulted in larger exports? If not, why not? What suggestions have you to make in this regard?

In the case of manufacture under bond the Chamber feels that exporters would be benefited to a greater extent if the amount of supervision charges debited to them is considerably reduced. If the supervision charges are reduced probably more exporters would avail of the facility of manufacturing under bond.

The form of application for release of raw materials should be simplified and only such details as to enable the customs officials to identify the goods should be called for.

In the case of stainless steel and aluminium goods manufactures in bond, the scrap arisings during manufacture have to be cleared for home consumption after payment of import duty as applicable for aluminium or stainless steel scrap as such. In the case of aluminium sheets and circles the duty is 30% while in the case of scrap it is only 15%. In so far as the scrap cannot be put to the same use as sheets and circles the Chamber feels that manufacturers should be enabled to clear the scrap for home consumption after payment of duty at the rates applicable for scrap.

When certain aluminium goods manufacturers asked for permission to turn the aluminium scrap into castings and export them under bond it appears the idea did not find favour with the officials. It is stated that scrap utilised in castings cannot be identified and as such the concession sought cannot be acceded. The Chamber feels that the weight of scrap as also the weight of casting exported can be ascertained. If necessary a margin of 10% may be allowed for wastage or impurities removed. If this suggestion is approved the Chamber feels India may be able to develop export market for aluminium castware in Far East, Near East and Ceylon.

The Chamber suggests that major manufacturer-exporters who are obtaining refund of import duty beyond a particular extent may be induced to avail of the bond facilities as it would reduce procedural delays and difficulties.

## Incentives for Export

### Railway Priorities.

Q. 16.—Whether the priority accorded for movement over the railway to export goods is sufficiently high to enable unhindered movement of these goods?

The priority accorded for movement of export cargo at present is not at all sufficient. Higher priority has to be afforded.

There have been delays in movement of export cargo resulting in exporters not being able to ship the goods according to schedule. For instance a wagon despatched from Renigunta to Madras for export took more than 12 days to reach the destination.

Q. 17.—What further facilities for movement of export goods over the Railways are in your opinion, necessary?



It is not enough to allot wagons for movement of goods intended for export only. It is equally important to allot wagons under even high priority for goods intended in the manufacturing process of exportable goods.

For instance exporters of curry powder have to depend upon various production centres in Upper India for some spices like coriander, mustard, cummin and others. These goods have to be moved from stations on Northern Railway to Madras. The price of coriander in South is higher and if the exporters were to base their export on prices of coriander obtaining locally they would be unable to export curry powder due to the price factor. In cases of this nature priority should be given for movement.

The railways should mark on wagon "For Export Push" and the concerned transhipment stations must give first priority for such wagons. The wagons should not be kept in despatching stations once they are loaded. They must be attached to the first available train carrying goods.

Rebate in railway freight is given to a number of items to step up exports. The procedure is cumbersome and exporters are unable to avail of the concession easily. The Chamber feels that the concession should be granted for despatch from all stations to different ports and the list of items eligible for freight concession should also be enlarged.

In respect of items like manganese ore and other minerals which move to port towns only for export the Chamber feels that the freight rate itself may be reduced instead of collecting the freight at higher rate and granting the rebate after exports.

### Export Risk Insurance.

Q. 18.—Is the ERIC rendering useful service to the exporters? How far has it helped in promoting exports from the country?

The Export Risks Insurance Corporation which has started functioning in October 1957 has been rendering useful service to the exporters. The corporation has issued policies to the extent of Rs. 8.14 crores in 1960 as against Rs. 7.87 crores in 1959. The insured exports, it is stated, covered 69 commodities exported to 109 countries and amounted to about 1.1% of total exports in 1959.

Q. 19.—What suggestions have you to make about the facilities which ERIC should offer to the exporters?

The Chamber feels there is scope for the Corporation to extend its assistance to exporters. There is a stipulation that all exports made by an exporter to all destinations should be covered by ERIC policies. Otherwise a policy would not be given to an exporter. The Chamber is of the view that facilities should also be given to exporters to take up policies in respect of particular commodities and in respect of particular destinations. If an exporter has got satisfactory arrangements in respect of certain commodities or certain destination he should not be compelled to take BRIC policies in respect of those exports also to enable him to cover the risk in respect of certain other exports.

**Export Promotion Agencies.**

Q. 20.—What are the various agencies or organisations concerned with export promotion and what organisational changes would you suggest for the better co-ordination of their activities?

We have in addition to Export Control Authorities at the ports and at the centre the Export Promotion Directorate with Joint or Deputy Export Promotion Directors at the ports. In addition. the Export Promotion Councils' Commodity Boards and the Directorate General of Commercial Intelligence and Statistics are there.

The Chamber feels that there should be a separate Ministry for Export Promotion.

In the matter of exports grading, agmarking. inspection and other formalities exist in respect of certain commodities. The Chamber feels all this work should be done by personnel under the administrative control of Export Promotion Ministry but lent by the different Departments or Ministries. Such officers for inspection and certifying should be posted at all the ports. This would reduce the delay in obtaining inspection quality and other certificates. At present the Export Trade Control authorities are helpless if there is any delay on the part of certifying authorities. In fact in the case of exports of crushed bones and other animal products when exporters wanted a certificate as to the goods being free from horsepest disease, the officers of the State Government were reluctant to issue such certificates. Exporters face diffiiculty in getting wagon supply, power supply and the like. The Chamber feels that if an Export Promotion Ministry is set up with Officers to co-ordinate the work different agencies much of these difficulties might be overcome.

Q. 21.—How far have the Export Promotion Councils so far constituted helped in increasing exports of the commodities they are concerned with? How far have they succeeded in establishing new markets for the export commodities?

Q. 22.—What suggestions would you offer to make the Export Promotion Councils more effective instruments of Export Promotion? Would you suggest any changes in the constitution of these councils?

There are about 12 Export Promotion Councils and they have been rendering some service in the promotion of exports. Judged from their performance one cannot say that these Councils have been able to step up our exports to a great extent.



In respect of our exports of mica. art silk goods and plastic goods for which Export Promotion Councils exist there has been a decline in our exports. Increase is noticeable in the case of cashew kernels. tobacco. spices. leather goods. chemicals and engineering goods.

These councils organise study tours and send trade delegations abroad. Each of these Councils spend money on publication of journals and periodicals. It is felt that the work of all these Councils should be co-ordinated. For this purpose. there should be a joint consultative board. These Councils can take up joint advertising programmes. abroad. participate jointly in International Trade Fairs, appoint Market Information Officers jointly, maintain Joint Trade Centres abroad and send Trade. Delegations and survey parties also jointly. This arrangement. besides ensuring economy in expenditure both for the Government and the specialised agencies would go a long way in co-ordinating the work,

In so far as these Export Promotion Councils receive grants from the Government its services should be available to all exporters irrespective of whether the exporters are members of the Councils or not. Similarly the registration of exporters should be done by the Council irrespective of whether the exporter is a member of the Council or not. Otherwise the Government would be conferring some sort of a monopoly and statutory authority to Export Pormotion Councils which are doing the work of Trade Organisations.

The working of the different Export Promotion Councils should be reviewed with a view to co-ordinating their efforts.

Q. 23.—Do you think Export Promotion Councils can be set up for other export commodities also? If so. name the commodities.

The existing Export Promotion Councils should be adequate as they cover among themselves more than 25% of India's expots. In addition the Commodity Boards for jute, coffee, coir, etc., among themselves cover more than 45% of India's exports. Therefore there appears to be no need to multiply the agencies for export promotion work.

Q. 24.—How far have Commodity Boards like the Tea Board and Coffee Board. etc,. helped in increasing exports?

Q. 25.—Do you think that these Commodity Boards should play a more prominent part in the promotion of the export of the respective commodities? If so, what are your suggestions?

The Commodity Boards have been able to arrange publicity for Indian Tea and other items. These Boards can play a useful part by arranging effective publicity abroad. These Boards because of their specialised nature can undertake export promotional work also with advantage.

Q. 26.—What suggestions would you offer to make the Development Councils more effective instruments of export promotion also? Would you suggest any change in their constitution?

Apart from associating representatives of Export Promotion Ministry in the Development Council, the Councils should keep constant touch with Export Promotion Councils connected with the commodities they are concerned with.

The proceedings of the Development Councils should be made available to leading Chambers of Commerce and Trade Associations and suggestions received from such bodies should be considered at the meetings of Development Councils.

Q. 27.—How far have Development Counicls been able to help export of commodities they are concerned with?

The Development Councils by themselves may not be able to contribute much towards export except by way of giving incentive for import of machinery or giving permission to increase capacity if the applicant agrees to export a given quantity of manufactured product.

Q. 28.—What is your opinion regarding adequacy or otherwise of the agencies that exist in India for promoting exports? Would you suggest setting up in India of organisations such as Jetro in Japan and Betro in the U.K.?

The Chamber feels that we should have an organisation on the lines of the Japan External Trade Recovery Organisation (JETRO) to conduct market research, study consumer preference, fashion trends and marketing and manufacturing methods of competitors. This Organisation should undertake market research abroad through its own representatives or associates abroad. This is particularly necessary because the various agencies now functioning in India such as Export Promotion Councils are endeavouring to undertake such a survey by short visits of trade delegations or through reports obtained from Commercial Secretaries or representatives located at certain centres. The surveys conducted by the Export Promotion Directorate with the assistance of Specialists in Market Research in respect of countries like Switzerland have been found useful. This only indicates the need and utility of such an organisation.

ASSISTANCE FROM GOVERNMENT TRADE REPRESENTATIVES ABROAD.

Q. 29.—To what extent have the Indian Trade Commissioners in foreign countries been able to offer assistance to exporters for increasing exports? What kind of assistance do you expect from the Indian Trade Commissions and Commercial Secretaries?

Q. 30.—What measures would you suggest to strengthen the organisation of Indian Trade Commissioners/Commercial Secretaries?



Q. 31.—What type of Trade Commissioners or Trade Representatives would you suggest for the most effective functioning of duties in regard to export promotion?

India's Trade Representatives are essential participants in our trade promotion effort. The Chamber takes it that the following are among the important functions of Trade Commissioners :—

(*a*) To answer trade enquiries which are directed to the development of markets for Indian goods in the sphere of his activities,

(*b*) To compile an index of firms of good standing in the territories within his sphere dealing with goods which India produces or is capable of producing,

(*c*) To furnish commercial information directed towards the development of Indian Export Trade required by the various Ministries of the Government of India or by the State Governments or by the Director-General of Commercial Intelligence and Statistics,

(*d*) To report spontaneously and with the least possible delay to the Secretary to the Government of India in the Ministry of Commerce and Industry and Directorate-General of Commercial Intelligence and Statistics, Calcutta, the reactions of trade restrictions, regulations and other Government measures in his area of India's export trade and other matters of special commercial importance,

(*e*) To report spontaneously to the Ministry of Commerce and Industry and to the Directorate-General of Commercial Intelligence and Statistics any local developments, official and unofficial likely to affect India,

(*f*) To visit local firms and acquaint them with the various kinds of Indian goods suitable for their requirements,

(*g*) To test local markets for Indian goods by means of trial consignments, if so desired,

(*h*) To assist by means of letters of introduction and advice, visitors to his area engaged in the development of Indian Export Trade,

(*i*) To take such steps as are possible to settle trade disputes arising in his area involving claims by exporters in India and in the event of the failure of an amicable settlement to furnish the latter with a list of suitable lawyers;

(*j*) To maintain a library of Indian trade publications available for consultation by interested local businessmen,

(*k*) To organise exhibits of Indian goods at local exhibitions or fairs on lines approved and within the scope of such funds as may be allotted for the purpose and to maintain show rooms or museums of Indian products,

(*l*) To represent the possibilities of Indian trade by means of lectures, display of films and other suitable methods,

(*m*) To assist the Head of the Mission or Commission in the matter of training of Indian students abroad, and

(n) To render such assistance as may be required by any Ministry of the Central Government or of the State Government in the matter of procurement foreign goods, keep the Government of India generally informed of all developments relating to economic affairs in the area included in his jurisdiction.

Many of the Trade Representatives are handicapped for want of adequate staff. The Trade Representatives and their assistants are often busy with making arrangements in connection with the visit of some Government Official, business groups or others and they do not have time to concentrate on other primary trade promotion activities. The Trade Representatives are sending at present some monthly reports on "Economic and Commercial Conditions" in the areas to which they are accredited. These reports do not provide information to the Indian Exporter. What the Indian Exporter requires is some information which would be of use to him in marketing his product or in getting some idea about the competitive character of the product he intends to export. A resume of the economic situation, price index, industrial production, bank rate, etc., though helpful in a general way, is not useful from the exporters' immediate point of view.

In compiling their reports the Trade Representatives should devote particular attention to the following :

(1) The total volume of trade of their area and India's share in it.

(2) Share of India in exports and imports separately together with particulars of the share of other important countries.

(3) Principal commodities in terms of volume and value exported from the area to India and imported from India together with particulars of total volume of exports and imports of respective commodities and the share of competing countries.

(4) If India's share in either imports or exports decreases or increases, the reasons therefor. Similar particulars of increase or decrease in the share of other countries.

(5) Price position of principal commodities exported from India. Wholesale prices for given unit should be furnished regularly.

(6) Changes in import control regulations in the area of particular significance to India. Similarly information about changes in Customs Tariff.

(7) Trade enquiries received from importers in the area for the supply of Indian goods should be incorporated in the monthly report with the full name and address of the enquirer.

(8) Information on changes in consumer taste, fashion, etc.

(9) Details of Trade Fairs, Exhibitions, Sample and or Commercial Display contemplated or held in the area.

(10) Other matters of commercial importance.



The Trade Representatives should see to it that all the above particulars are furnished in as detailed a manner as possible, every month. They should also see that such reports are despatched to the Government of India well in time. At present the reports are published several months after the month for which they relate with the result that they lose their importance and value. At times reports are published for three or four months in a consolidated form. For certain countries no report is published. It is absolutely essential that such reports should be issued every month by all officers of the Trade Representatives abroad in a consolidated form. For certain countries no report is published. It is absolutely essential that such reports should be issued every month by all officers of the Trade Representatives abroad in a uniform manner and such reports should reach the Government of India expeditiously and they should likewise be published in India for the information of Indian exporters without any time-lag. The Chamber suggests that these reports may be made available to Chambers of Commerce and Trade Associations direct from the Trade Representatives so as to facilitate timely and expeditious dissemination of the information.

ANNUAL REPORTS.

The Trade Commissioners should issue the Annual Reports promptly. The Chamber is glad there is latterly some improvement in this regard. These reports when received by Government should be printed and circulated without undue time-lag. In compiling these reports it would be advantageous if all units and value are indicated in terms in vogue in India and in rupees.

NEED FOR QUICK DISPOSAL OF ENQUIRIES.

The Government of India should see that the Trade Commissioners extend their assistance in the matter of export promotion. The Trade Commissioners should devote special attention to trade enquiries and offers received by them from Indian Exporters expeditiously direct to the parties with copies to the Director-General of Commercial Intelligence and Statistics, Calcutta instead of routing the replies through the latter.

COMPILATION OF DIRECTORIES.

The Trade Representatives should compile a Directory of Importers of various produce and merchandise and manufactures in their respective areas for the benefit of Indian Exporters. We have such directories for Ceylon, U.K., Canada, East Africa and Malaya. It would be of great assistance if such Directories are compiled by all the Trade Representatives.

DIPLOMATIC AND TRADE OFFICES TO POPOULARISE INDIAN GOODS.

The Trade Commissioners and the Staff of Indian Embassies and other Diplomatic offices abroad should make it a point to popularise Indian products and manufactures and Indian style of dress. This would not only demonstrate the distinctiv features of our country but would also promote the foreign trade of the country. The requirements of the Trade Commission, Embassies and other Diplomatic Offices should be purchased by the Government of India and sent to the respective offices. This is done by many diplomatic offices of other countries and we see no reason why India also, should not follow. "Made in India" should be the hallmark of everything used by our Representative abroad.

COMPLAINTS ABOUT QUALITY, ETC.

The Trade Commissioners complain in season and out of season that the quality of goods exported from India is not good or that the goods are not supplied according to samples and so on. This soe of generalised complaints do not serve any useful purpose. On the contrary they mar the reputation of Indian business abroad. and the words of our own Trade Commissioners are quoted against us. The Trade Commissioners should make known to importers abroad about the working of the Indian Standards Institution, the Agmark System of grading and markings, inspection and certification of cotton textiles and other measures that are taken here to ensure export of quality goods. If any complaint is made, the Trade Commissioners should go into the matter and if it is found as a result of the enquiry that the Indian Exporter is guilty, the name of such exporter should be communicated to all recognised Chambers of Commerce and Exporters' Associations in India. If the offence is of a minod nature he should be warned; if it is of a major nature he should be blacklisted and debarred from participating in the foreign trade of the country and should also be debarred from the membership of all recognised Chambers of Commerce and Trade Associations. Indian Exporters and buinessmen are interested in promoting the foreign trade of the country and keeping up the prestige and reputation of India abroad and would therefore unhesitatingly co operate with the Government in weeding out anti-social elements.

CONTACT WITH INDIAN EXPORTERS.

Most of the Trade Representatives visit Chambers of Commerce and Trade Associations in India prior to their leaving India to assume office. By then they know nothing about the trade opportunities available in the country to which they are going. They only hear what the exporters say and offer to do their best to promote the trade. Afterwards nothing is heard from these Trade Representatives. If these Trade Representatives are invited annually to a Conference in Delhi it would help to co-ordinate their work. Besides they can visit the port towns of Calcutta, Bombay and Madras in groups or individually and they can exchange views on many points. This would go a long way in promoting exports.

The Director-General of Commercial Intelligence and/or the Exports Promotion Directorate can prepare special questionnaire for survey of foreign markets for given products gather information through Trade Representatives abroad and publish it for the information of the exporters.



In countries like the U.S.A. the exporters get exhaustive lists of importers for any given product at a nominal cost from the Department of Commerce. The Directorate-General of C.I. & S, and Export Promotion Directorate can render similar service. to Indian Exporters with the co-operation of Trade Representatives.

Q. 32.—What facilities are available to Indian businessmen to open branches abroad to promote export? How far do you consider export houses would avail themselves of such facilities?

The present facilities available in this regard are not adequate. Adequate tax relief incentives and liberal foreign exchange allocation would be required to enable opening of branches abroad.

PARTICIPATION IN INTERNATIONAL FAIRS.

Q. 33.—How far has the participation in exhibitions and the opening of show rooms contributed to the promotion of exports? How best do you think could the interest created by exhibitions and showrooms be made to result in actual export business?

Q. 34.—What in your view. has been the measure of success achieved by India's participation in the vairous International Fairs and Exhibitions?

In presenting our manufactures to potential buyers and in making personal contacts with them, in studying consumer preferenec and in finding out the techniques of competitors, fairs and exhibitions play an important part. Fairs and exhibitions at international level, have greater value in that they offered opportunities for studying products and manufactures of a number of participating countries and buyers have a wide field of choice.

Commercial show rooms maintained by the Government of India in the offices of different Trade Representatives abroad contribute in their own way to publicising Indian products and merchandising and in promoting the export trade of India. Goods should be displayed attractively and invitations should be extended to local businessmen to visit the showroom. When businessmen come. efforts should be taken to acquaint them with the quality and special features of the products offered by India. They should give the businessmen a list of suppliers of such goods in India and at the same time. communicate the name of the foreign enquirers to Indian Exporters.

India should participate effectively in a large number of fairs and steps should be taken to follow up the contacts built and enquiries received. The exhibitors should be expeditiously informed of the various enquiries so that they can follow up.

Q. 35.—How and by what measures. can India's participation in these fairs be made more fruitful?

Please see answers to Q. 33 and 34.

Q. 36.—What in your opinion. are the reasons for Indian Exporters and business houses not coming forward to avail themselves of the facilities offered to them by the Government of India at the various international fairs?

Q. 37.—Are these facilities not adequate enough? If so, what measures would you suggest so that Indian Exporters/Business Houses may find it useful to participate in these fairs?

Invariably the information regarding India's participation in the different Fairs, the date for submission of list of exhibits as also the date for despatch of exhibits to the Government's Shipping Agents is received very late leaving very little time to the exporters to take a decision and participate in the Fair. If information regarding participation and the list of items the Government would accept for display are made available fairly in advance many expoiters are likely to avail the offer,

When certain exporters came forward to participate in certain U.S. Trade Fair the duration of which was about three months they did not secure necessary foreign exchange for their representatives to go over to U.S. and stay there for the duration of the Fair. The Directorate of Exhibitions also did not recommend the application.

If exporters come forward to participate in Fairs of long duration their application for foreign exchange should be considered favourably.

Q. 38.—What machinery would you devise to ensure follow-up sale flowing from India's participation in these international fairs?

Apart from the individual participants following up the sale they should be pursuaded to periodically advertise their products through local periodicals and journals. The possibility of securing the services of influential business houses in the importing country as agents for Indian goods should also be thought of. This would ensure follow up sale through their local influence.

QUALITY CONTROL.

Q. 39.—How far can quality control on compulsory basis be extended to other commodities in the light of the experience gained in working the compulsory quality control schemes in respect of sann hemp, tobacco, bristles, wool, lemon grass oil, sandalwood oil?

The Chamber is in favour of quality control and it feels that compulsory quality control should be introduced only when voluntary efforts fail. Again wherever the Indian Standards Institution has evolved a standard, only goods conforming to that standard and certified by the I.S.I. should be allowed to be exported,

Q. 40.—Have the procedures followed for grading of the aforesaid commodities been working satisfactorily? If not, have you any suggestions for improvement?



The experience of the members of the Chamber has been far from satisfactory as far as grading of wool and goat hair is concerned. South India has abundant supply of goat hair and sheep hair. Due to the peculiarity of this region special regard has to be shown. The standards prescribed for agmarking these two varieties needs considerable change. In spite of trade interests urging the authorities no action seems to have been taken.

Apart from the Inspection and Quality Control the very process of obtaining a certificate under agmark seems to be a protracted affair as far as this item is concerned. It is stated that normally it takes as much as 21 days to complete all the process and get a certificate. This is too long a period and it has to be reduced to at least 7 days. The Chamber learns that all these formalities have to be undergone in the matter of despatch of samples also. There is an exemption from the formalities for samples of less than half kilo in weight. This concession is practically of no avail to this trade since samples of different varieties are sent at a time and at least to the extent of one kilo per variety. Normally exporters send samples of hair against cable requests from foreign buyers. If exporters were to complete all the formalities and thendespatch samples it either results in loss of business or affects the business considerably. South India accounts for a sizeable share of sheep hair and unless a separate classification is given for sheep hair it is likely to seriously affect the interests of this region. Even for export trade control purposes a separate quota as well as ceiling should be fixed for export of goat hair and sheep hair and there should be no restriction on despatch of samples up to five kilos at a time either by post or as air freight. The Customs and Postal authorities also should be instructed in this regard since there have been occasions where they have insisted on obtaining grading certificates even though such certificates were not necessary as per the agmark rules.

In the case of bleeding Madras textiles also delay is experienced in obtaining inspection certificates under the scheme of the Cotton Textile Fund. The trade has not been able to obtain clarification as to the specification for bleeding textiles and what were the minimum requirements for a cloth to pass the test even though reference has been made to the Export Control authorities and the Textile Commissioner. The certificates are required in the case of samples also.

It should be seen that inspection certificate/agmark certificates are issued within a maximum period of seven days so that the export trade will not be affected.

The Chamber suggests that the shipping bills may be passed subject to production of agmark certificates/Textile Commissioner's certificates at the timeof Customs examination.

Q. 41.—It has been suggested that for the better promotion of export of goods and of sustained exports of such goods it is desirable to insist on quality control and pre-shipment inspection of such goods. What suggestions have you to make regarding imposition of quality control on export goods?

See answer to Q. 39. In addition, pre-shipment inspection may be encouraged on a voluntary basis by the concerned Export Groups. The Government may authorise Chambers of Commerce and specialised Trade Associations in Port Towns to issue Inspection certificates. They may in consultation with trade frame rules for Inspection. minimum requirements of machinery and test. The organisations may be registered for individual commodities or group of commodities and authorised to issue certificates of Inspection. This would ensure speedy and effective inspection without any expenditure on the part of the Government. These inspection organisations can charge a nominal fee which should also be prescribed by the Government.

In Japan there are a number of private and official pre-inspection organisations and the Chamber hopes it would be possible to follow that pattern in India also.

EXPORT PROMOTION SCHEMES.

Q. 42.—How far have the special incentive schemes enabled the exporters to make progress in export to non-traditional markets? Please indicate the position in respect of each of the commodities subject to Special Export Promotion Schemes.

There are special incentive schemes in respect of the export of engineering goods. chemicals and pharmaceuticals. plastic goods. woollen goods. silk manufactures. brass semis. stainless steel utensils and vanaspathi. Exports of all these items during 1960 have increased when compared to 1958 and 1959.

Q. 43.—What are your views on the working of the incentive schemes? Is the incentive granted under the Special Export Promotion Schemes sufficient? If not. what suggestions would you make?

In so far as mereappeal to patriotisim would not ensure increase in exports. incentives are necessary to promote our trade. Incentives have their own valuable part to play as short term as well as long term measures. Incentives in the form of import of raw materials. etc., can be given as a short term measure. The process should be continuous and the quantum of incentive should be varied as and when necessary.

Q. 44.—Would you favour extension of incentive schemes or do you consider that the grant of incentives for exports have been abused?

As a short term measure the incentives may be continued. Any possible abuse can be prevented under the incentive scheme. It should be seen that the goods imported are supplied to manufacturers if the exporters are not manufacturers themselves. If a proper check is ensured the Chamber hopes that all possible abuses can be prevented.



Q. 45.—Can incentive schemes be simplified? What are your suggestions for simplification of the Schemes?

The incentives may be given on the basis of exports effected during a quarter. The Export Control authorities may obtain a bank certificate for payments received or arrangements made for receipt of payment, The practice of Export Control authorities writing to the banks to send a duplicate certificate may be discontinued.

When exporters effect exports under bond the goods exported over and above the bond value should also qualify for incentive.

Export under bond covertng a period of six months may be encouraged as it would compel the exporters to effect export of a given quantity of goods.

The process of scrutiny of applications. export performance and grant of licence for the incentive should be expedited.

Incentives in the form of import of raw materials and components should be replaced in the long run by tax concessions and or currency retension schemes.

Q. 46.—What are the other commodities which should be included in the incentive schemes?

Whenever Indian export articles face competition abroad due to high prices certain incentives may be given to enable the exporters to enter the export market. The Government should periodically invite suggestions from exporters in this regard. Incentives may be given also in respect of Commodities the export of which have suffered a decline in the past two or three years.

Q. 47.—How far have the export promotion schemes vide para, 2-C of Appendix 23 of the Red Book under which import licences for raw materials enabled the manufacturers and exporters to increase exports?

The exports of items covered by the scheme have been stepped up because of the incentives. The incentives have helped the items concerned to compete effectively in foreign markets.

Q. 48.—Does the import entitlement allowed to the exporters under the Export Promotion Schemes result in unnecessary imports?

Unless the imports of raw materials effected by the exporters reach the manufacturers and the actual user imports of the manufacturers who receive supplies through exporters are also proportionately adjusted imports under export incentive scheme would naturally be in excess. As stated in reply to Q. 44 it should be seen that articles imported by exporters under incentive scheme are made available to manufacturers and their actual user import quotas also are adjusted proportionately.

Q 49.—What measures would you suggest to link promotion of exports with promotion of tourism in India?

Tourism in India as invisible exports needs encouragement. In addition foreign tourists coming to India can be enthused to import Indian manufactures and produce. Foreign tourists who go home from India with Souvenirs, curios, handicrafts and the like contribute towards publicity for India's exports.

The foreign tourists may be given special coupons for exemption from sales tax and excise duty (whenever applicable) for purchase of their requirements in India. The dealers who supply these goods against such coupons, tax and duty free should be enabled to obtain refund of duty paid and sales tax paid. This is likely to increase the purchases in India by foreign tourists and add to our foreign exchange earnings.

(iii) (*b*) *Measures necessary to step up exports during the Third Five-Year Plan.*

Q. 50.—What are your views about the target for exports fixed for the period 1961-66 under the Third Five-Year Plan? What steps are necessary for achieving the export target proposed under the Third Plan?

If India were to achieve the targets fixed for the third plan period we should aim at increasing our agriculture and industrial production, bring down the internal price level as also the cost of export commodities, and improve the quality. The Government should activise the commercial wings of our Embassies and High Commissions abroad, step up our export publicity and also give incentives by way of currency, retention, tax relief, refund of excise and import duty, refund of sale purchase tax, etc.

The targets fixed for individual commodities should be apportioned between different ports and the Port authorities should ensure that the quantity allotted to the region is exported. The difficulties in effecting exports should be ascertained from the exporters and relief given. There should be effective co-ordination between Export Trade Control department and representative organisations of Trade and Industry. The officers of this department should change their outlook and they should be made to feel that their primary work is to assist the exporter in the promotion of exports and not placing procedural impediments in his way.

Q. 51.—Can the target be stepped up in view of the large import requirements of capital goods and raw materials for industrial development under the Plan?

The Chamber feels that it may not be possible to step up the target still further viewed in the context of actual performance in the past five years. Our average annual exports during the first plan period were Rs. 609 crores and this has been stepped upto Rs. 614 crores during the second plan period. Unless the price level is brought down, the cost of export goods would remain high making it difficult to step up our exports.



The Chamber hopes that India would be able to fulfil the targets fixed by adopting the suggestions given in reply to Q. 50.

GENERAL.

Q. 52.—What are your views on barter and link deals as export promotion measures? Do you think that the barter deals so far sanctioned by Government have resulted in additional exports?

Many items which were not exported in the past have been exported under barter and link deals. However care should be taken to see that exports made under barter and link deals do not find their way into other countries. Please also see replies to Q. 47 under Part I.

Q. 53.—Do you consider that a scheme of 'Currency Retention' as practised by some countries would stimulate exports? Have you any comments of the channels of export in existence at present? Have you any suggestions in this regard?

The Chamber is of the view that currency retention scheme should be tried in India. In Japan exporters were allowed to retain 3% of the total foreign exchange earned even for import of restricted or prohibited items on which the exporter could make profit to compensate for the loss incurred in exports.

A beginning may be made in respect of items the exports of which are on the decline. While the Chamber concedes that imports of all items should not be allowed under this scheme, it suggests that the list of items that can be imported may be expanded.

Q. 54.—How far have exports made through the S.T.C. enabled the country to enlarge its foreign trade? Have you any suggestions to make in the matter?

The S.T.C. should be made use of only to the extent of trade with East European countries and U.S.S.R. India's exports of manganese ore have suffered a set back with the intervention of the S.T.C. Even though the S.T.C. came into the picture to facilitate bulk movement and prevent diversion of holding, its objectives were not achieved. Exports which were of the order of Rs. 32 crores in 1957 have declined to Rs. 13.9 crores in 1960. U.S.A. had turned to Brazil for supplies while U.K. obtained her supplies from U.S.S.R., Japan obtained supplies from Indonesia and Australia.

Private trade should always be preferred to the S.T.C. We have to deal in a wide range of items with a large number of importers in different countries. Similarly we have to deal with a large number of producers, manufacturers and suppliers to cater to export demand. It is therefore necessary that the whole thing should be left to the private exporters. The threat of S.T.C. ousting the private exporter from the trade is itself a factor discouraging export promotion. The Chamber is of the view that a categorical declaration by the Government that the S.T.C. would not take ove exports except to the extent of trade with East European countries and U.S.S.R. should be made at the earliest in the interests of export promotion.

Q. 55.—What measures would you suggest for substantially increasing exports of traditional items of export? What are the difficulties which the Indian exporters face in foreign markets? What suggestions would you make for increasing the competitiveness of Indian goods so far as price and quality is concerned?

There has been a decline in our exports of tea, cotton textiles, leather goods, oil cake, manganese ore, vegetable non-essential oils, mica, raw cotton, raw wool, coir goods, coffee and art silk goods.

In the matter of tea the decline has been due to heavy taxation both at the Central and State levels and obligations imposed under Plantation Labour Act and other welfare measures which have all made Indian tea uncompetitive in overseas markets. Tea should be free from export duty and local taxation to enable it to compete in foreign markets.

As regards Cotton textiles the recommendations of the wage boards have pushed the manufacturing costs up. The cost of production of Indian textiles should be brought down by increasing productivity. The industry should be allowed to rationalise production by use of modern labour saving machinery and devices.

In the case of agricultural commodities and manufactures based on agriculture, i.e., oilseed, olicake, vegetable oil, essential oil, raw cotton, coffee, vanaspati and the like the agricultural production should be stepped up.

The minerals and ores which have an export market should not suffer from heavy royalties.

In short the prices of all items have to be brought down by increasing productivity in industry and agriculture, by bringing down labour costs as much as possible and by reducing licence fee, cess and taxation. There should be an effective and organised publicity drive in all important markets.

As far as quality control is concerned the suggestions made in reply to Q. 39 to 41 may be considered.

Q. 56.—How far can non-traditional items contribute towards increasing exports during the Third Plan period?

Non-traditional items such as sugar, vanaspati, cement, engineering goods, sports goods, medicines and pharmaceutical products and plastic goods have been developed in the past few years. Engineering goods like sewing machines have been exported to the Continent, the U.K. and the U.S.A. This gives us the hope



that we can increase exports of our non-traditional items also if we put forth greater effort. Hereagain there is need to bring down the production cost by increasing productivity and reducing the cost of labour.

Q. 57.—What are the specific commodities, the export of which can be augmented developed immediately and to what extent?

We must devote our attention to our traditional exports and at the same time extend all possible assistance for developing trade in non-traditional items.

Q. 58.—Would you advocate any compulsory measures which should be taken for ensuring export of products of industries r.

The Chamber is not in favour of any compulsion in the matter of exports as such compulsion might result in increasing the internal price level. But industrial units which are licensed to import machinery from the point of view of export promotion may however be required to reserve a portion of the production for export.

Q. 59.—Do sales tax or other local taxes effect competitive position of Indian goods in foreign markets? If so, give examples.

Sales tax and other local taxes do affect the competitive position of exports. Export sales as such are exempt from the purview of sales tax. But this exemption is of no avail since many of the export commodities pass more than one hand before they are exported. Some of the export commodities are subject to purchase tax or sales tax at a high rate. The tax on commodities like jaggery, turmeric, palmyra fibre and mica in A.P. and coffee, tea, leather goods, raw wool and palmyra fibre in Madras deserve particular mention. It would therefore be necessary to evolve a formula by which exporters would get a rebate of sales tax paid in respect of exports made outside the country. The sale of goods by a dealer in one State to an exporter in another State for export outside the country should be treated as one leading to the export of goods outside India and be exempt from Central Sales Tax. Even if the export is effected after payment of Sales Tax or Central Sales Tax the exporter should be allowed to obtain a refund of tax so paid on production of necessary evidence as regards exports.

Q. 60.—Have you any suggestions to make for remission of any other taxation tion affecting exports?

The Chamber feels that a remission of income tax should be given in the matter of export income· The Export Promotion Committee appointed under the Chairmanship of Sri A. D. Gorewala (1949) as also the Export Promotion Committee under the Chairmanship of Sri V. L. D'Souza (1957) have recommended the grant of relief from income tax on export turnover. It is suggested that a rebate of 10% on the total export turnover may be given to the Indian Exporter.

**Q. 61.—What are the possibilities of developing India as a Centre of (*a*) entrepot trade and (*b*) re-export trade?**

The Government of India have plans to develop a free trade Zone at Kandla to facilitate import of goods under bond for manufacture and re-export. It is suggested that such a free trade Zone may be established at Pondicherry which has all along in the past been a free port. It would go a long way towards building a sizeable trade with South East Asia in processed, semi-prcoessed and finished goods.

Q. 62.—Have you any suggestions for setting up of industries in the free port area? If so, what industries should be set up and how would they help export trade of the country?

Provision of facilities for manufacturing under bond in free trade Zones may be encouraged. Industries for diamond polishing and cutting, pearls threading, manufacture of jewellery, cigarettes, cameras and the like can be thought of for manufacture under bond. All these industries certainly offer immense export possibilities.

Q. 63.—What are the organisational weaknesses internal and external, which inhibit the growth of India's export trade?

This question has been answered at length in reply to Q. 1, 20 to 31, 38, 54 to 57, 59 and 60. The replies to these questions explain the factors inhibiting our exports and the ways and means of overcoming them.

Q. 64.—Are you aware that to many important countries of the world, e.g., Germany—a great bulk of the exports are not direct exports, but via entrepot countries? What measures would you suggest to remedy this situation?

Steps should be taken to open Trade Centres and branches of leading export houses and also appoint leading business houses in the overseas countries as agents for Indian goods. The special tastes, packing requirements and the seasonal and other needs of the importing countries should be studied.

Q. 65.—What kind of organisation would you like to be set up in countries offering good export prospects for Indian goods with a view to—

(*a*) study the market;
(*b*) offer commercial intelligence;
(*c*) show the whole range of samples of our principal commodities;
(*d*) build a net-work of agencies for Indian exporters/suppliers;
(*e*) settle disputes.

What should be the nature of its counter-part organisation in India? Should these be run entirely by Government; or entirely by Private enterprise; or should it be a blend of both? What should be the respective role of each?



As indicated in reply to Q. 21, 22 and 23 the Export Promotion Councils and the proposed Organisation on the lines of the JETRO should undertake this work with the assistance of their own branches in different countries or with the assistance of their associates. It should be a joint venture of the State and the private manufacturers and exporters. It would be responsible for establishment of trade centres in different countries, participation in internatioal fairs and overseas publicity for export goods in addition to maket survey and dissemination of commercial information.

Q. 66.—Are you aware that there is a large number of Indian business houses conducting a fairly prosperous business in many parts of the world? What measures would you suggest to enlist their support in augmenting India's exports?

Indian business houses abroad may be made use of in the promotion of India's exports by manufacturers in India by appointing them as agents in the importing country. Exports of items like electrical goods in Malaya and Singapore have been developed to a considerable extent by availing the services of influential Indian business houses in these countries.

Q. 67.—Do you think that Indian Export import business suffers for lack of accurate and timely commercial intelligence? What measures would you devise to remedy this handicap?

Indian Exporters do need accurate and timely commerical intelligence. Towards this end the suggestions given in answer to Q. 28 to 65 deserve consideration.

Q. 68.—What is the present machinery for settlement of trade disputes? Do you think that the inclusion of an arbitration clause in export contracts has been helpful in minimising trade disputes?

The Federation of Indian Chambers of Commerce and Industry has entered into arbitration agreements with different countries. Arbitration facilities are available in regard to exports of jute, cotton textiles and the like. The question of setting up and Indian Arbitration Association may be taken up by the Federation of Indian Chambers of Commerce and Industry in consultation with different bodies in the country providing arbitration facility. At present many of the contract such as for exports of oils, oilseeds, oilcake and rice bran provide for arbitration by foreign associations. By entering into agreement with such Associations arbitration facilities may be provided at the Indian end. While there can be no objection to the inclusion of an arbitration clause care should be taken to see that our export trade is not affected thereby. Confidence should be created in the Indian Arbitration Machinery before introducing a compulsory clause in the contracts as to arbitration.

Q. 69.—Would you recommend creation of additional capacities in industries which may have export potentialities and which industries would you suggest for this purpose?

While the Chamber is in agreement with the principle that additional capacity in industries which have export potentialities should be sanctioned, it feels that the need of the hour is the utilisation of installed capacity in the existing industries to the maximum possible extent. Existing units should be enabled to work as much as three shift by providing raw materials and other facilities. If production is increased by working more than one shift the country would be able to step up the availability of manufactured goods without bulging the import bill by way of imports of capital goods. The Chamber believes it would be possible to increase production to meet internal as well as export demand if the Government of India follow a positive policy of assisting the industry in bringing down the cost of production.

Q. 70.—Do you think the consultations at present held with the trade through the Export Promotion Advisory Committee and Port Export Promotion Committees are sufficient to elicit their views regarding export promotion measures?

The Export Promotion Advisory Council meets once in six months. It is suggested that this Council may meet once in three months at different ports like Madras, Bombay and Calcutta besides Delhi. The Port Advisory Commitees, should meet once a month. The Director of Export Promotion, Director-General of Foreign Trade and the Chief Controller of Exports should visit different Centres in the country once in six months. Effective liaison should be maintained between the Secretaries of Chambers of Commerce and Trade Associations and all official agencies connected with Export Promotion.

**Import and Export Policy Committee—Oral Evidence before the**

The Import and Export Policy Committee had its sittings in Madras from October 12 to 14, 1961. Sri S. Venkatarangam, President of the Chamber, Sri J. V. Somayajulu, former President, Sri Parsram Jethanand, Chairman, Import Regulation Sub-Committee and Sri M. S. Sambasivam, Secretary, tendered oral evidence before the Committee on behalf of the Chamber on October 13, 1961.

## INDO-ARGENTINE TRADE.

Major-General Tara Singh Bahl, Ambassador for India in Agentina addressing the members of the Andhra Chamber of Commerce on February 24, 1961 said that it would be his endeavour to promote economic and cultural relations between India and Argentina. Commending the various suggestions made by the Vice-President of the Chamber Major-General Bahl said that he would study the economic situation in Argentina in all its aspects and make a detailed report to the Ministry of Commerce and Industry.

Sri S. Venkatarangam, Vice-President of the Chamber welcoming Major-General Bahl observed:



"I am happy to find that our trade with Argentina has been of the order of about Rs. 7·9 crores in the year, 1959 as against our imports of only Rs. 7 lakhs from that country. During the eleven months January to November, 1960 our exports to Argentina have been only of the order of about Rs. 6.23 crores. Our exports have touched a peak level of Rs. 21 crores in 1953 tand Rs. 11 crores in 1954 and 1955. This indicates the scope for increasing our exports.

Our traditional exports to Argentina in the order of importance are hessian cloth, sacking cloth, hessian bags, shellac, opium, senna leaves and pods. The fact that we have been able to export items like table fans and toys in small quantities in 1959 give us the impression that we may be able to step uo our trade in manufactured goods also to Argentina. In this task we naturally look to our Ambassador and his Commercial section for necessary assistance.

While individual exporters would correspond, arrange surveys and also make on the spot study to develop trade they desire that their efforts should be supplemented by proper advice from the Commercial Section of our Embassy at Argentina. I hope Major-General Bahl would arrange to extend necessary assistance to Indian exporters in their endeavour to promote India's trade with Argentina.

While monthly reports on Economic conditions in respect of a number of countries despatched by our Commercial Secretaries are being published in the Indian Trade Journal I have not come across any report on Economic conditions in Argentina. Except for a report published for the year 1943 and 1944 even an Annual Report on our trade with Argentina does not appear to have been published.

There is an urgent need today to disseminate information of all types regarding Argentina in particular and Latin America in general. Far too little is known in India about these countries. Strengthening of Commercial Section in the Embassy should also be thought of if non-publication of reports of the nature I referred to is due to inadequacy of personnel. Similarly news bulletins should be issued from the Embassy for circulation among businessmen in Argentina. This publication which should be in Spanish should apprise importers there of developments in India and what India can offer to Argentina. -

After suffering a serious economic set back Argentina has recovered remarkably well with the assistance of the International Monetary Fund and the U.S.A. Argentina has stabilised its economy and a rapid development is taking place in the field of industry. Many countries like Italy, Germany and U.K. in addition to U.S.A. have been setting up industries in Argentina. Argentina has thus embarked on a development programme to exploit all her natural resources. In this process Argentina would be requiring many items which India might be able to supply. Probably the changing economy in Argentina might necessitate some change in the pattern of our exports to that country. Our exports to Argentina are mainly bagging fabric—be they hessian or jute. There is a tendency to use bags made of Kenaf and of late shipments of bagged cargo are taking place in bulk. This is likely to result in a decline in our exports of jute and hessian cloth and bags. Argentina is an important producer of oils, oil seeds and tobacco and is in fact a competitor for India in the American and Continental market. It is necessary that Indian exporters are given periodical reports about the developments taking place in Argentina and their impact on India's exports.

Under the Montevideo Treaty signed in February last a Latin American Free Trade Area has been created and Argentina happens to be one of the signatories to this Treaty. It is stated that the treaty would contribute to expanding production and inter-regional trade and that these in turn would lead to expanding demand for goods from outside areas. I learn that all countries in Latin American would soon come under this Free Trade Area. While the signatories to the Montevideo Treaty have assured the GATT that the Treaty would not run counter to the objectives of GATT, I request our Ambassador to carefully watch the situation and ensure that our trade with countries in this Free Trade Area is maintained. In view of the financial and technical collaboration and other arrangements many countries are having with Argentina and other countries in this region I feel we should consider the advisability of entering into Bilateral trade arrangements with the different countries in this region. We are at present having a trade agreement with Chile and I request our Ambassador to give his thought to this suggestion.

These developments taking place in Argentina point out again to the necessity for giving more importance to the Commercial Section in the Embassy in Argentina. Our economic and cultural relations with Argentina have been very good and I believe this gives us an excellent opportunity to develop our trade with that country. I hope with the able assistance of our Ambassador our trade with Argentina would grow in an increasing measure in the coming years.

I find that the First Secretary of the Embassy of India in Argentina is looking after our trade interests in Paraguay and Uruguay also in addition to Argentina. Hence I would like to mention a few words about our trade with these countries also. Our total exports to Paraguay were of the order of Rs. 13 lakhs in 1959 while our exports in the first eleven months of 1960 accounted for Rs. 8.4 lakhs. Our exports to Uruguay were of the order of Rs. 77.5 lakhs in 1959 while our exports in the first eleven months of 1960 accounted for Rs. 39 lakhs. There has been a steep decline in our exports to both the countries. This also requires the attention of our Ambassador and his Commercial Secretary. These two countries also are in the Free Trade Area, and what I said regarding Argentina applies to these countries also."

Sri Rasiklal M. Mehta proposed a vote of thanks.



## INDO-AUSTRALIAN TRADE.

### Visit to Sri G. L. Puri, India Government Trade Commissioner-designate in Sydney

Sri G. L. Puri, India Government Trade Commissioner-designate in Sydney addressing the members of the Andhra Chamber of Commerce on January 10, 1961 said that the Government of India are participating in the Exhibition to be held in Sydney during the middle of this year and he appealed to all the exporters to participate in the Exhibition and display their goods in an effective manner. There is a decline in our exports and we have to find out ways and means and take measures to rectify this. He called upon the exporters to do every thing possible within their power to face the forces they have to meet in exporting their goods to Australia and strengthen the Trade Commissioner in carrying out his job effectively. The exporter should evolve techniques suitable to meet the competitors. U.K. was very well established in the Australian Market and the freight rates between the United Kingdom and Australia were favourable for an increasing volume of trade between the two countries. Australia has been brought nearer to U.K. by suitable adjustments in the shipping freight rates. Indian exporters should set up the necessary machinery to maintain trade contacts and they must appoint agents of repute in the importing country. He also suggested that Indian exporters should establish personal contacts as it was very important in the promotion of exports.

Earlier Sri S. Venkatarangam, Vice-President of the Chamber welcoming Sri Puri observed:

"I have seen the import and export figures so far as our trade with Australia is concerned and I find that our exports have touched Rs. 26 crores in 1955 while our imports have touched Rs. 19 crores in the same year. There has been a gradual decline in our exports to Australia and our exports in the year 1959 has been only of the order of Rs. 19 crores. In the first nine months of 1960 our exports have been only of the order of Rs. 16 crores. I agree our balance of trade with Australia is favourable to us in spite of this decline. But I wish to state that this has been possible mainly because of a decline in our imports from Australia on account of import restrictions on many of the items normally coming from that country. I feel that we should strive our best to step up our exports at least to 1955 level, if not to a greater extent.

The share of India in the total imports of Australia is less than 3% and this should be considered almost insignificant. I feel that ways and means should be explored to find out markets for new items and also possibly for many of our manufactured goods in the Australian market.

The important items which figure in our exports to Australia are cashewnuts, coffee, tea, curry powder, raw cotton and cotton waste, shellac, jute bags and hessian, cotton piece goods, carpets, coir mats and mattings, vegetable oils, petroleum products, mica, leather goods and paper products, India is having competition from Pakistan in the matter of jute bags and from Indonesia and Ceylon in Tea. In the matter of vegetable oils, India has to face competition from South Africa, Mauritius and U.S.A.

East Africa, New Guinea and Indonesia have to be faced in our exports of Coffee. While Japan is our competitor in the matter of cotton waste as is Pakistan, there is an apprehension that Japan is likely to emerge as a serious competitor in the matter of cotton textiles also on account of her plans to develop the cotton textile industry in Australia in collaboration with Australian firms. This apart, the Australian market is also continuously expanding and there is rapid development in the field of agriculture, and industry. It is quite possible that Australia might reduce her imports of many of the items which India has been supplying hitherto.

In all these matters, Indian exporters naturally look to our Trade Commissioner, Sri Puri for necessary guidance from time to time. I hope Sri Puri would assist the Indian Exporters in their endeavours to develop their trade by providing commercial information to the exporters from time to time. When I say this, I am not unaware of the fact that export promotion is the responsibility of the individual exporter and the export trade is to be developed by the exporter by effective sales promotion. I only wish to suggest that the individual effort should be supplemented by assistance from official agencies.

I learn that Australia is importing a sizeable quantity of handicrafts. I would request the Trade Commissioner to enlighten Indian exporters as to the type of handicrafts which are moving and the price range, so that the Indian exporters can have a decent share in the handicrafts imports of Australia. I do not want to make a survey of our trade with Australia in different items as these figures are at your disposal and I only wish to suggest a few points which are of importance to the exporters.

Normally exporters find it difficult to locate importers in the importing country for particular items. Similarly they are also handicapped for want of information as to the import licensing and customs restrictions in the importing country.

The Indian Government Trade Commissioner at Sydney brought out a Directory of Importers of Indian Produce and Manufactures in Australia sometime in 1955. This publication was found to be of immense use. I take this opportunity of requesting Sri Puri to bring out a revised and up-to-date Directory covering as large a number of items as possible.

Apart from a Show Window in Canberra I have no information as to our having any Show Room anywhere in Australia. It may be worthwhile to consider the question of having either Show Windows or Show Rooms in different centres in Australia to display Indian manufactures and merchandise,



Our Chamber has been advocating for a joint publicity programme by the different Export Promotion Councils in all important countries and I commend the suggestion for your consideration also with the hope that you will find out ways and means of organising a joint publicity programme on behalf of all the export promotion organisations. I believe this would go a long way in promoting our trade with Australia not only in the items handled by the respective export promotion councils but also in many of our other export items".

Sri Rasiklal M. Mehta proposed a vote of thanks.

## INDO-AUSTRALIAN TRADE

### Discussion with Mr. G. M. Carr.

Mr. G. M. Carr, Australian Government Trade Commissioner in Bombay addressing the memners of the Andhra Chamber of Commerce on February 14, 1961 said that Australia was having some collaboration arrangements with Indian industries and two more were likely to be concluded shortly, one for the manufacture of drilling equipment and the other for manufacture in irrigation equipment. Australia was herself a capital importing country and it was a little early at this stage for her to think of large scale collaboration. This was a matter of Government policy, and there might be a change in policy as regards export of finance in course of time. Whenever any Indian manufacturer contacted the Australian Trade Commissioner with a request for assistance in the matter of collaboration. Mr. Carr said that the request was sent to Australia for processing and all the Australian manufacturers concerned were appraised of any indication of their views.

Mr. Carr said that Australia was conscious of the fact that she should export as well as import and was proud of the progress made by India in several directions. Australia was an open market and Indian exporters should compete with all countries that were exporting goods to Australia. He said that Australia had made arrangements for importing large quantities of bauxite on long term basis. Australia was supplying wooltops to India and Australia was aware that when India set up her own top-making plants to meet her entire needs the export of wooltops from Australia would stop. "It was a healthy sign to see our neighbour also developing as ourselves." Mr. Carr concluded. Australian exporters were interested in supplying India her requirements and to that extent were prepared to vary and diversify the pattern of their exports.

Sri J. V. Somayajulu, former President welcoming Mr. Carr observed :

"I have great pleasure in welcoming Mr. Carr to our Chamber this evening on behalf of you all. Mr. Carr is at present the Australian Government Trade Commissioner in Bombay with jurisdiction over this region. This is the first time Mr. Carr is visiting our Chamber after assuming Office as Australian Government Trade Commissioner and I extend to him our welcome. Mr. Duncan R. McPhee your predecessor is very well known to the members of our Chamber and he has visited our Chamber on a number of occasions. While assuring you the assistance of our Chamber in the promotion of Indo-Australian trade I wish to make a reference to the pattern of trade and a few other points.

Only a few days ago Mr. G. L. Puri, India's Trade Commissioner in Sydney visited our Chamber and we had occasion to mention to him about the declining trend in the Indo-Australian trade. Our exports to Australia touched Rs. 26 crores in 1955 while our imports touched the same figure in 1953. But our exports as well as imports have declined. Our exports during January to October, 1960 to Australia account for Rs. 17.8 crores while our imports during the same period account for Rs. 14.8 crores. It is not a matter for complacency that the balance of trade is favourable to us in spite of the decline in the volume of trade. I feel that we should strive to increase the volume and value of trade between our two countries to the maximum possible extent.

Australia which is our fast growing industrial neighbour is not only a potential market for many Indian goods manufactured as well as semi-manufactured, but also a source of supply for many of our requirements.

In view of the import restrictions in India on a number of items which Australia was supplying hitherto it is necessary for Australia to switch over to non-traditional items and items which India needs today for her development programme. I know Australia is supplying base metals like lead and zinc, electrical machinery and transport equipment and I only desire that Mr. Carr should advise the Australian exporters of our needs and requirements, so that they can diversify their exports and step up their trade with Australia.

The tariff regulations in Australia as well in India place the U.K. and then her Colonies in an advantageous position over other Commonwealth countries in respect of a number of items. In the larger interest of free flow of trade between all the Commonwealth countries I feel we should explore the ways and means of evolving a Tariff policy which would place all countries in the Commonwealth including the United Kingdom and her Colonies on an equal footing. This would go a long way, I believe in promoting the trade between our two countries.

Australia has made rapid progress in many industries and has emerged as an important supplier of manufactured goods, machinery and equipment. The experience and technical know how of Australia would be very useful to India and I request Mr. Carr to assist Indian industrialists in entering into technical collaboration with Australian industries. I am glad to know that an Australian manufacturer is collaborating in the manufacture of furnaces in India and I hope this will be the forerunner of many more collaboration arrangements and strengthen the bonds of economic co-operation between the two countries."

Sri Rasiklal M. Mehta proposed a vote of thanks.



## Discussion with Australian Government Trade Commissioner

Mr. G. M. Carr, Australian Govrnment Trade Commissioner in Bombay, visited the Chamber on August 30, 1961 and had a discussion with the members on matters relating to India's Trade with Australia. Sri S. Venkatarangam, President of the Chamber, welcoming Mr. Carr observed :

"In the past six months many developments have taken place in the field of international trade. Australia which was having an adverse balance of trade with India for over five years had a favourable balance of trade in 1960. Australia has impressed many nations in Asia of her ability to supply a large number of industrial products, in addition to traditional goods. The recent visit of the Australian Trade Ship to India and other Asian countries has brought these countries and Australia more closer than ever before.

Australia has extended her helping hand to our milk projects and I believe we can develop in many a direction with the co-operation of Australia.

The situation arising out of the creation of the European Common Market and Britain's entry therein, I feel, might compel Australia of revising her three tier tariff preferences. In the event of all Commonwealth countries being placed on equal footing in the matter of tariff preferences I feel there may be scope for an increasing volume of trade between the two countries.

Our Chamber has been receiving a number of trade enquiries from your office and they are all being transmitted to our members through our Information Bulletin and Circulars. I learn that some of the firms whose names were suggested as parties interested in collaboration with Indian firms have replied to enquiries made by many of our members that they were not interested in any collaboration. I request you to kindly take the matter up with the Department of Trade and the organisations of Exporters in Australia and see that only genuine enquiries are forwarded.

The development of trade between India and Australia is somewhat conditioned by the number of sailings between the two countries. It may therefore be worthwhile to develop the shipping service between the two countries in order to promote the trade.

Australia is fast advancing in the matter of industrial development and I feel the exporters and manufacturers should constantly keep in touch with trade and industry in India and apprise them of the developments taking place. The Chambers of Commerce and Importers Organisations in India may be posted with more information about developments taking place in Australia. In this regard I believe the setting up of an Australian Trade Commission also at Madras would be useful in disseminating information among importers in South India.

Mr. Carr replying stated that Australia hoped that it would be possible to obtain certain safe guards for her exports to the U.K. and Continent of many items particularly primary produce. Australia was conscious of the need to develop closer contacts with countries in Asia and that is why she has activised her export promotion efforts in South East Asia. He also referred to the recent visit of an Australian Trade ship to different countries in Asia. He hoped that it would be possible for Australia and India to evolve a more satisfactory trade relationship. Referring to Australia's current favourable balance of trade with India, Mr. Carr pointed out that the proposed imports into Australia under the Colombo Plan arrangements would greatly nullify this favourable balance. Australia herself was a capital importing country and was steadily industrialising herself. It was not very far ahead of India. Australia was aware of the need for collaboration with India and Australian industrialists were anxious to have technical collaboration, at least in respect of those goods where the imports have been affected.

There was a discussion in which Messrs. Parsram Jethanand, Chairman of the Import Regulation Sub-Committee, Sri N. C. Bharti, Chairman of the Export Promotion Sub-Committee, Sri G. K. Ramanatham Chetty, Sri Rasiklal M. Mehta and others participated."

## INDO-DANISH TRADE

### Discussion with Mr. K. Packness

Mr. K. Packness, Trade Commissioner for Denmark in Bombay, addressed the members of the Chamber on May 18, 1961. Sri Jayantilal P. Sanghrajka, Vice-President of the Chamber, introducing Mr. Packness to the members present observed :

"In the past few years, I am glad to note that firms in India and Denmark have entered into collaboration for manufacture of arc welders, refrigerators, air conditioning equipment, marine paints, anti-corrosive products, liquid petroleum, gas cylinders, dextran and iron dextran, lifting trucks and industrial trucks and laminating of cellulose acetate films besides construction of bridges and dams. These collaboration arrangements. I believe, would pave the way for further economic collaboration and strengthen the bonds of co-operation between our two countries.

During the Third Five-Year Plan period many industries would be developed and there is a vast scope for further collaboration between India and Denmark. The climate in India is favourable and the Government of India are also anxious to extend necessary facilities to the investors from abroad. Denmark being an agricultural country specialised in agriculture and dairying, I believe she would be able to extend the assistance to India particularly in the field.

In the matter of trade, though the volume is not sizable a wide range of products enter the trade between the two countries. India has been importing electrical and non-electrical machinery, fertilisers, paper and board, chemicals, pharmaceuticals and



machinery from Denmark. India is exporting gunny cloth, cotton waste, tobacco, coir yarn, shellac, cardamom, cattle feed, vegetable oils, coffee, tea, spices, fruits and vegetables, minerals and leather goods. Even though the volume of trade is not considerable, I believe there is scope for development. I find that Denmark is buying unmanufactured tobacco from Netherlands in sizable quantity while imports from India are negligible. Similarly Denmark is buying wool and hair from U.K. while imports from India are negligible. India's export of hides and skins, cotton yarn, cotton fabrics, made up textiles and vegetable matter are negligible though Denmark is importing all these items from different countries. However, there appears to be some improvement in the import of Indian commodities into Denmark in the last three or four years and I hope it would be possible for us to develop a two-way trade between India and Denmark with the assistance of Mr. Packness in India and his Indian counterpart in Copenhagen."

Mr. Packness addressing the members stated that Danish industrialists evinced keen interest in entering into collaboration with Indian firms. There was tremendous interest in Denmark about the economic development taking place in India. Though the volume of financial assistance Denmark can extend to India was limited due to obvious reasons he said Denmark had in her own way contributed to the economic development of India. He expressed the hope that in the coming years there will be increasing co-operation between the two countries leading to the strengthening of the ties and towards a larger exchange of goods and services.

He said since 1957 exports to India from Denmark had decreased while exports from India to Denmark had gone up. Denmark has been supplying dairy equipment to most of the milk projects and dairy industries in India. He said a factory for manufacture of dairy equipment was coming up in Bombay as an Indo-Danish joint venture. He mentioned that Indian students were being trained in dairy industry and co-operation in Denmark. Denmark had set up a dairy institute in India to train the Indian students and students coming from South-East Asian countries under the Agricultural Aid Programme. Denmark has deputed four Danish experts to Mysore where an Institute has been set up for imparting training in dairy industry and poultry farming. Mr. Packness said "our aim on Governmental level is definitely to increase our assistance to India. In many fields we have extended technical collaboration and this would definitely be on the increase."

Sri Rasiklal M. Mehta proposed a vote of tahnks.

Earlier there was a discussion regarding the terms of collaboration, payment of royalty and exchange of goods on barter basis among others in which many members participated.

## INDIA'S TRADE WITH E.C.M.

### Discussion with Sri R. Venkateswaran

Sri R. Venkateswaran, Deputy Secretary, Union Ministry of Commerce and Industry, who has been appointed as the Commercial Counsellor to the Embassy of India at Belgium, visited the Chamber on December 15, 1961 to have a discussion with the members on India's trade with the Common Market. Sri S. Venkatarangam, President of the Chamber welcoming Sri Venkateswaran drew attention to the growing adverse balance of trade between India and the E.C.M. and E.F.T.A. countries and urged the need for stepping up our exports. He expressed concern over the increase in the adverse balance of trade particularly with West Germany and urged that special efforts should be taken to step up India's exports to that country and narrow down the gap. The growth of the Common Market had made imperative a realignment of India's pattern of trade and its diversification. The trade was becoming conscious of these, but it was also necessary for Government's representatives abroad to give proper guidance in this regard.

Sri Venkateswaran during the course of his reply said that aid to developing countries was given on the basis of credit-worthiness of the recipient country and that credit-worthiness could only be measured in terms of its capacity to export. It was time that advanced countries of the West realised that economic aid to backward nations was meaningless unless it was accompanied by facilities for trade. India had made this very clear at the last meeting of GATT Ministerial Conference. Some European countries wanted to keep our Indian goods on the ostensible ground that wages and other costs of production in India were low. They little realise that the very basis of international trade was this difference in costs. Economically advanced nations of the West should confine themselves to the manufacture of more complicated items and leave the less complicated lines to the developing countries. There was no point in an industrially advanced country like Germany objecting to the import of Indian sewing machines because the manufacture of sewing machines was today almost a blacksmith's job in comparison with specialised fields like electronics and could very well be left to the developing nations. Referring to quota restrictions imposed by the advanced countries of Europe on items like cotton textiles imported from developing countries he said advanced countries should have no worry in regard to imports from countries like India as they had the facility to switch on to the higher and higher forms of production leaving the developing countries to concentrate in other forms of production.

Even such an advanced country like the United States was preparing to meet the problems created by the emergence of the European Economic Community. Developing countries like India have no choice but to face in a realistic way this new factor in international trade. While exhorting to the trade in India to accept the challenge posed by the powerful trading bloc of the common market he assured the Chamber that Government would spare no effort to impress upon the members of the European



Economic Community the necessity for higher trade with developing countries and the lowering of tariff barriers against goods from these countries. Sri Venkateswaran deprecating the idea of India seeking associate membership of the E.C.M. like some of the dependent African territories said that what India wanted was an economic relationship or trading partnership. He concluded with the warning that the disinclination of developed countries to allow the products of the less developed countries to enter their territories would lead to the very same economic imbalance which sparked off two world wars.

Sri J. V. Somayajulu, former President of the Chamber proposed a vote of thanks.

The following is the text of the welcome speech of Sri S. Venkatarangam:

"I have great pleasure in extending a hearty welcome to Sri Venkateswaran to our Chamber this evening who is now on his way to Brussels, Belgium to assist Sri K. B. Lall, who has recently been appointed as Ambassador to Belgium and Commissioner-General for Trade with Western Europe. Sri Venkateswaran is no stranger to the members of the Andhra Chamber. He has visited the Chamber more than once and in different capacities. Sri Venkateswaran has occupied several important places in the Government of India and has acquired a good knowledge of commerce and trade. The assignment of Sri Venkateswaran is therefore to be welcomed by all of us. This new assignment is of considerable of importance in the present context; and I have every confidence that Sri Venkateswaran with his experience and knowledge of our foreign trade would be able to effectively strive to secure for us a sizable share in the growing volume of trade of those countries.

In the present growing complexity of international trade and commerce, and the entry of Britain into the European Common Market, a situation has arisen which has to be met effectively in order to safeguard the interests of our overseas trade. Even though Britain has stated that the interests of the Commonwealth would be borne in mind, it is not yet known as to what safeguard Britain would secure for India and see that British entry into E.C.M. does not affect our interests. It has been stated in several quarters that if Britain joins the E.C.M. without proper safeguards for India's export trade with Britain, it would cause a serious setback to India's export trade thereby seriously retarding India's industrial development and progress under the Third Five-Year Plan. At the same time we hear of reports that the E.C.M. countries are stressing on the need for restrictive duties on goods exported by India from January next year on the plea that entry of Indian goods would affect their internal market. According to latest reports, the E.C.M. countries seem to have declined to offer an associate status to India, even though they have favoured the discussion for grant of tariff preferences, product by product and have mentioned tea and jute goods in this connection. I hope with the active and energetic efforts of Sri Lall and Sri Venkateswaran, India would be able to secure satisfactory terms for export of as large a number of India's export items—traditional and non-tradiitioonal—as possible to United Kingdom and the Continental countries, It is a matter for satisfaction that the G.A.T.T. Ministerial Conference held a fortnight ago has favoured the opening up of markets for less developed countries to encourage the growth of their industries, and also pleaded for continuance of reduction of tariff barriers on most favoured nation basis. While the Common Market countries have pleaded for lessening of protectionism, in order to help agricultural countries to step up their exports, they were not in favour of immediate change involving a large number of items. Hereagain we have to see that India's interests are safeguarded while the reported negotiations of E.C.M. with the sixteen African countries linked with the former fructify.

The U.S.A. also envisages some efforts jointly with the Common Market countries to benefit the economics of all countries in the free world. There are also talks of formation of Common Market and or Free Trade Association among many other countries. You will all agree with me, that all these call for vigilance and prompt action on the part of India's Representatives abroad.

The Common Market is posing a serious problem to India. The success of our Third Five-Year Plan and of our industrial development programme would depend to a very large extent on our ability to promote our exports and earn foreign exchange to meet our requirements. In this context there is today an urgent need to re-align our pattern of trade and also to diversify the same. While the Indian industrialists and exporters are trying their level best to rise up to the occasion, and face the new problems, it is necessary for our Trade Representatives abroad, Sri Lall and Sri Venkateswaran to guide us in the proper way in this regard.

Our exports to Common Market countries consisting of France, West Germany, Italy, Belgium, Netherland and Luxemburg accounted for Rs. 60.6 crores in 1960-61 as against Rs. 51.6 crores during the previous year. During the period April to July 1961, i.e., the first four months of 1961-62 our exports have been of the order of Rs. 13.7 crores. On the import side our imports duirng 1960-61 accounted for Rs. 195.3 crores as against Rs. 191.1 crores during the previous year. During the first four months of 1961-62 our imports have accounted for Rs. 64·8 crores.

Similarly our exports to European Free Trade Association comprising of the United Kingdom, Austria, Denmark, Norway, Portugal, Sweden and Switzerland accounted for Rs. 178.6 crores in 1960-61 as against Rs. 180.4 crores in 1959-60. Our exports during the first four months of 1961-62 accounted for Rs. 47.9 crores. Our imports from E.F.T.A. during 1960-61 have been of the order of Rs. 241 crores as against Rs. 220.1 crores during 1959-60. Imports during the first four months of 1961-62 have accounted for Rs. 77.8 crores.

Our balance of trade with E.C.M. and E.F.T·A. during 1960-61 has been adverse to India to the tune of Rs. 207.1 crores as against Rs. 179·1 crores in the previous year. The balance of trade even during the first four months of 1961-62 has been adviser to the tune of Rs. 76.00 crores.



As I indicated earlier the situation calls for urgent action. We have to exert ourselves and see that our exports to E.C.M. and E.F.T.A. are stepped up and the gap in the trade balance is atleast narrowed down, if not altogether wiped out. Among E.C.M. countries, our trade with West Germany assumes an important place as the adverse balance with West Germany alone constitutes more than 50% of the total. Hence we may have to think in terms of a special export drive for West Germany.

The Commercial Secretaries in the United Kingdom and Western Europe should act in co-ordination and apprise the Indian exporters from time to time of the changes taking place in the region and suggest measures for stepping up India's exports. Let me hope that our export trade would be developed on sound lines in the coming years with the co-operation and joint action of all concerned.

In the present context of rapid changes in international politics and emergence of new economic forces together with the recognition on the part of developed countries to give assistance to less developed countries in the matter of economic prosperity, it has of course become necessary for us to adjust to those ever increasing changes and alter the pattern of our trade to meet the requirements of our country. In this effort, the continuous advice of our Commercial Representatives abroad will go a long way in helping us to adjust oursleves to the new trends and achieve the desired degree of progress in the maintenance of our foreign trade, which has today assumed a greater significance in the matter of our economic development than in the past. I am sure Mr. Venkateswaran would fulfil the anticipations of our businessmen and help to stabilise our foreign trade. Of course, the role of trade representatives bristles with numerous difficulties at the present moment, than in the past as he has now to keep in close touch with every type of development in the economic as well as political sphere, but also has to anticipate the probable developments and advise us in time as to the steps that are necessary for us to take so that the flow of trade may remain uninterrupted and continue to rise".

The following statistical tables on India's trade with E.C.M. and E.F.T.A. countries were circulated among the members at the meeting :

**India's Trade with E.C.M.**

(FRANCE, WEST GERMANY, ITALY, BELGIUM, NETHERLANDS AND LUXEMBURG).

| Year | | *Exports to E.C.M.* | *Imports from E.C.M.* | | *Balance of Trade* |
|---|---|---|---|---|---|
| | | | *(Rupees in Lakhs).* | | |
| 1959-60 | ... | 51,64.04 | 1,91,11 | (—) | 1,39,46.96 |
| 1961-61 | ... | 50,57.10 | 1,85.30 | (—) | 1,44,72.90 |
| 1961-62 April to July) | ... | 18,69.00 | 64,81 | (- ) | 46,12.00 |

## India's Trade with E.C.M.

| | | Exports | | | Imports | | |
|---|---|---|---|---|---|---|---|
| | | 1959-60 | 1960-61 | 1961-62* | 1959-60 | 1960-61 | 1961-62* |
| | | (Rupees in Lakhs). | | | | | |
| France | ... | 9.29 | 7.63 | 2.76 | 21.30 | 19.90 | 6.39 |
| West Germany | ... | 21.58 | 19.90 | 8,18 | 116.49 | 124.11 | 40.68 |
| Italy | ... | 6,00 | 9.22 | 2.81 | 22.99 | 25.54 | 8.42 |
| Belgium | ... | 5.78 | 5.26 | 2.15 | 14.39 | 14.74 | 4.43 |
| Netherlands | ... | 8.99 | 8.56 | 2.79 | 15.73 | 10.49 | 4.88 |
| Luxemburg | ... | 0.04 | 0.10 | ... | 21 | 52 | 1 |
| | | 51,64.04 | 50,57.10 | 18.69 | 191.11 | 195.30 | 64,81 |

* April to July, 1961.

## India's Trade with E.F.T.A.

(U.K., Austria, Denmark, Norway, Portugal, Sweden and Switzerland)

| Year | | Exports to E.F.T.A. | Imports from E.F.T.A. | Balance of Trade |
|---|---|---|---|---|
| | | (Rupees in Lakhs) | | |
| 1959-60 | ... | 1,80,40 | 2,20,09 | (—) 39,69 |
| 1960-61 | ... | 1,78,62 | 2,47,15 | (—) 68,53 |
| 1961-62 (April to July). | ... | 47,94 | 77,80 | (—) 29,86 |

| | | Exports | | | Imports | | |
|---|---|---|---|---|---|---|---|
| | | 1959-60 | 1960-61 | 1961-62* | 1959-60 | 1960-61 | 1961-62* |
| | | (Rupees in Lakhs) | | | | | |
| U.K. | ... | 173,48 | 172,61 | 45,87 | 194,30 | 211,61 | 68,08 |
| Austria | ... | 30 | 29 | 9 | 2,19 | 2,89 | 1,02 |
| Denmark | ... | 2,38 | 1,64 | 48 | 1,59 | 1,81 | 47 |
| Norway | ... | 1,31 | 1,02 | 44 | 2,39 | 2,49 | 78 |
| Portugal | ... | 30 | 16 | 12 | 34 | 38 | 13 |
| Sweden | ... | 1,46 | 1,54 | 54 | 10,76 | 11,60 | 4,19 |
| Switzerland | ... | 1,17 | 1,36 | 40 | 8,52 | 10,37 | 4,13 |
| | | 180,40 | 178,62 | 47,94 | 220,09 | 241,15 | 77,80 |

* April to July 1961.



## INDO-ITALIAN TRADE

### Reception to Italian Economic Mission

An Italian Economic Mission visited Madras in February, 1961 under the Leadership of Senator Dott, Ing. Emillo Battista, Vice-President of the Commission for Industry & Commerce of the Senate of the Republic and formerly Under Secretary in the Ministry of Industry and Commerce and President, Commission for Political Affairs and Institutional Problems of the European Parliamentary Assembly. The other members of the Mission were:

Dr. Felice Di Falco. (Director-General in the Ministry of Foreign Trade)—Deputy Leader.

Avv Mario Barnoe (Secretary to the Minister of Foreign Trade)—Member.

Dr. Elio Tosarelli (Director of Division in the Ministry of Foreign Trade)—Member.

Dr. Giovanni Curto (First Secretary of the National Institute of Foreign Trade)—Member.

Representatives of Industries and Trade

Dr. Marcello Merlo, *Montecatini* (Chemical)—Member.

Dr. Paolo Cavalli, *Fiat* (Motor Cars, etc.)—Member.

Ing. Paolo Tradardi, *Finsider* (Steel and Mineral Ores)—Member.

Ing. Giorgio Mancinelli, *Technomsio Italiano Brown Boveri* (Electrical Machinery)—Member.

Dr. Carlo Gastaldi, *Italconsult* (Engineering and Construction)—Member.

Ing. Roberto Troisi, *Troisi-Aiacci* (Machinery for Ship-Building, etc.)—Member.

Mr. Tomaniantz, *Off. Mecc. F. Lli Novarese* (Machine Tools)—Member.

Dr. Giovanni Moraro, *Amut* (Machinery for Working Plastic Material)—Member.

Ing. Paolo Ballarin, *Oronzio De Nora* (Machinery for Chemical Industry)—Member.

Dr. Ginello Benini, *Soc. Comm. Mineraria Continentale* (Minera. Ores)—Member.

Ing. Saverio Burgazzi, *Cogis* (Import-Export)—Member.

Ing. Pasta, *A.N.C.E* (Building and Construction)—Member.

Mr. Giovanni Corbellari (Vice-President of the General Confederation of handicrafts)—Member.

Mr. Dolcino, *Morini and Bossi* (Machine Tools)—Member.

Mr. Aldo Tobino (Hides and Skins)—Member.

Mr. Aldo Tobino *Tobino and Mumenthaler* (Spices, etc.)—Member.

Mr. Angelo Rimoldi, Organizzazione Rimoldi (Hides and Skins)—Member.

Mr. Benito Saporta, *O.F.E.C.* (Mica and Import-Export)—Member.

Shri S. K. Guha Second Secretary (Commercial), Embassy of India in Rome accompanied the Mission.

In addition to the above, the following agents of the Italian Firms in India also accompanied the Mission.

ING. INTONINO GIORDANA, E.N.I.
MR. CARLO VALDETTARO, S.A.E. (Steel Towers).
DR. CESARE ROSSI, Italio iscosa Snta Viscosa.
Dr. GIORGIO BRIZIO, Fiat.

Senator Dott. Eng. Emillo Battista, Leader of the Italian Economic Mission to India addressing the Members of the Andhra Chamber of Commerce at a reception got up on February 13, 1961 at "Vupputur House," Residence of Sri V. Emberumanar Chetty, President of the Chamber, said that the general laws in Italy did not allow them to give long term credit as was requested by the Government and Industrialists in India. He, however, assured that he had every confidence that when the Mission would again meet the officials at New Delhi a formula may be found which would offer a solution satisfactory to both sides.

Senator Battista, Leader of the Mission during the course of his reply stated that the Mission of which he was the Chief was a Mission of friendship and goodwill and that they were aware that the balance of trade between India and Italy was unfavourable to India. This was one of the main reasons why the Mission had come to India to study the situation on the spot. The Mission has visited Delhi as also Calcutta and after visiting Bangalore, the Mission would proceed to Bombay. During these tours of different Cities the Mission had contacted the leading people in trade, industry and Government and they have by now known the general views of the people in India. Italy was very much interested in developing her trade and other relations with India and in so doing Italy would take into consideration the economic requirements of India. It is only with this view that the leading industrialists in Italy have entered into economic collaboration in industries in India and elsewhere, and it was their intention to further develop such trade relations and economic relations between the two countries.

Mr. Battista stated that industrialists in India as also the Government were interested in long term credit and deferred payment. According to the general laws in Italy such a type of credit was not permissible. He, however, assured that during their ensuing talks with the officials at Delhi he hoped that a workable formula satisfactory to both the sides would be evolved.

As to the impact of European Common Market on Indo-Italian Trade Mr. Battista said that the creation of Common Market consisting of six countries of Western Europe did not mean a closed economy of only these six countries but it was intended to make an open economy for those countries, with all the other countries which may want to collaborate with them. The same relations today existed between India and Italy as that existed between Italy and other six countries in the European Common Market. Continuing Mr. Battista said that the European Common Market would strengthen the unity of Europe and this strength in economy achieved by the European Common Market will be placed at the full disposal of all the countries that would collaborate with those countries. The European Economic Community was an instrument for peace and for economic and social elevation. He said that he could say this with authority not only as the Leader of the Economic Mission but also as the President of the Political Commission of the European Common Market.



Sri V. Emberumanar Chetty earlier welcoming the Leader and Members of the Mission observed:

"Your Mission is of particular importance and significance to the industrialists and businessmen in India since you have come just at the time of our finalising the Third Five-Year Plan and when we are all concerned about the mounting imbalance in trade between our two countries. I have no doubt that this aspect of imbalance in trade has been mentioned to you earlier by the leaders in trade and industry at your meetings with them at other cities and in the Capital as also by the officials and Ministers during your discussion with them. The balance of trade between India and Italy is adverse to the tune of Rs. 20 crores annually and we in India are anxious that this should be narrowed down to the maximum possible extent. Even though there are no quantitative restrictions on the import of goods into Italy which India is in a position to supply and there has been a Trade Agreement in operation for over six years there does not appear to be any significant improvement in India's exports to Italy. The major obstacle for stepping up India's exports to Italy seems to be the inadequacy of contacts between Italian and Indian Trade Organisations and businessmen. I believe that this visit of the Italian Economic Mission and earlier of the visit of an Indian Delegation to Italy headed by Sri K. B. Lall would foster contacts between Italian and Indian trade and industrial concerns and organisations and facilitate the free flow of a two way trade between our countries.

During your stay here and in your tour around the country you would have witnessed the rapid industrial progress that has been taking place and our determination to promote the industrial development and exploit all our available resources. You would have also been made aware by now of our large requirments of industrial plant and equipment as also of raw materials and processed materials for the development of our economy in the coming years. Your country too has been expanding her economy on a rapid scale and she has not only developed her industry, but has also extended her helping hand in the development of industries to many a country. I am glad to mention, that our country also has been benefited by the economic and financial collaboration extended by your country, particularly in industries like automobiles, auto-rickshaws and scooters, aluminium, agricultural pumps, caustic soda, chemicals and drugs, dyes, tubes and tyres, teleprinters, textile machinery and leather footwear. There is a vast scope for further collaboration particularly in view of the large scale development of industries we envisage in India during the Third Five-Year Plan and also because of the high degree of industrial potential and efficiency you have reached in your industries in Italy, We are very happy that some leading Italian concerns have entered into collaboration with industrialists in this part of the country in the field of rayon, aluminium and agricultural pumps involving an investment of a very high order. We believe that this would lay the foundation for further co-operation between industrialists in India and Italy and help to accelerate the industrial development of India in general and this part of the country in particular.

The expanding demand for consumer and capital goods in India, the large public expenditure devoted to development of transport and other basic needs, the tax incentive scheme of the Government as also the exchange facilities offered for remittance of investment income and repatriation of investment constitute today a very favourable climate for an increasing volume of foreign private investment in our country. India has already negotiated or is in the process of concluding agreements for the avoidance of double taxation with a number of investing countries. The Government of India are also setting up an Investment Centre for dissemination of information and data to enable the foreign investors to take decisions as quickly as possible. I believe all these measures would go to enthuse the foreign investors, particularly those in Italy to think of collaboration with Indian industry.

Indian businessmen are apprehensive about the effects of the Common Market Treaty on Indo-Italian trade and I am sure our friends here would be anxious to hear your views in this regard. I, for one, believe that increasing economic collaboration between India and Italy would be an effective solution to the problem as benefits of such a collaboration between our two countries would be reflected in our trade, ralations also.

I assure you on behalf of the Andhra Chamber of Commerce which has large membership, spread all over South India, of our utmost co-operation in the promotion of Indo-Italian economic relations."

Sri S. K. Guha, Commercial Secretary, Embassy of India in Rome was also present on the occasion.

Sri S. Venkatarangam, Vice-President of the Chamber proposed a vote of thanks.

## INDO RUMANIAN TRADE

### Discussion with Sri K. M. Kannam Pilly

Sri. K. M. Kannam Pilly, Charge-D'Affaires-designate, Embassy of India in Rumania, visited the Chamber on May 17, 1961 to have a discussion with the members. Sri S. Venkatarangam, Vice-President of the Chamber, welcoming Sri Kannam Pilly observed:

"Upto the second World War, trade relations between India and Rumania were only sporadic. However, conditions have changed in the post-war period and the trade between the two countries has been steadily on the increase. With the



signing of a Trade Agreement between India and Rumania in 1954 there has been a steady increase in our trade. Rumania has entered into rupee payment agreement with India and is supplying to India equipment for oil industry, tractors, road rollers, machine tools, transformers, diesel motors, electric and water meters, lubricating oils, chemicals, dyestuffs, paper and many other commodities. Rumania is importing from India tea, pepper, coffee, cotton yarn, jute bags, vegetable oils, ferro-manganese, iron ore, mica and shellac. The recent agreement for supply of increasing quantities of iron ore to Rumania until 1966 in exchange for industrial equipment and installation, oil field and mining equipment and oil products offers immense scope for export of our iron ore. A glance at the export from 1952 onwards shows that there has been a steady increase till 1959 when our exports were of the order of Rs. 2.02 crores. However, our exports during 1960 have declined to Rs. 1.44 crores. While this is the position in respect of our exports, our imports which were at Rs. 1.31 crores in 1959 have risen to Rs. 3.82 cores. This steep decline in our exports and steep rise in our imports from Rumania have resulted in the favourable balance of Rs. 71 lakhs in 1959 turning to a deficit balance of Rs. 2.38 crores. In this context, I consider the assignment of Sri Pilly as very important and I hope as soon as he goes to Rumania he would find out ways and means of stepping up our exports to Rumania.

The Government of the Rumanian People's Republic and the Government of India have a great desire to develop trade relations between the two countries on the principle of equality and mutual benefit. Rumania has been extending scientific and technical assistance to India in the field of oil exploration and mining. The skill of Rumanian technicians and their self-sacrifice have earned the commendation of the authorities in India. This apart, Rumanian Engineering industry has undergone a rapid process of development in post-war years and it is in a position to supply a wide range of machinery and equipment. Because of the close co-operation between India and Rumania there is likely to be an increasing volume in imports from Rumania of plant, machinery and equipment in the coming years. In view of this, we will have to find out ways and means of stepping up our own exports to that country. Among the items included in the trade agreement between India and Rumania and of particular importance to this part of the country are spices, coffee, tea, vegetable oils, cashewnuts, essential oils, cotton waste, cotton yarn, hides and skins, leather products, tanning materials, iron ore, manganese ore, ferro-manganese, mica, electric motors and pumps, handicrafts, sports goods and cottage industries products. I request Sri Pilly to explore the possibility of developing our trade in these items with Rumania and appraise the Indian exporters of the same.

It is a matter of advantage that Rumanian Foreign Trade Operations are being carried on exclusively through specialised State Companies. It would be enough if Sri Pilly gets into touch with the different State Companies for foreign trade. I hope and trust that the trade between the two countries would develop in an increasing measure during the tenure of office of Sri Pilly."

Sri Kannam Pilly replying stated that trade and economic relations formed an important part in the work of Embassies abroad, particularly in the case of India as she depended on exports in an ever-increasing degree to develop her economy. Rumania is helping India in oil exploration and has been supplying machinery and equipment for the purpose. This explains our increasing imports from Rumania. Most of the items finding a place in the Indo-Rumanian Trade Agreement and of importance to South India are not being exported to Rumania now and Sri Pilly stated that it would be his endeavour to find out markets for these items. He stated that there was scope for developing India's exports to Rumania as the latter was fast developing industrially.

Sri Rasiklal M. Mehta proposed a vote of thanks.

## INDO-SOUTH VIETNAM TRADE

Sri M. Sulaiman Sait, Consul-General for India in South Vietnam, told members of the Andhra Chamber of Commerce on July 27, 1961 that there was good scope for developing a market for Indian art silk goods, cotton blankets, paints, electric fans, sewing machines and agricultural pumping sets in South Vietnam. Sri S. Venkatarangam, President of the Chamber, referred to the steep decline in Indian export of cotton yarn and textiles and stated that the overall exports from this country to South Vietnam which was about Rs. 1.7 crores in 1958 had fallen to Rs. 77 lakhs in 1960. Since 90 per cent of the imports of South Vietnam were covered by the U.S. aid programme, Sri Venkatarangam suggested the possibilities of exporting certain items from India against matching imports of items like rice, rice products, rubber and raw hides from South Vietnam may be explored. He also suggested the need to conduct a survey of market possibilities for Indian goods and merchandise in view of the considerable changes taking place in the industrial and other fields and in the pattern of imports of South Vietnam. The report of such a survey might also be made available to Indian exporters, he added.

The following note was circulated at the meeting :

### INDIA'S TRADE WITH SOUTH VIETNAM

The following figures show our trade with South Vietnam :

| *Year* | | *Exports from India* Rs. | *Imports into India* Rs. | *Balance of Trade Trade+or—* Rs. |
|---|---|---|---|---|
| 1957 | ... | 98,46,769 | 13,104+ | 98,33,665 |
| 1958 | ... | 1,75,05,962 | 21,90,200+ | 1,53,15,762 |
| 1959 | ... | 1,03,11,655 | 76,082+ | 1,02,35,573 |
| 1960 | ... | 77,50,639 | 4,22,892+ | 73,27,747 |



It can be seen from the above that the trade during the year 1960 has considerably shrunk. Efforts should be made at least to reach the 1958 level if further increase is not possible.

INDIA'S EXPORTS TO SOUTH VIETNAM :

| Name of the Commodity | 1958 Rs. | 1959 Rs. | 1960 Rs. |
|---|---|---|---|
| Cumin seed ... ... ... | 575 | ... | ... |
| Fenugreek seed ... ... ... | 566 | ... | ... |
| High volatile coal Bitiminous etc. ... | 2,27,678 | ... | ... |
| Leather cloth including Art Leather ... | 70,127 | 2,47,439 | 1,98,333 |
| Twist yarn single coarse ... ... | 5,00,422 | 32,352 | ... |
| Do. single medium ... ... | 95,40,078 | 6,13,330 | 26,807 |
| Do. double course ... ... | 17,547 | 55,500 | ... |
| Do. double medium ... ... | 9,28,388 | 32,654 | ... |
| Other textile yarn and thread ... | 20,258 | ... | ... |
| Mill made drills and jeans ... ... | 49,925 | ... | ... |
| Mill made unspecified descriptions ... | 48,335 | ... | ... |
| Mill made while drills and jeans ... ... | 61,037 | 34,304 | 1,254 |
| Do. white long cloth ... ... | 15,12,994 | 1,31,492 | ... |
| Do. white shirtings ... ... | 8,91,385 | 30,342 | ... |
| Do. white unspecified descriptions ... | ... | 1,710 | ... |
| Do. printed poplins ... ... | 42,400 | ... | ... |
| Do. printed unspecified descriptions ... | 8,841 | 205 | ... |
| Do. dyed flannellette ... ... | 13,961 | 26,837 | 8,964 |
| Do. dyed long cloth ... ... | 44,272 | ... | ... |
| Do. dyed shirtings ... ... | 3,17,727 | ... | ... |
| Do. dyed unspecified descriptions ... | 2,08,969 | 78,462 | 55,285 |
| Mill woven coloured drill and coloured heams. | 43,397 | ... | ... |
| Do. coloured shirting ... ... | 1,38,189 | ... | ... |
| Do. coloured unspecified desriptions. | 80,781 | 12,420 | ... |
| Piece-goods entirely of Art silk N.E.S. ... | 28,319 | 38,410 | ... |
| Jute Hessian Bags, new ... ... ... | ... | 80,750 | ... |
| Jute sacking bags, new ... ... ... | 13,62,441 | 39,42,621 | 61,22,475 |
| Total ... | 1,65,58,582 | 53,38,939 | 64,13,066 |
| All others ... | 9,47,380 | 49,72,716 | 13,37,511 |
| | 1,75,05,962 | 1,03,11,655 | 77,50,639 |

India exported cotton yarn to the tune of Rs. 1.10 crores in 1958. This has declined to Rs. 7 lakhs in 1954 and to Rs. 26,807 in 1960. Cotton yarn alone has accounted for a steep decline of our exports to South Vietnam. Similarly there is a steep decline in our exports of cotton textiles also. The only encouraging feature is a noticeable increase in our exports of jute goods.

The trade of South Vietnam is governed by various factors. The uncertain political situation, difficulties as to balance of payment and the aid received from U.SA. under P.L. 480 Programme have all affected India's exports to South Vietnam.

According to latest information, the International Co-operation Administration has released U.S. 10 million to enable Vietnam to import textile yarn, medicinal products chemicals, industrial machinery and lubricants. Though it is stated that this would enable Vietnam to continue to import the above articles in more or less same quantities as last year, it is not known as to how far it would affect imports from India.

The Chamber learns that goods from Japan, Germany, the U.K. and France are entering this market in addition to goods from U.S.A. Indonesia also is supplying a large number of items including oil products. Hence the Chamber feels that greater efforts would be needed to increase India's exports to South Vietnam.

The Chamber learns that electric motors, radios, batteries, electric bulbs, sanitary equipments, hardware, hurricane lanterns, sewing machines, jute products and leather manufactures offer good scope for export. It is also learnt that certain Indian exporters have been able to push the sale of agricultural pumps, electric motors and starters in South Vietnam.

South Vietnam is developing her economy. There are some textile mills supplying various types of cotton textiles. The plastic industry also is being developed and it has been mentioned that there will be no market for plastic manufactures in South Vietnam in future; but India can enter this market for supply of plastic raw materials. South Vietnam is also constructing a fertiliser plant which would go into production in a year or two. Due to industrialisation and other factors the pattern of imports of South Vietnam is undergoing considerable change. The Chamber therefore feels that it would be helpful if a survey is conducted to explore the market possibilities for Indiau produce and merchandise in South Vietnam. The report of such survey may be made available to Indian exporters.

The development of trade between India and South Vietnam is being hampered by lack of adequate infomation regarding importers there and of possibilities of exports. Similarly the importers in South Vietnam also do not seem to have adequate information regarding exporters in India and export possibilities. The Chamber feels that apart from the exporters cultivating contacts and popularising their goods in South Vietnam, the Consul-General also should use his good offices in popularising Indian manufactures and merchandise. The Chamber suggests that names and addresses of



importers of various produce and merchandise in South Vietnam of interest to India may be compiled and made available to the different Chambers of Commerce in the Country.

The business language in South Vietnam is French with the result publicity made by India in English does not cater to the needs of this market. The Chamber feels a Joint Publicity Programme can be undertaken in South Vietnam wherein all Export Promotion Councils, Commodity Boards and even leading exporters would participate. Advertisements may be given in all the leading Journals and Periodicals in South Vietnam and meetings and discussions may also be arranged with local importers under the auspices of the Consulate-General.

Since 90% of the imports of South Vietnam are covered by the American Aid Programme, the Chamber belieeves that it would be possible for India to develop her exports to that country if certain kind of link exports are established with that country. South Vietnam is in a position to supply rice, rice products, rubber and raw hides. India may explore the possibilitity of insporting these items from South Vietnam in exchange for Indian commodities and manufactures of interest to South Vietnam This the Chamber feels would ensure greater exports from India at the same time without in any way affecting the balance of payment position of South Vietnam.

## INDO—SWEDISH TRADE

### Discussion with Sukab Chief.

Mr. Mott, Head of the Sukab Oganisation in Sweden and Leader of the Swedish Delegation addressing the Members of the Andhra Chamber of Commerce on February 15, 1961 stated that Sweden has agreed to import goods valued at Rs. 3 crores in exchange for Swedish goods on a barter basis. He said that this agreement which has been entered into between the State Trading Corpoartion and Sukab (Swedish Foreign Trade Compensation Organisation) gave an excellent opportunity to develop the trade between the two countries.

Sri Madanjit Singh, Commercial Secretary fo India in Stockholm introduced Mr. Mott to the gathering.

Mr. Mott replying said that he was touring India with a view to make arrangements for import from India of tea, coffee, de-oiled cake, jute manufactures, cotton and woollen textiles, leather manufactures, handloom furnishings, carpets, manganese ore and animal hair against matching exports from Sweden of newsprint, wood pulp, electrical machinery, special steel and ball bearings.

Explaining the working of Sukab, he stated that Sukab was set up twenty-one years ago in order to avoid certain consequences which barter deals brought. This body undertakes only barter deals and its annual turnover was about Rs. 30 to Rs. 40 crores

No dividend is given to any shareholder and nobody is interested in the turnover or profit. Sukab never buys or sells and hence it does not compete with the individual exporter or importer. All Swedish exporters and importers who are interested in developing their trade with the assistance of Sukab register themselves with this organisation. Sukab extended its assistance to the local trade and industry on a nominal commission.

In respect of electrical machinery supplied under the barter agreement, Mr. Mott said that Sukab did not undertake technical assistance. But there was a Swedish firm in India dealing in electrical machinery and that firm would naturally extend techincal assistance.

Replying to a question Mr. Mott said that provision for steel in the barter agreement was Rs. 30 lakhs and it was open for India to take it in any form. Sweden can supply tool steel for the entire value, if India so desired.

Sweden required Mica in large quantities and there was scope for devleoping the export of this item though it was not an item in the barter deal.

De-oiled cake was being purchased by the agricultural organisation and certain agents. Indian cake will have to compete with Russian and Afican oilcake. Sweden generally imported oilcake in lots of 500 tons through different ports. Indian exporters might find it difficult as they will have to charter a vessel and arrange for supply. Exporters should find out whether S.T.C. can help them in this regard.

Sri V. Emberumanar Chetty, President welcoming Mr. Mott observed:

"I am glad to know that you are touring the country with a view to make some long term arrangement for import of certain essential items against matching exports from Sweden to the same value. In the context of a declining trend in India's exports to Sweden I am sure this would be received favourably by the exporters in India.

I learn that the Swedish Foreign Trade Compensation Organisation, i.e., Sukab of which you are the Head desires to import about Rs. 3 to Rs. 4 crores of goods on a barter basis from India. These imports as well as exports would naturally be canalised through Sukab and the State Trading organisation. I would like to be enlightened as to how the transactions would take place. Whether Indian and Swedish businessmen should individually enter into arrangements and have them confirmed by the two organisations or whether those organisations would themselves undertake to import and export the agreed quantity. I request you to explain these aspects for the information and guidance of our members.

Among the items on the export side our members are interested particularly in tea, coffee, de-oiled cake, cotton textitles, leather manufactures, handloom furnishings, carpets, manganese ore and animal hair. On the import side our members are interested in all the items offered, viz., newsprint, wood pulp, electrcical machinery, special steel and ball bearings.



I hope and trust that this arrangement would help to increase in the long run the offtake of Sweden of Indian manufactures and merchandise and gradually narrow down the gap in our balance of trade.

I am glad that Sri Madanjit Singh is here amidst us this evening. He was with us in April last while on his way to Stockholm. He has come to us again with concrete trade offers. I thank him on behalf of you all and on my own behalf for the intitiative and strenuous effort he has been taking in the promotion of Indo-Swedish trade."

Sri S. Venkatarangam, Vice-President proposed a vote of thanks.

## EXPORT PROMOTION—DISCUSSION ON

A special meeting of the Madras Port Export Promotion Advisory Committee was held on August 7, 1961. Sri D. S. Joshi, Director-General of Foreign Trade, Sri K. T. Satarawala, Chief Controller of Imports and Exports, Sri C. R. Krishnaswamy Rao Sahib, Joint Chief Controller of Imports and Exports, Sri V. M. Srikumaran Nair, Joint Director (Export Promotion) and Srimathi A. K. R. Lakshmi, Deputy Chief (Export Promotion) were present at the meeting. Sri S. Venkatarangam, President of the Chamber represented the Chamber at the meeting. Sri V. Ramakrishna, Honorary Export Promotion Adviser welcoming the members present at the meeting stated that India's export trade could be stepped up by creating industries specially devoted for exports. He added that export performance in respect of oilcakes and sugar has been satisfactory and that during the next 5 years export trade in respect of these commodities could well be of the order of Rs. 100 crores. One of the export industries that could be built up, he stated, was the steel industry which however need not necessarily be organised in a big way. There were processes which had been developed both in the Continent and in the United States which enabled the manufacturers to produce finished products which could find markets in all the countries including Europe. The Chairman added that U.S.A. today was importing galvanised wires and rods and several other steel products from Belgium and Japan. He felt that undue importance was attached to sectors and that the large industries should be only on the public sector. What was necessary at the present moment was relaxation of the industrial policy in regard to establishment of major industries like the steel industry. In so far as steel industry is concerned, the Government allow 15,000 tons capacity in the private sector; this has to be raised as 100,000 tons as it is impossible to make a scheme economically feasible for export unless the capacity is atleast 100,000 tons. He felt that apart from asking the private sector to establish steel factories with capacity of 100,000 tons the Government should also afford financial assistance to the extent possible. Such industries should also get other concessions like railway freight, concessions for transport of goods meant for export, etc. He added that while it may not be advisable for the Government to give subsidy for export industries as some countries will not be willing to import goods manufactured by subsidised industries—but such other concessions like exemption from local taxes, cesses, etc., could well be thought of. He added that the Reserve Bank should follow a liberal policy in regard to sanctioning of loans to export industries. If these concessions were allowed and if industries are able to establish themselves on a sound basis export earnings in steel alone could amount to 100 crores of rupees per annum in the last year of the Third Five-Year Plan, he added.

Touching on other items of exports which require attention, the Chairman said that Government should concentrate on stepping up the exports of fish and fish products. He said that Japan today was exporting fish worth over Rs. 100 crores to countries like U.S.A. and it is necessary that a country like India, which has a large sea-coast, should start building-up fish industry which would not only contribute to export earnings but would help the country to establish other export industries.

The next item which required concerted effort, the Chairman said, was "fruits and vegetables". Facilities that were needed for export of these items were refrigerated ships, refrigerated wagons, etc. The Ministry, he said, should take special steps in this direction to promote exports.

Touching upon the incentives that are required to be given to the export industries, the Chairman said that the main reason for surplus sugar production in the country was the incentive the Food Ministry gave to the sugar industry. The industry was given 50 per cent rebate on excise duty on the excess sugar produced and the sugarcane growers a higher price. He added that when America wanted to build up a number of defence industries, all that they did was to give tax reduction and a directive to the Recosntruction Finance Corporation to give the concerned industries the necessary financial assistance at a low rate of interest. The Chairman added that our fiscal policy should therefore be liberalised in the case of export industries.

Sri S. Venkatarangam, President of the Chamber referred to the difficulties experienced by the trade in obtaining export statistics in respect of various items portwise. He said that statistics compiled by the Director General of Commercial Intelligence and Statistics were all-India statistics and that in the absence of portwise figures it becomes difficult to ascertain the progress made in the different zones. He said that prior to 1956 a monthly list of exports from different ports in the Southern zone was being published which has been discontinued. He suggested that arrangements should be made for publication of these lists on a monthly basis so that this information could be made available to the trade at nominal cost. He also suggested that with a view to explore all possibilities of stepping up exports, the Deputy Chief (Export Promotion) should undertake a survey of the different manufacturing units and suggest ways and means for promoting exports of these manufactured goods. He also suggested that there should be co-ordination between the different commercial organisations and the office of the Deputy Chief Controller (Export Promotion) so that in case of difficulties the Deputy Chief (Export Promotion) could assist the exporters by getting into touch with the Licensing Branch and other offices. He then



referred to complaints of delay in the issue of Agmark Certificates for export of wool and quality certificates in the case of 'Bleeding Madras'. There have been instances where the State Government authorities are reluctant to issue Certificates of Health for export of certain items like animal products which are required as per certain regulations by the foreign countries in connection with the prevalence of South African Horse sickness and added that in all such cases the Honorary Export Promotion Adviser and the Deputy Chief (Export Promotion) should use their goods offices with the concerned authorities and help the export trade.

Sri D. S. Joshi, Director-General of Foreign Trade, summing up the discussions and answering the various points raised by the members observed that in regard to currency retention we should not take as a factor the question of Pakistan following the principle of currency retention. He added that it cannot be anticipated as to whether Pakistan would think of following this procedure on a long-term basis or whether the policy will be abandoned. Regarding railway freight on Manganese ore he said the railway board was considering the question in regard to the reduction of railway freight from the point of view of export promotion. As regards opening of branches of Indian export-houses abroad, he opined that the Government would not hesitate to support the need to establish branches of recognised export-houses abroad, at least in principal cities of the world, provided the Government are sure that this will facilitate export promotion. In this connection he commended the role played by the Cotton Textile Industry in the matter of promoting exports. About credit facilities, Sri Joshi said that a Committee consisting of various members, including representatives of the Reserve Bank of India, had submitted a report which is under examination by Government. With regard to export of molasses, Sri Joshi felt that for the next 3 years there will definitely be a sizable surplus for export. He commended the idea put forth by Sri Subramaniam that prominent exporters of molasses should form themselves into an association and then submit proposals for setting up storage installations at ports. Touching upon export of sugar, Sri Joshi said that no difficulty was anticipated in this regard. Referring to the suggestion made by Sri Somayajulu to include more items in the barter arrangements, Sri Joshi said basically the Government were not in favour. He said that the question of including a particular commodity under barter arrangements was considered only where there was surplus production.

## SPECIAL TRADING ARRANGEMENTS WITH WESTERN EUROPE.

The State Trading Corporation of India entered into certain special trading arrangements with a few firms in Western Europe providing for import of certain essential commodities against matching exports. The State Trading Corporation deputed Sri V. S. Natarajan, an Officer of the S.T.C. from New Delhi to visit Madras and have discussion with businessmen in this regard. Members of the Chamber were advised to meet Sri Natarajan at the Office of the S.T.C. in Madras on July 29, 1961,

## IMPORT CONTROL POLICY.

### Discussion with Sri K. L. Dalal, Joint Chief Controller of Imports and Exports, New Delhi.

The representatives of the Andhra Chamber led by Sri S. Venkatarangam, Vice-President and Sri M. S. Sambasivam, Secretary met Sri K. L. Dalal, Joint Chief Controller of Imports and Exports, New Delhi on April 19, 1961 at the Office of the Joint Chief Controller of Exports and Imports, Madras and discussed the various points raised in the following memorandum:

ZINC SHEET—S. No. 44 OF PART I:

The face value restriction of 7 % for import of this item is causing much hardship to the merchants as in most cases the permissible value would be less than Rs. 100. Zinc Sheets are being used in picture framing, mirror manufacture, slate manufacture and also for packing purposes in fire works and match industries. The indigenous supply of zinc sheets is practically nil. The Chamber therefore suggests that the face value restriction may be withdrawn at least in respect of licences below Rs. 2,000 in value.

It is stated that licence holders are asked to utilise the balance of the licences for the import of other items falling under this S. No. The Chamber feels that importers engaged in a particular trade not accustomed to importing other items should not be compelled to import an item which they do not need.

STEEL FILES—S. No. 20 (3) (A) (I) OF PART II:

The indigenous availability of pit saw files and heavy tape saw files, it is stated, is not adequate to meet the demand. The Chamber therefore suggests that import of pit saw files and heavy tape saw files may be allowed to be imported under the licences granted for the steel files at least till such time the indigenous production is stepped up.

BETELNUTS—S. No. 30/IV:

The basic period for this item is till the end of 1956-57. Since many importers have imported betelnuts during 1957-58 under liberal licensing scheme, it is requested, that the basic period for this item may be extended to enable such importers to establish their quota.

The policy for this item may also be announced early.

DRUGS AND MEDICINES—S. Nos. 87 AND 109 OF PART IV:

Many items which were hithereto coming under this S. No. have been restricted. The Chamber feels that interchangability of licences may be permitted with certain allied items so that the importers would be able to import some item or other under their licence.



CORK MANUFACTURES—S. No. 154 OF PART IV:

The policy for this item during the current licensing period states that the import will be canalised through an agency approved by Government. There are a number of items falling under this S. No. There are bottle corks, cork slabs, insulation boards and specialised corks for transformer industry. The Chamber would like to be clarified as to whether all cork manufactures irrespective of their end use will be canalised through the approved agency.

PAPER OTHER SORTS—S. No. 159 (a) OF PART IV:

The established importers having quota for this S. No. were being given additional licence on a quota of 7 % for import of paper all sorts classified under S. No. 159(a) only till April-September, 1960. This has been withdrawn during the current licensing period. The Chamber requests that the additional licence may be granted as hitherto.

S. No. 160 OF PART IV—PACKING AND WRAPPING PAPER:

Tissue paper is not allowed to be imported by established importers under this S. No. even though actual users are permitted to import the same. To cater to the requirements of the trade and small actual users it is requested that the import of tissue paper also may be permitted to be imported under under this S. No.

SANITARYWARE—S. No. 241 OF PART IV:

The import of this item is not allowed at present. The demand for items falling under this S. No. is so great that indigenous capacity is not adequate to cope with. The Chamber suggests that a 5% quota may be allowed for this item. While this would not in any way affect the indigenous production, it would provide some business to the established importers and also cater to the local demand to certain extent.

MOTOR VEHICLE PARTS—S. Nos. 293, 295 AND 297 OF PART IV—APPENDIX 26:

The following suggestions are made as regards motor vehicle parts:—

(1) The basic period for establishment of quota for list III items should be extended so as to include the basic year 1959-60. During October, 1960 and March 1961 the basic period for motor vehicle parts (consolidated) licences was extended so as to include the year 1959-60. While thanking the authorities for the extension the Chamber requests that a similar extension of the basic period may be made for list III items also.

(2) It is suggested that three per cent of the face value of the licence for motor vehicle parts may be permitted to be utilised for the import of ball-bearings used on motor vehicles whether specified or not specified in Appendix 14.

(3) The Chamber suggests that the percentage of the face value of the licences for motor vehicle parts permitted to be utilised for import of bolts, nuts, screws, spacers and washers of all types may be increased to 5%.

(4) The Chamber suggests that 2% of the face value of the licence granted for motor vehicle parts should be permitted to be utilised for the import of taper and roller bearings used on motor vehicles.

(5) The Chamber requests that the description of the item "curved safety glass" item No. 2 of list II of Appnedix 26 should be further clarified so as to permit import of window shield glass and rear window curved glass cut to size and shape.

(6) *List II—Piston Assembly.*—The Chamber suggests that the full face value of the quota licence should be permitted to be utilised for the import of aluminium piston assembly of 6" diameter and less in view of the short supply of pistons. Since the Chamber learns that dealers who have placed orders for piston assemblies with indigenous manufacturers for supply of pistons suitable for Austin, Ford, Hindusthan, and Dodge have not received supplies even though the orders were placed more than a year ago, it is requested that the pistons of the following motor vehicles may be removed from Annexure A of Appendix 26: Austin: 8 H.P./10 H.P./10.61 H.P.; Dodge: 23.36 H.P.; Ford: 10 H.P.; Hindusthan: 13.4 H.P.; and Morris: 8 H.P. The removal of the above vehicles from Annexure A and the provision to utilise the face value of quota licences for import of aluminium piston assemblies of 6" diameter and less would greatly ease the present supply position. The Chamber also suggests that such pistons as are supplied complete with rings and cylinder liners as one unit as in the case of Bedford J-4 petrol vehicles should be permitted to be imported under licence for piston assembly.

(7) *Garage Tools—S. No. 275 (b) of Part IV.*—It is suggested that dealers should be permitted to establish quota on the import of garage tools under the permitted percentage of the motor vehicles parts consolidated licences. This would enable many dealers to obtain import licence separately for garage tools and would help to ease the difficult supply position of garage tools in the country.

(8) *Sealed Beams—S. No. 38-A(e) (ii)/II.*—The Chamber suggests that the basic period for this item may be extended to include the year 1959-60 for the reasons stated above.

(9) *Taper Roller Bearings and Components—S. No.* 19 (3) (i) *and* (ii) *of Part II.*—The Chamber suggests that the validity of import licences for this S. No. should be increased from six months to 12 months as hitherto.

(10) *Brake Drums.*—This item is now placed under list III and only 3% of the face value of the licence can be utilised for the import of this item. There is no recognised manufacturer in India who can cater to the needs. This item is required very often for replacement particularly in respect of Mercedez Benz truck. It is therefore suggested that this item may be placed under list III with 100 per cent quota with basic period extending up to the current year. The extension of basic period is absolutely essential since the actual imports of this item have been effected only from 1959-60.



WHITING—S. No. 34-37 (*d*) PART V—INCLUSION UNDER APPENDIX 29—PERMISSIBLE ITEMS OF RAW MATERIALS FOR PAINTS:

Whiting is one of the essential raw materials required for the manufacture of paints, colours, distemper, putty and tooth powder. It is also used by the manufacturers of iron safe. The Director of Industries and Commerce has accepted its essentiality and has certified its import in a number of cases. There are a large number of small units who use this whiting and who cannot prefer an application for the import of this item as actual users. These small manufacturers look to the established importers for their requirements. It is therefore felt that this item may be included in the list of items falling under Appendix 29 so that it can be imported under licences granted for raw materials for paints. Since no extra foreign exchange would be involved by adding this item under Appendix 29 the Chamber requests that this suggestion may be considered fabourably.

WATER AND OIL COLOURS—S. No. 34-37/V:

The basic period for water and oil colours has never been extended right from the beginning. These items are not being manufactured in India and there is no indigenous angle involved. These materials are not only used by the students of arts but also by large number of commercial artists. It is therefore requested that the basic period for those items may be extended to include 1959-60.

ULTRAMARINE BLUE—S. No. 37 (i,/V:

Due to the bifurcation of ultramarine blue from raw materials for paints and due to the fact that the basic period has not been extended for raw materials for paints, importers, who have been dealing in raw materials for paints are unable to establish their quota. The Chamber therefore requests that the basic period for raw materials for paints may be extended to include the year 1959-60.

PRINTING MACHINERY—S. No. 67 (1) (i) OF PART V:

A quota of 12 % is being granted for this S. No. for established importers. There are a large number of established importers having a small quota. The minimum quota for this S. No. is only Rs. 500. There is a new condition during the current period that the quota licence will not be valid for import of second hand printing machinery. This will be a serious handicap to the small licence holders. The Chamber therefore suggests that the minimum licence should be fixed at least at about Rs. 3,000 or in the alternative the ban on import of second hand machinery should be removed.

92 (*g*) (3)—OTHERS PART V:

A 15% quota is given for this S. No. but it is not known as to what items could be imported under this S. No. The Chamber requests that the list of items that could be imported under this S. No. may be published. Previously instrument boxes and geometry boxes were allowed to be imported under this S. No. The Chamber requests that these items may also be allowed to be imported as hitherto.

92 (*n*)/V—Others :

Punching machines, yale type of locks and door closers were allowed to be imported under this S. No. during the previous licensing period. In the current licensing period these items have been excluded. In view of the great demand for these items in the country and the short supply of these items the Chamber requests that these items may be allowed to be imported under this S. No. as hitherto.

Urea Resins—S. no. 116 of Part V :

Even though provision has been made for import of this item by Actual Users who are manufacturers of chip boards, it is stated, the actual users are being advised to contact certain indigenous manufacturers in Calcutta. The Chamber requests that the requirements of manufacturers of chip boards for import of urea resins may be allowed to be imported, particularly in view of the fact chip board manufacturers require urea resin of high adhesive strength which would dry quickly without resort to mechanical dryers.

Repeat Licensing :

The repeat licensing system was introduced to enable established importers to obtain the import licences without going through the usual formalities of preferring the applications. This was found very useful from the point of view of the licensing authorities as well as the importers. The present change in the system requiring the established importer to forward certified copies of quota certificates and the import licences granted for the previous period is causing hardship. Licences and quota certificates contain so many details that it becomes difficult to type out the whole thing and forward to the authorities. It would be in the interests of all concerned if the new condition is withdrawn and the previous system is restored.

Appeals :

When appeals are preferred by importers the authorities do not state the grounds on which the appeals have been rejected. Even when importers remit the fee for appeal and prefer the appeal in accordance with the procedure laid down in the Red Book and Hand Book and based on grounds found in the I.T.C. regulations the appeals are rejected and no reasons are given for such rejection. The Chamber feels that the authorities should invariably mention the grounds for rejection, whenever the request of the importer is turned down. This would enable the importer to know the reasons for rejection and decide whether he should prefer an appeal or not. It is quite possible that unnecessary correspondence can be avoided if reasons for rejection are stated.



Sri K. L. Dalal, replying stated that the Government of India were alive to the need to provide facilities to the established importers in the country to continue their trade and that was why they had been extending the basic period making periodical review of quota restrictions and relaxing import restrictions wherever possible. Conservation of foreign exchange and encouragement to indigenous industries were the main criteria for clamping down stricter import control he said. Sri Dalal said that raw materials needed for industries should be made available at as economical rate as possible and that was the reason why the Government resorted to the method of issuing licences to actual users. He hoped that the Import Control Enquiry Committee which has been set up by the Government of India recently would go into these questions and suggest remedial measures.

Sri C. R. Krishnaswamy Rao Saheb, Joint Chief Controller of Exports and Imports Madras was also present on the occasion.

Sri K. L. Dalal, forwarded his written reply to the Memorandum of Points presented by our Chamber. The following is an extract from the reply given by Sri Dalal.

Raw Material for Paints—S. No. 37 (*d*)/V—Extention Of Basic Period :

It is not possible to extend the basic period for raw materials for paints (S. No Nos. 34-37(*d*)/V), during the current period. However, the position will be reviewed while formulating the policy for the next period.

Water and Oil Colours—S. Nos· 34-37 (*b*)jV—Extension of Basic Year :

It is not possible to extend the basic period and make any change in the policy for the current period. But the position will be reviewed while formulating policy for the next period.

Whiting :

In view of remark (i) against S. No. 34-37(*d*) V in Section II of the Current Red Book wherein it is laid down that applications from actual users for items other than those listed in Appendix 29 are considered *ad hoc* in consultation with the Development Wing, it is not considered necessary to include whiting in Appendix 29 to the current Red Book.

Import of Cork Manufactures N. O. S. (S. No. 154/IV) :

As the import of cork manufactures not otherwise specified falling under S. No. 154/IV of the Import Trade Control Schedule is canalised through the State Trading Corporation of India Limited, Mathura Road, New Delhi, importers are advised to contact them in the matter.

DRUGS AND MEDICINES—INTERCHANGEABILITY OF ALLIED ITEMS :

The Chamber was requested to clarify the proposal by giving specific suggestion for each allied item for which the Chamber wanted interchangeability for examination.

FIXATION OF QUOTA FOR GARAGE TOOLS IMPORTED AS A CONCESSION AGAINST LICENCES FOR MOTOR VEHICLE PARTS :

The suggestion has been considered but it is regretted that it is not possible to accede to it.

PISTON ASSEMBLY AND MOTOR VEHICLE PARTS :

The suggestions have been noted for consideration at the time of formulation of import policy for the next licensing period, i.e., October 1961—March 1962 licensing period.

## IMPORT AND EXPORT PROBLEMS.

### Discussion with Sri D. S. Joshi, I.C.S. and Sri K. T. Satarawala, I.A.S., Chief Controller of Imports and Exports, New Delhi.

Representatives of the Chamber led by Sri S. Venkatarangam, President and Sri M. S. Sambasivam, Secretary met Sri D. S. Joshi, Director-General of Foreign Trade and Sri K. T. Satarawala, Chief Controller of Imports at the Office of the J.C.C.I. & E., Madras and presented the following Memorandum on August 7, 1961 :

NEED FOR DISCUSSION WITH THE REPRESENTATIVES OF COMMERCE AND INDUSTRY :

While the Chamber is glad that it has been given an opportunity to meet and discuss with Sri D. S. Joshi, and Sri K. T. Satarawala it regrets that it has not been possible for these officials to visit the Chamber and have a detailed discussion with the members. When the Director-General of Foreign Trade and the Chief Controller of Imports come to Madras, the Chambers of Commerce should be informed of the proposed visit at least 15 days in advance and arrangements should be made for meetings with individual Chambers of Commerce at their respective offices. This would give an opportunity to as large a number of members of the Chamber as possible to attend the meeting and put forth their view point. The Chamber hopes that this would be born in mind whenever the Director-General and the Chief Controller visit the City in future.

Exports

EXPORT PROMOTION :

Export Promotion has assumed today a greater importance, especially in the context of steep decline in our sterling reserves and the United Kingdom having decided to join the Common Market. The Chamber is quite sure that the country would be able to tide over any difficulty and promote exports to the desired extent if there is greater co-operation and coordination between the trade and the department. The Export Promotion Organisation should change its outlook and assist exporters in promoting exports instead of placing procedural impediments in the way.



AGMARK CERTIFICATES TEXTILE COMMISSIONER'S CERTIFICATES—DELAY IN OBTAINING :

In respect of certain items quality control, grading and inspection schemes are enforced. Particularly in the case of wool and Bleeding Madras Textiles the Chamber learns that there is considerable delay in obtaining such inspection certificate It should be seen that the inspection certificates are issued within a maximum period of seven days so that the export trade will not be affected.

The Chamber suggests that the shipping bills may be passed subject to production of agmark certificates/Textile Commissioner's Certificates at the time of Customs examination.

EXPORT OF SAMPLES OF WOOL AND BLEEDING MADRAS TEXTILES :

As at present the procedure adopted for export of samples involves considerable delay. The Chamber suggests that exemption from grading or inspection should be granted for export of samples. In the case of wool the minimum should be 2 Kilograms of each variety.

ISSUE OF HORSEPEST CERTIFICATES FOR EXPORT OF ANIMAL BY-PRODUCTS :

Japanese Buyers of animal by-products like horns, hoofs, sinews and crushed bones require a health certificate stating that the material exported is free from horse-pest. The Principal, Veterinary College, Madras and the Director of Animal Husbandry, Madras who have been contacted in this regard have declined to comply with the request of the exporters. Export in this line which has been built up after strenuous efforts is fast declining. The Chamber requests the Director General of Foreign Trade to move the concerned authorities and advise them to issue health certificates for horse-pest.

EXPORT OF SANDALWOOD OIL :

Sandalwood Oil which is earning a sizeable foreign exchange is bound to become costly because of the policy adopted by the Government of Mysore in the purchase of sandalwood. Hitherto the private distillery wnoers were obtaining supplies of sandalwood in open auction from Belgaum, Dharwar, Khushalnagar and Kollegal. The sandalwood available in these areas is not made available to the private distillers. The Government of Mysore have chosen to participate in the auctions held at Tirupattur and Satyamangalam and have purchased sandalwood at high prices. The private distillers also have been compelled to buy at high prices. If this trend continues the Chamber is afraid that the price of sandalwood oil would rise to unworkable levels resulting in foreign buyers switching over to synthetic oil. The Chamber requests the Director General to pursuade the Government of Mysore and the Government Sandalwood Oil Factory to adjust their purchasing programme in such a way that the private distillers would not be starved of supplies and the price of sandalwood oil also would be kept at a reasonable level.

DELAY IN GIVING CLARIFICATIONS:

When clarifications are called for it takes an unusually long period, both at the ports and at the Centre to give a reply. Replies should be sent within a period of seven to ten days at the most.

POLICY ANNOUCEMENTS:

The policy announcements relating to exports releasing quotas for different items should be announced simultaneously in all the ports. In the case of export of groundnut oilcake the policy was announced in Bombay four days earlier than in Madras and the ceiling fixed was reached within two hours from the time of announcing the policy at Madras. In other words, by the time the policy was announced at Madras the quota was already exhausted. The Chamber hopes that this would not be repeated in future.

EXPORT OF MANUFACTURED GOODS AGAINST BOND UNDER E.P.S.:

It is brought to the notice of the Chamber that the export licensing authorities are not taking into account the value of exports made in excess of the bond value for purposes of export incentive or for adjustment against subsequent bonds. It is suggested that exports made in excess of the bond value should be eligible for incentive under E.P.S. Scheme, if its inclusion in the calculation of total value of exports against a subsequent bond is not possible.

BANK CERTIFICATES FOR E.P.S. PURPOSES:

It is learnt that exporters file a bank certificate for E.P.S. purposes. Even after filing such a certificate the department is making a reference to the banks for the



confirmation or production of a duplicate certificate. The banks in most cases, it appears, are reluctant to issue another certificate since a certificate is already given to the party. In some cases the banks advise the parties to file the bank certificate already issued to them with the Export Control authorities presumably on the impression that the party has not sent the certificate to the Export Control authorities. The Chamber feels that the Department should be satisfied with the bank certificate produced by the exporter concerned, or in the alternative the Department should ask for a certificate direct from the bank without reference to the exporter. This will avoid duplication of work.

The Chamber feels that instead of the department writing to the banks and increasing the volume of correspondence both in the department and with the banks it would be better if bank certificates produced by the exporters are accepted.

*IMPORT*

ZINC SHEETS—S. No. 44/I:

The present face value restriction is causing serious difficulty since the individual quota for most of the importers on this basis comes to less than Rs. 100. It is suggested that the restrictions may be withdrawn in respect of licences of Rs. 1,000 and below in value.

COUNTERSUNK HEAD—M.S. WOODSCREWS OR GIMLET POINT—S. No. 54 (*b*) OF PART I:

These screws in lengths of over 3" are not being manufactured within the country and there is a very good demand for this item in industrial projects both in the public and private sector. This item is not being imported since there is a ban. There is a ban on screws of all sizes. It is suggested that licences may be issued for the above type of screws under S. No. 54 (*b*)/I at least for minimum value of Rs. 500 specifically endorsing the licence for import of sizes of 3" and above in length.

HOBNAILS—S. No. 36 (*c*) OF PART V:

These nails which come under Boot and Shoe Grindery are not being manufactured within the country. Only cut-tacks are being manufactured. Since there is a high demand for hobnails in the country to meet the requirements of footwear and leather trade, it is requested that the quota licences for this item may be increased at least to Rs. 750 minimum from the present value of Rs. 500.

CORK MANUFACTURES N.O.S.—S. No. 154 OF PART IV:

Some importers require cork jointings for use in electrical transformers. Cork manufactures in general are canalised through S.T.C. It is learnt that S.T.C. is not importing these jointings. It is therefore suggested that established importers may be allowed to import cork jointings under quota for S. No. 154 of Part IV.

QUOTA CERTIFICATES—REPLACEMENT OF QUOTA CERTIFICATES IN SECURITY FORMS WRITTEN IN PENCIL BY TYPEWRITTEN QUOTA CERTIFICATES:

It is learnt that the port licensing authorities are insisting on the parties obtaining typewritten quota certificates in the place of quota certificates formerly written in copying pencil. While the idea is welcome, the Chamber feels that the licensing authorities at the ports themselves should undertake to issue fresh quota certificates instead of asking the quota holders to contact the different authorities, e.g., at New Delhi and Calcutta, who have issued the quota certificates. The quota holders have been getting licences from the ports in respect of such quota certificates for over eight or nine years and it should not be difficult for the licensing authorities at the ports to issue fresh quota certificates. It would faciliitate the quota holders to a very great extent if the suggestion is accepted.

BASIC PERIOD:

The basic period should be extended to the immediate past licensing period in respect of as many items as possible to enable the importers to avail the benfits in cases where there has been a change in classification or division of S. Nos. or Sub-section Nos. have occured. In certain cases imports of certain items have been permitted in different S. Nos. as a concession though the concerned importers have not been given an opportunity to establish a quota. The Chamber hopes that an extension of basic period in all these cases should be considered favourably with a view to enable the import trade to get sufficient quantity of licensable items. The Chamber would like to mention the need for extension of basic period particularly in respect of the following items:

| *S. No. and Part of I.T.C. and Description of the item.* | | *Present basic period* | *Extension required* |
|---|---|---|---|
| Raw Materials for paints—S.Nos. 24, 25 (*d*)/V | ... | 1952-53 | 1959-60 |
| Water and Oil Colours—S. Nos. 34, 37 (*b*)/V | ... | 1952-53 | 1959-60 |
| Gas Black, Lamp Black, Carbon Black—S. No. 106/V | ... | 1955-56 | 1959-60 |
| Betelnuts—S. No. 30 of Part IV | ... | 1956-57 | 1957-58 |

SLIDE RULES:

Though slide rules fall under S. No. 92 (*g*) (*z*) (*a*) of Part V it is suggested that this item may be allowed on a small quota under S. No. 92 (*g*) (3) also. In other words the



Chamber suggests inter-change of this two sub-serial numbers with a view to ensure a slightly increased supply of the above item which is in great demand. This item may also be allowed to be imported under concessional licences granted for S. No. 168 (*c*) of Part IV.

LEVER FILE FITTINGS—S. No. 275 (*a*)/IV:

File fittings for Lever files may be allowed to be imported under this Serial No· since the indigenous manufacturers require these fittings to step up the production of files to meet indigenous demand.

IMPORT OF BETELNUTS AND SPICES:

Under the existing policy *ad hoc* quotas of the value of Rs. 500 each have been granted to established importers of betelnuts and spices irrespective of their past imports. This quota is hardly sufficient to meet internal demand. The Chamber learns that licences are to be issued to State Trading Corporation for import of these items. The Chamber requests that the interests of established importers should be safe-guarded while taking a decision to allow further imports of spices and betelnuts. The Chamber suggests that imports may be allowed even by linking them with export of items like tapioca and groundnut oil as hitherto.

INTERCHANGEABILITY OF SPARE PARTS FOR DIESEL ENGINES—S. No. 30 (*f*) (iii) OF PART II:

In the licenees issued for the current period April to September, 1961 for parts of diesel engines other than spares for road vehicular diesel engines under Part II, S. No. 30 (*f*) (iii) there is an endorsement stipulating that "the invoices should be endorsed by the exporter bearing a certificate to the effect that the spare parts are standardised as parts of the above mentioned names and types of diesel engines and that the spares are not interchangeable with the parts of road vehicular type engines". In the case of oil seals, oil retaining bushes and small components for stationary engines and for diesel tractors it is possible that such items are interchangeable with one or more vehicular engines which may or may not be functioning in the country.

It becomes almost impossible for the importer to find out the non-interchangeable parts when there are as many as 120 makes of stationary engines available in the market. In order to avoid any difficulty to the importer the Chamber suggests that the Chief Controller may publish an exhaustive list of parts of diesel engines which cannot be interchanged and another list of all common interchangeable parts. No endorsement should be insisted in the case of the former while in the case of the latter the interchangeability rule should not be insisted upon for common standardised parts which invariably suit only stationary diesel engines but may be adopted for other use only in exceptional cases.

Extension of Validity Period of Annual Licensing—April—September, 1960 and October to March, 1961 :

The validity period of import licences granted on annual basis have been extended. For items for which the validity period of six monthly licences is shown in the Red Book as 9 months, 12 months and 18 months, the validity period for annual licence would be 15 months, 18 months and 24 months respectively. This concession is not available for minimum value licences issued on yearly basis. The minimum value licences continue to be valid only for 12 months even though the normal validity period of a six monthly minimum value licence is 12 months, as laid down in Para 73 of Section I of the Red Book. The Chamber requests that the facility of extended validity period may be given to minimum value licences also in respect of annual licences for the above period.

## IMPORT ADVISORY COUNCIL

The Government of India nominated Sri V. Emberumanar Chetty, former President of the Chamber as a member of the Import Advisory Council in September, 1961. The Chamber forwarded the following suggestions for discussion at the meeting of the Import Advisory Council through Sri V. Emberumanar Chetty :

### General

Token Quota :

Token quota may be given for indent agents for licensable items handled by them for over ten years under proper agreement and in respect of which they do not have any quota as established importers. Many indent agents have not imported goods on own account and they are experiencing difficulty on account of import restrictions. This suggestion would enable them to continue in the trade.



Basic Period :

Basic Period may be extended in respect of the following items to cover the year suggested against each of them.

| *S. No. and Part of I.T.C. and Description of the Item* | *Present basic period* | *Extension required* |
|---|---|---|
| Raw-materials for paints—S. No. 34, 35 (*d*)/V ... | 1952-53 | 1959-60 |
| Water and Oil Colours—S. No. 34, 37 (*b*)/V ... | 1951-52 | 1959-60 |
| Gas Black, Lamp Black, Carbon Black—S. No. 106 of Part V ... | 1955-56 | 1959-60 |
| Betelnuts—S. No. 30 of Part IV ... | 1956-57 | 1957-58 |

Imports by S.T.C :

The State Trading Corporation is importing certain items for distribution among actual users. Actual users who are manufacturers of fertilizer mixtures, nitric acid and camphor tablets, are finding it difficult to obtain their requirements of Muriate of Potash, Chilian Nitrate and Camphor regularly from the State Trading Corporation. In the case of the first item the supply is very often delayed. In the case of Chilian Nitrate essentiality recommended 18 months ago is still to be met. As regards Camphor the exact policy is not known and the arrival of Camphor as also the allotment made to different States are also not known. It is suggested that whenever the State Trading Corporation imports an item, the policy for the distribution of that item as also the policy for issue of essentiality certificate should be announced and made known to the trade and industry by means of circulars. The Actual Users must be enabled to obtain their full requirements as recommended by the Director of Industries. The State Trade Corporation is also, it is understood, going to import betelnuts and spices. In so doing it is suggested that the Government should make use of the established trade channels to the maximum extent possible. If however imports of spices and betelnuts are imported under barter or any other arrangement by the State Trading Corporation, the goods so imported may be made available to the Public by utilising the services of established importers and their representative organisations.

## Suggestions for changes in the Import Policy for October 1961—March 1962 licensing period

| | Part and S. No. of I.T.C. (Schedule (2) | Brief Description (3) | Present Policy (may be indicated if possible) (4) | Quota percentage suggested (5) | Any other change suggested (6) | Reasons for the change in policy suggested (7) |
|---|---|---|---|---|---|---|
| | | | | LIBERALISATION | | |
| 1 | I/16 (*b*) | Stainless Steel Sheets etc. | ... | ... | The present allocation for this item to meet the demand is not adequate. Herce it is suggested that the import may be liberalised to the extent posible. | |
| 2 | I/44 | Zinc Sheet ... | Face value restriction not more than 7 % of the value of the licence can be utilised for import of zinc sheet. | 30% (No change) | It is suggested that face value restrictions may be removed in respect of small value licences, i.e. licences below Rs. 1,000 in value. | It is found too difficult by small value licence holders to import zinc sheets for 7 % of small value licences since the permissible value comes to less than Rs. 1,000. Hence it is suggested that the restriction may be withdrawn in respect of licences for value below Rs. 1,000. |
| 3 | I/54 (*b*) | **Countersunk head MS Woodscrews of gimlet point 3" and over in length.** | Nil | **At least a minimum licence of Rs. 500 per established importer may be given.** | ... | **These screws which are in demand for industrial projects in public and private sector are not being manufactured locally.** |
| 4 | IV/26 to 29 | Spices (Cardamoms Cassia, Cinnamon, Cloves, nutmegs and mace). | Rs. 500 *ad hoc* Per importer. | 5% | ... | The S.T.C. is being licensed to import these items. The interests of the established importers should be safeguarded. |
| 5 | IV/30 | Betelnut ... | Do. | 5% ... | ... | Do. |
| | | | | BANNING | | |
| 6 | IV/124 | Blacklead pencils | Nil | Nil | ... | No licences should be issued even on *ad hoc* basis for pencils. It is found that during 1960 licences have been given for blacklead pencils to certain importers. |
| | | | | OTHERS | | |
| 7 | IV/131 | Camphor ... | Nil | Nil | .. | Actual Users, i.e., established tablet manufacturers and manufacturers of camphor based medicines should be enabled to obtain their requirements regularly. |

## Import of Betelnuts

The Chamber addressed the following communication on May 25, 1961 to the Chief Controller of Imports, New Delhi :

"I am desired by my Chamber to write to you as under regarding the import of betelnuts and request you to give your best consideration to the same.

Upto June, 1956 import of betelnuts was allowed only by the established importers and the Government of India, liberalised imports during July to December, 1956 period to enable new entrants to come into the betelnut trade. This facilitated many dealers in betelnut trade to come into the import trade and this category of importers are now unable to participate in the import trade since the basic period has not been extended beyond March, 1957. Many of the importers have imported betelnuts after March, 1957 and it would be of great advantage to the traders if the basic period is extended to cover the year 1958. The Government of India have extended the basic period in respect of many items till the last licensing period and it would be in the fairness of things if the basic period is extended in the case of betelnuts at least till March, 1958.

The Chamber hopes and trusts that you would favourably consider our request in this regard.

The import policy for April to September, 1961 in respect of betelnuts is yet to be announced. While requesting for the announcement of the policy in this regard at the earliest the Chamber hopes that the basic period also would be extended simultaneously."

## LABOUR.

### Employees Provident Fund.

The Chamber submitted on January 7, 1961 the following memorandum in reply to the Questionaire issued by the Technical Committee, Employees Provident Fund appointed by the Government of India under the Chairmanship of Sri M. R. Meher :

"I am desired by my Chamber to thank the Chairman and Members of the Technical Committee, Employees Provident Fund for giving us an opportunity of expressing our views on the above question and to write to you as under :

The Chamber is glad that the Government of India have set up this Technical Committee to consider the question of enhancement of Provident Fund Contribution in certain industries. The Chamber is particularly interested in noting that the terms of reference to the Committee also indicate the criteria for determining the ability of the industry to bear extra burden, that may be imposed as a result of this proposal. The Andhra Chamber is a body, representing trade and industry in South India and it is generally interested in the development of trade and industry. Without proposing to trouble the Committee with details or analysis of the cost structure in respect



of each individual unit in any of the industries affected by the proposed increase, it only desires to place certain salient points which should receive the attention of the Committee in arriving at a decision on this issue.

While the Chamber is quite alive to the need for providing better amenities, facilities and also for according Provident Fund and other benefits to ensure a reasonable saving to the individual worker to fall back on his retirement, the Chamber is anxious that the interests of the industry should not be ignored while imposing any additional burdens on it. The Chamber feels that two important factors deserve careful consideration, viz., (1) reduction of the cost of production to the maximum possible extent so as to bring down the purchase price to the ultimate consumer ; and (2) ensuring a reasonable return on the capital invested.

The general price level in the country has gone up to a considerable extent, and efforts are now being made to arrest the rise in prices. Increase in price is often necessitated by rise in cost of fuel, power, raw materials, taxation, wages as also awards of the industrial tribunals on matters like bonus, gratuity among others. It would therefore be necessary to consider this aspect before thinking of any increase in the rate of Provident Fund contribution.

Secondly, the price of manufactured article and the cost structure of any industry should be so designed to ensure a reasonable return on the capital employed in the industry. By introducing measures to benefit the labour in certain sections of the industry or in certain types of industries, Government should not place one industry or one section of the industry in an advantageous position over others.

While the country is marching in the field of industry, we have to ensure that the industry gets adequate capital to start new ventures and to expand the existing enterprises as also to provide adequate depreciation and reserve for rehabilitation of the industry.

There are many industries which are catering to the export market. Particularly the engineering industries are considered to have a bright future in the field of export. While the Government formulate any schemes for affording greater benefit to the Labour, they should have in mind the impact of such increases on the ultimate export cost and consequently the place of the Indian amnufactured goods in the importing countries. It will be necessary for the Government to see that industries which have an export angle are not affected by any extra impost by way of taxation, amenities to the labour and the like. On the other hand, the Chamber would like the Government to think of giving special incentives to the export industries, so as to enable them to bring down their cost structure and compete in the foreign market effectively.

It has been brought to the notice of the Chamber that the employees have been only using provident fund as a further source for providing funds for current expenditure and they have been taking loans from the Provident Fund to a great extent.

The object behind the scheme is thwarted by taking such loans. Again the workers being accustomed to heavy spending in excess of their income, more often than not, are coming forward with demand for wage increase and increase in amenitise, provident fund, bonus and other benefits. In the absence of adequate check on the withdrawal of monies from the Provident Fund, the Chamber is of the view that the proposed increase would only aggravate the situation and create unrest.

The Chamber is anxious, that the cost of manufactured products which are already high should not go up on account of a continuous demand for increase in wages, dearness alllowance and privileges.

There is already a Bonus Commission set up with the Chairman of this Committee as Chairman. The appointment of any such Commission generally means some additional burden to the industry.

The Chamber feels that Government should leave matters of this nature to be settled mutually by the employer and the employee in the individual unit having regard to the ability of the unit to bear extra cost and also having regard to the other amenities, if any, offered by that unit.

The Chamber believes that real advantage to the worker can be offered by introducing a compulsory contributory pension scheme under which every worker would get a pension every month after his retirement until his death or in lumpsum by commuting the pension.

This scheme would be of particular advantage to the workers as well as the management since there would be no inducement for extra spending as money cannot be withdrawn under the pension scheme. Moreover the premium rate is also likely to be very low and as such more money from and out of wages would be available to the workers for current expenditure.

If, however, the Members of the Committee were to recommend enhancement of the Provident Fund contribution the Chamber only desires to submit that establishments of the following nature should be exempt from the purview of the proposed increase.

(1) Establishments which have introduced or intend introducing in the near future gratuity schemes.

(2) Establishments whose net profit on capital employed (paid up capital plus reserves employed in business) is 6% or below on an average in the past five years.

(3) Establishments which have not paid any dividend and establishments which have not paid at least a minimum of 6% dividend on an average for three consecutive years in the last ten years.

(4) Establishments which find it difficult to provide for full depreciation in accordance with the Income Tax Act or set aside adequate reserves for rehabilitation of plant and machinery owing to inadequacy of surplus.



(5) Establishments which are sharing their surplus profit with the labour by way of bonus beyond two month's wages at basic rates.

(6) Establishments whose production potential is employed in the export trade to the extent of 25% or more.

(7) Establishments which are not able to use more than 50% of their installed capacity for reasons beyond their control.

(8) Establishments which have raised the emoluments of the workers by way of increase in the basic wages, salary or dearness allowance in the preceding five years, where the overall annual financial burden is more than 10% on the Wage Bill in 1959 over that of 1956.

(9) Establishments which have raised the age of retirement beyond 55 years thus giving employees an additional benefit of higher wage rates.

The Chamber hopes and trusts that the above points would receive the consideration of the Chairman and Members of the Committee, while finalising their views in the matter.

### Technical Committee, Employees Provident Fund—Discussion with Chairman and Members

The Technical Committee, Employees Provident Fund held its sittings in Madras in the first week of January 1961. The Chamber's representatives had a discussion with the Chairman and the Members of the Technical Committee on January 9, 1961. The discussion was based on the following note and the memorandum submitted earlier :

(1) The increase from 5 % to 8 % in the contribution of the Provident Fund by Companies which automatically causes a rise of 32 % in the total provision now being made by each individual concern is likely to impose a serious strain on the financial resources of almost all the concerns that will be called upon to bear this extra burden and particularly those whose earnings are not high. The proposed rise may appear to be very modest when taken as an isolated item but it is likely to adversely affect the future progress of the industry when it is taken into account along with other increases which are now taking place and which are likely to take place in the future.

(2) Provident Fund has no relation to the capacity to bear.

(3) The fixation of prices of Tariff Board and of wages by the Wage Boards will have to be revised in the light of this increase. But there may be a limitation to this revision having regard to consumers interest.

(4) If Proivdent Fund is increased industrywise, units that have diversified activities suffer to a great extent than others, as workers in all units will claim the increase.

(5) Provident Fund is uniform. If Companies have several units in different regions, the incidence of Provident Fund is likely to be heavier on these units than those that have factories in one region.

(6) It becomes discriminatory if it is introduced only in some industries and not in all.

(7) There are proposals for introduction of schemes for compulsory gratuity and for extending benefits to family members of the workers under E.S.I.S. and also re-fix wages by Wage Boards.

(8) There may be a danger that the employers may be inclined to cut the benefits that are now given on a voluntary basis if this is increased. Further this will also add to the inflation by increase in cost. The introduction of welfare measures piecemeal is not only having a very adverse cumulative effect on industry, but is also inducing the labour to constantly put forward an ever-increasing list of demands, which only accentuate the inflationary pressure in the country.

(9) The number of workers employed in new industrial undertakings is becoming less and less, when compared with old units in the same industry owing to installation of modern and automatic machines and introduction of labour saving devices. The introduction of uniform increase is likely to work adversely against units having larger number of workers.

(10) There appears to be a general tendency for conferring ever increasing benefits to workers, either voluntarily or compulsorily without taking into account any relationship between these increasing imposts and to productivity or to the capacity of the industry.

(11) As a result of ever increasing expenditure on labour accounts, and as it is becoming unpredictable in its incidence, there may be an increasing tendecny on the part of employers to restrict the strength of workers to the minimum which in the long run may have an adverse influence over the problem of providing employment to the maximum number of people in the country.

(12) It may therefore be advisable for the Government to consider the introduction of all welfare schemes at one stage, and not to consider any other measures for a stated period, unless something unforeseen happens. Further, if the Government can also consider a scheme whereby an employer can pay a certain fixed percentage of wage paid to a worker to the Government for the implementation of all welfare schemes, it may be of advantage to the employees as well as the employers.

Sri Jayanthilal P. Sanghrajka, Vice-President of the Chamber, Sri J. V. Somayajulu, former President and Sri M. S. Sambasivam, Secretary of the Chamber represented the Chamber at the meeting.



### Labour and Management Sub-Committee

At the inaugural meeting of the Labour and Management Sub-Committee of the Chamber held on December 14, 1961 with Sri S. Venkatarangam, President in the Chair, Sri V. Sethuram, Madras, was elected as the Chairman of the Sub-Committee. The Sub-Committee reviewed the working of the Andhra Chamber of Commerce Employment Assistance Bureau and decided that information relating to th Bureau should be circulated among the members of the Chamber and that information regarding registration and placement should be published in the Information Bulletin of the Chamber once a month. Sri Jayantilal P. Sanghrajka, Vice-Prrsident suggested that the Sub-Committee should consider ways and means of assocciating experts on Labour Law with the Sub-Committee and also give advise to members on Labour problems. He also suggested that the Sub-Committee should explore the feasibility of enrolling advocates specialised in labour law as Honorary Advisers and members of the Sub-Committee and make their service available to the members to handle their labour problems. It was decided that this subject should be discussed in detail at a subsequent meeting of the Sub-Committee.

### Survey of Labour Conditions

The Director, Labour Bureau, Simla, informed the Chamber that the field staff of the Bureau would be conducting a survey of labour conditions in the following industries: Cement,Sugar, Tea, Coffee and Rubber Plantations, Railway Workshops Bicycles, Aircraft Building and Repairing, Textile Machinery and Accessories, Shipbuilding and Repairing, Electrical Machinery and Manufacture and Repair of Motor Vehicles. It was stated that the information collected by them in connection with the survey will be kept confidential, and the data, when published will be presented in such a manner that it will not disclose the identity of any establishment. Members were requested to extend their co-operation to the field staff of the labour bureau when they visited their factories.

## TRANSPORT AND COMMUNICATIONS

### Discussion with Divisional Superintendent, Southern Railway, Madras

Sri S. Rajagopalan, Divisional Superintendent, Southern Railway, visited the Chamber on June 9, 1961. The following memorandum of points was presented him on the occasion:

CLAIMS:

It is stated there is considerable delay in the settlement of claims. The Chamber requests that the claim applications may be disposed of expeditiously.

There is a claim made some time in October, 1960 for refund of undercharges wrongly collected. The claim is yet to be settled. There appear to be claims pending nearly for one year.

UNLOADING OF TIMBER WAGONS AFTER 5 P.M.:

It was represented on earlier occasions by the Chamber and members in the timber trade that timber wagons are placed for unloading after 5 p.m. or 6 p.m. and that the consignees are expected to unload the same within six hours after intimation to avoid demurrage. In view of the special nature of the goods to be unloaded it was suggested that the wagons should be placed for unloading early in the day and that the same should be communicated to the consignees before 2 p.m. In the case of wagons placed after 5 p.m. the consignees may be permitted to unload the wagons on the next morning without payment of any demurrage.

In the alternative it was suggested that the department may undertake to unload whenever the wagons arrived and charge the consignee for service rendered. While the last suggestion did not find favour with the authorities the trade was assured that as far as possible wagons would be placed for unloading before 5 p.m. Since the Chamber learns that even now many consignments are being placed for unloading after 5 p.m. it is requested that necessary instructions may be issued in this regard.

INFORMATION ABOUT ARRIVAL OF WAGONS:

Information about arrival of wagons may be furnished to the consignees over the telephone wherever the consignees are available on the telephone. The Chamber feels that this is necessary in the interest of the railways and the consignees and also to facilitate the quick release of wagons.

OVERCHARGING OF ALUMINIUM CONSIGNMENTS:

A member firm is getting several consignments of aluminium sheets and round sheets from Belur Scrap Yard, Calcutta to Royapuram. On these consignments undercharge in freight is being collected invariably. The member firm has sought clarification as to the exact rate of freight payable to avoid payment of surcharge and the consequent need for prefering claims every time. The Chamber learns that the exact rate has not been intimated as yet to the party. It is suggested that in these matters information should be furnished to the parties without any delay.

SUNDRY BOOKING AT MADRAS EGMORE:

The Chamber requested that sundry booking may be resumed at Madras Egmore to facilitate the businessmen having their office beyond Egmore. The Divisional Superintendent stated that the question was being examined and a decision would be taken in this regard early. Even though it is nearly a year sundry booking has not been resumed. The Chamber requests once again that sundry booking may be resumed at Madras Egmore.

COLLECTION OF DEMURRAGE:

A wagon containing heavy steel plates was placed in an inconvenient position in Salt Cotaurs for unloading. Even though the consignee removed the steel plates from the wagon and placed them between the wagon and the wall near which the wagon was placed he could not remove the plates from that position as the plates in question were heavy and there was no space in between for the coolies to enter and remove the goods. The plates could be removed from the goods yard only when the wagon was removed from that position. It is stated that the concerned member firm has been asked to pay demurrage by the Goods Agent at Salt Cotaurs on the ground that the goods in question had not been removed from the railway premises. The Chamber feels that when the consignee was not in a position to remove the goods for reasons beyond his control it would be unfair to claim any demurrage. The Goods Agent could have placed the wagon in such a position as to facilitate the early removal of the goods. The Chamber requests firstly wagons should be placed in convenient positions to facilitate unloading and secondly demurrage should not be collected in cases of the above nature where the consignees were unable to remove the goods due to causes beyond their control.



SUB-WAY AT HIGH COURT LEVEL CROSSING:

Members of the business community who have to go to the Port Trust, Reserve Bank of India and Secretariat have been experiencing difficulty due to the level crossing behind the High Court being cloased frequently. The question of having a sub-way or overbridge is pending for a long time and the Chamber would like to be enlightened as to how soon the work would be taken up. The Chamber also requests that all the concerned authorities may be moved to take up the work at the earliest in the interest of the general public.

TICKETLESS TRAVEL:

When we see in most of the trains and particularly in the suburban trains a large number of beggars and a number of people permanently sitting in the station platform and waiting rooms, we feel that the check on ticketless tarvel is not effective. In addition the number of incidents endangering safety of person and property also indicates that there is no effective check on persons who enter the platforms and the trains and those that leave them. The Chamber feels that if such effective measures are taken the railways would be saving a lot of money which is otherwise being lost. In addition the beggar nuisance, pilferage, theft and other nuisance would also be eradicated to a great extent. This would also relieve overcrowding in trains to a certain extent.

CLOAK ROOM FACILITY AT MADRAS CENTRAL:

The Cloak room facility at Madras Central, it is stated, is not adequate and on most of the days many passengers are not able to have cloak room facility since the cloak rooms are fully occupied. The Chamber suggests that the capacity of the cloak room may be increased.

It is a common feature to see the upper class waiting rooms in many stations and particularly in the suburban sections being occupied by Third Class passengers and also by ticketless passengers. It is suggested that a board should be displayed that the waiting rooms are intended for upper class passengers and measures should be taken to enforce the same.

IRON AND STEEL CONSIGNMENTS—SHORTAGES :

Iron and steel materials are invariably loaded by senders under " said to contain receipts ". The Chamber learns that consignments coming from Calcutta and Bhadra ravathi are invariably received with certain shortages. The consignors reject the claim stating that they have loaded the goods properly while Railways repudiate the claim on the ground that the goods were booked under " said to contain receipts ". The Chamber requests that arrangements may be made for booking the goods only unde clear railway receipts.

PROVISION OF THROUGH CARRIAGE FROM MADRAS TO AHMEDABAD IN THE BOMBAY MAIL AND EXPRESS :

Passengers who are bound for places beyond Bombay such as Ahmedabad find it difficult due to absence of a through carriage from Madras to Ahmedabad by Bombay Mail and Express. Passengers for Ahmedabad from Madras are at present forced to stay at Bombay till they can get accommodation. The Chamber suggests that a through carriage may be provided to Ahmedabad from Madras in the Bombay Mail and Bombay Express.

Sri V. Emberumanar Chetty, President of the Chamber welcoming Sri Rajagopalan said that settlement of claims was one of the problems facing the businessmen and very often the disposal of claims was unduly delayed. In many cases claims were repudiated on the ground that the Railways were acting as bailee. Referring to the the Amendment Bill to the Railway Act which is before the Parliament he hoped, that much of the difficulties experienced in this regard would not be there since the Railways would then accept responsibility as common carriers. He also referred to the difficulties businessmen and the consuming public were undergoing in South India due to non-allotment of wagons for movement of rice. pulses, paper, board, stationery and other items. He urged that the divisional authorities should take up the matter with the appropriate Railways and see that the wagon requirements of this area were net. He said that this would incidentally augment the wagon supply position in the Madras area for movement of other goods also.

Replying to the Memorandum of points Sri Rajagopalan, said that the Railways would be prepared to waive any demurrage if it was proved that the consignees were unable to remove the goods due to causes beyond their control. He said that the cloak room facility at Madras Central was being expanded to meet the increasing demand. As regards Sundry Booking at Madras Egmore he said that after an examination of the traffic potential at Egmore he said the question of opening sundry booking has been dropped. As far as as the question of giving information about the arrival of wagons



was concerned Sri Rajagopalan and that the officials at the goodshed had instructions to give intimation to the consignees who were on the telephone. The Railways were endeavouring their best in the matter of ticketless travel and nuisance by posting a number of ticket examiners, flying squads and also mobile courts and the co-operation of the public was very essential in handling this problem effectively.

Sri P. A. Padmanabha Gupta proposed a vote of thanks.

**Rest House for Deck Passengers.**

A scheme estimated to cost about Rs. 8 lakhs for the construction of a rest house with all amenities and sufficient to accommodate 500 deck passengers to afford protection from touts and unscrupulous persons was considered on November 15, 1961 at a meeting of the Deck Passengers Welfare Committee. Capt. S. K. Kumarhia, Principal Officer, Mercantile Marine Department and Chairman of the Committee presided over the meeting held at the Seafarers' Club, North Beach Road. As the Scheme was part of a long-range programme for the welfare of deck passengers, it was decided, pending implementation of the scheme, that a rented building be taken up to serve as a rest house. It was proposed to provide in the building skeleton offices of each of the departments connected with deck passengers and arrange to sell tickets to them in the rest house itself. A vaccination centre to enable them to get international health certificates free of charge was also proposed to be established. The Chamber was represented at the meeting by the President, Sri S. Venkatarangam.

**Better Utilisation of Wagon Space.**

Sri J. B. Rao, Chief Commercial Superintendent, Southern Railway, Madras, in a communication to the Chamber stated as under: " A country-wide campaign is being launched to ensure better utilisation of wagon space on Railways so that the available resources of Railways are put to the best use in carrying traffic. The co-operation of the trading public is necessary to make this campaign a success. Merchants and traders are requested to load in every wagon upto the maximum extent that the wagon can take. At present the full wagon space is not being made use of. If one ton extra per wagon in the average starting load can be achieved, Railways will be able to carry 5% more traffic than they are carrying now with the same number of wagons. About 6 million tons more of traffic can be carried with the same number of wagons if this ' one ton more per wagon ' can be achieved. Railway staff have been specially instructed to concentrate on full utilisation of wagon space at transhipment sheds, repacking sheds and at all loading points. It is hoped that the co-operation of the members of your Chamber will be forthcoming in full in this concerted endeavour ". Members were requested to extend their co-operation in this endeavour.

**Packing of Cotton Piecegoods.**

The General Manager, Southern Railway, Commercial Branch, Madras, in a communication to the Chamber stated as under : " You may be aware of the fact that bales of piecegoods get unconnected at Railway Stations because of their private and railway markings becoming faded or indecipherable or getting rubbed of. Consequently, it becomes difficult even after opening them to connect and deliver these bales at destination. To obviate this difficulty, it is requested that senders may please be directed to place inside the bales one or two packing slips, furnishing the following particulars: (i) Sender's name; (ii) From and to Stations; (iii) Consignee's name and (iv) Bale No. This arrangement, it is felt, would certainly enable the Administration to connect and deliver the bales by means of the address of the consignee shown in the slip whenever they get unconnected. It shall be obliged if you will please address the members". Members were advised to take note of the above instructions and extend their co-operation to the Railways.

### Introduction of Road Railer on Indian Railways.

The General Manager, Southern Railway, Madras in a communication addressed to the Chamber on August 5, 1961 stated as under:

"One of the recent developments in countries abroad is the provision of Road Railers, i.e., vehicles that could be hauled along a concrete road as also on steel rails. A copy of an extract from "The Economist" of September 1960 is enclosed herewith.

Perhaps some of your constituents may be interested in this mode of transport. Could you kindly let me know early whether any of your constituents will be interested to offer traffic in this mode of transport and also let me have their views in the matter."

The enclosure to the above communication read as under:

"A vehicle that could be hauled just as easily along a concrete road as along a steel rail has long been a cherished dream of transport operators. It would be able to combine the flexibility and door-to-door service of the lorry with the cheapness and speed of the rail trunk haul and most of all, it would eliminate the cost and time involved in transhipment from one form of transport to the other thereby saving elaborate packing and lessening the risk of damage as well. Previous attempts to design such a vehicle have generally taken the form of adapting what was basically a rail vehicle for use on the road. Few have been technically successful and none a commercial proposition. The containers that the railways are using are a kind of common road and rail carrier, but they are suitable for certain traffics only and, since they still require terminal handling, they do not achieve the full possibilities of complete road-rail interchangeability.

The "roadrailer" that has now been developed in association by the Chesapeake and Ohio Railroad in the United States and in Britain by British Railways' Eastern Region and the Pressed Steel Company may however do so. It is based, not upon a railway wagon, but upon ordinary type of road semi-trailer. It is duel fitted with a set of road wheels and set of rail wheels, both mounted at the rear of the vehicle, and a drawbar coupling in front. On the road it can be hauled by any standard type of



articulated road tractor and on the railway by any locomotive drawing a simple "adapter bogie" that has rail buffers and coupling gear at one end and a drawbar socket at the other. It has two braking systems, vacuum-operated disc brakes for rail operations and air brakes for use on the road.

Changing the wheels over on this roadrail vehicle is rather like retracting an aircraft undercarriage; the process if performed by a six h. p. pneumatic motor already on the vehicle and fed by any portable air compressor, and takes about twenty seconds. To make up a full train load of upto 40 of these roadrailers takes not much longer; they are placed in position on a stretch of rail-level concrete by the road tractor, forward landing wheels are temporarily lowered the rear undercarriage changed over and their drawbars connected so that each roadrailer rides partly on its own rear wheels and partly on the vehicle in front.

The C. & O. Railroad put seven prototype roadrailers into service last year and has now invited tenders for seventy more. British Railways, with two prototypes successfully through road and rail tests, is now considering how many to order from pressed steel, which own the British patent rights jointly with the Transport Commission. The price of each roadrailer will depend largely upon the quantity made, but at the rather high figure of about £3,000 each that the Railways assumed for commercial planning (based upon small-scale production) British Railways recken they could cut many of their merchandise rates by as much as a third and offer over-night delivery between most industrial points in Britain. In larger production (there are export possibilities) the cost of a road-railer should not be much higher than a comparable road semi-trailer. Though the ratio of payload to tare weight is slightly lower than with a similar road vehicle, the considerably lower overall haulage costs of the road-railer in comparison with conventional road and rail transport appear to offer the railways a good chance of winning back some of the long-distance freight that they have lost to the roads.

The Chamber issued a circular to the members to find out their interest in the roadrailers. The Chamber later communicated the names of interested members to Railway authorities.

### Location of Industries.

The General Manager, Southern Railway, Madras in a communication addressed to the Chamber on January 11, 1961 stated that it was desirable to consult the Railway Administration before the site for the location of any industry was decided upon in case Railway siding was required to serve the new industry. The Chief Commercial Superintendent of the Southern Railway should be contacted in the first instance. He stated that the Chief Commercial Superintendent would take necessary action and advise the applicants. Members of the Chamber were advised accordingly.

## MISCELLANEOUS.

### Annual General Meeting of the Chamber.

The 33rd Annual General Meeting of the Andhra Chamber of Commerce was held on June 22, 1961, at the Memorial Hall, Park Town, Madras-3. Hon'ble Dr. P. Subbaroyan, Union Minister for Transport and Communications inaugurated the meeting. A large number of officials, members and non-members and representatives of various organisations were present on the occasion. After tea, Sri V. Emberumanar Chetty, the outgoing President of the Chamber delivered the Presidential Address. Sri V. Emberumanar Chetty in his address observed thus:

HON'BLE DR. SUBBAROYAN, DISTINGUISHED GUESTS AND MEMBERS OF THE ANDHRA CHAMBER OF COMMERCE:

I deem it a great privilege and pleasure to extend a very hearty welcome to all of you on the occasion of the 33rd Annual General Meeting of the Andhra Chamber of Commerce. On behalf of the members of the Chamber and on my own behalf I extend a very warm welcome to the Hon'ble Dr. Subbaroyan to our Chamber this evening and express our most grateful thanks to him for accepting our invitation to inaugurate the proceedings of our Annual General Meeting.

It may be presumptuous on my part if I make an attempt to introduce our distinguished guest to this gathering, as he had been a very well-known and popular personality in Madras for over three decades. Dr. Subbaroyan's life has been full of useful and meritorious service to the country. He has filled almost all the important positions in the State as well as in the Centre with great dignity and distinction. He played a very notable part in many walks of life and devoted his whole life for the political advancement of our country and his interest in sport has made for popularity. We are therefore particularly happy to have him in our midst today to participate in our annual function. While expressing our great admiration and keen appreciation to our distinguished guest for the very useful and important work he is now doing in reorientating the various public utility services under his portfolio and in promoting a greater harmony between the different sections of our people, we pray for his long life and prosperity so that his services which have been always marked by great wisdom and mature judgment, may be available to our country for many years to come.

This is not merely a formal occasion at which I am called upon to describe the events of the past year or the prospects of the future. Between this year and the past we have seen many important changes in the realm of international politics. In spite of political unrest in many a country, I firmly believe that the chances of any major disturbance of international peace are very remote. It is a matter for gratification that our country under the inspiring guidance of our revered Prime Minister continues to play a prominent part in the promotion of international peace. Though we are not happy over the situation on our northern borders I fervently hope that our neighbours will appreciate the spirit of co-operation and friendliness shown by our Prime Minister and pave the way for solving all outstanding problems. Though the Goan problem is still eluding solution I feel sure the events in her different colonies would convince the Government of Portugal that it would be futile to cling to any foreign pocket in India and make her relinquish her hold with grace at least now.



On the economic front the creation of the European Common Market and the Association of the United Kingdom with the former, have been causing apprehension in the minds of the members of the Commonwealth. However, the willing and generous response of the Aid India Club to contribute over Rs, 2,000 crores towards the Third Five-Year Plan is indeed a source of inspiration and encouragement. This is not merely a sign of the economic stability of India or of the confidence reposed in her by different countries; but it is a sure indication of the goodwill enjoyed by our country.

You were good enough, Sir, to assure the business community only a few days ago that Government would see that no bottlenecks in transport occurred. Industrialists, traders and the public continue to experience hardships due to difficult transport position. Manufacturers find it difficult to get wagons for bringing raw materials and fuel to their factories and despatch finished goods to port towns and consuming centres. There have also been occasions where industries had to close down for want of fuel and raw materials. The existing industrial capacity could not be fully put to use in many cases due to non-availability of certain essential items caused by transport bottlenecks. Even essential articles like rice and pulses could not be moved for months with the result there has been a spurt in price in the consuming market. Adequate supply of wagons for movement of rice from Andhra would contribute a good deal for stabilisation of price level for rice in many centres of our country. South India depends on the north for the supply of many items such as timber, paper, boards, stationery and people here are experiencing a great hardship due to non-allotment of wagons for movement of these items. While Railway authorities at the other end insist that the difficulty was with the receiving centre the latter squarely put the blame on the former. It is therefore necessary that greater attention should be paid to allotment of wagons in a more rationalised way so that a balanced movement in all spheres would go on. Rationalisation of transport services is an essential reqiusite not only for achieving the targets of production but also for stabilising the price level of all essential raw materials and consumer goods. In fact the success of our plans depend a good deal on our having an efficient transport system and I hope that Dr. Subbaroyan with his vast knowledge and large administrative experience would improve the transport system of our country so as to make our economic planning a great success. While planning for increasing the capacity by additional investment I believe the capacity can be increased by greater efficiency also. The average speed of the goods trains can be increased and even if we return to the speed maintained a decade ago we would have increased our transport capacity.

The classification of goods providing for owners risk and railway risk and the tendency of the Railways to disclaim responsibility for shortages or pilferage on the plea that the Railways are in the position of a bailee have all been causing untold hardship to the business community. I am glad, the Government have come forward with an amending bill whereby Railways accept responsibility as common carriers. With the passing of this legislative measure I believe much of the pilferage and loss would be eliminated. At any rate, the Railway administration would be compelled to tone up the watch and ward and other machinery, as otherwise it would have to part with sizable amounts by way of claims.

In the matter of shipping, road transport and inland waterways the provision made in the third plan needs to be substantially revised having regard to our requirements. When the economic development in the country which is taking place at an accelerated pace demands increased transport requirements, it is highly essential that we plan not only to meet the present demand, but of the future demand as well.

By the end of the Third Five-Year Plan the Indian Railways are expected to carry goods traffic to the extent of about 235 million tons as against 162 million tons in 1960-61. Leaving aside our doubts as to the fulfilment of this target based on our experience during the second plan, I wish to say that even the targeted figure is far short of our actual requirements and there will be untold hardship if efforts are not made to strengthen alternate modes of transport to meet the demand. While the private sector is given the task of expanding road transport it is a matter for regret that road transport has become a complicated business due to Governmental regulations, procedures and a series of licences and taxes. If the private sector were to contribute its share in meeting the transport requirements, it is not only necessary that incentive should be given by way of reduced taxation but the formalities and procedures should be minimised. Above all the threat of nationalisation which is hanging like a Damocles' sword should be eliminated by means of a categorical policy statement. There have been talks on simplification of tax collection and licensing of inter-State transport and suggestions have been made for collection of a single tax to be divided among the different States concerned. I hope the talks would bear fruit and we can foresee in the not distant future many of the difficulties of our road transport operators eliminated.

Inland waterways play an important role in providing an alternate mode of transport in relieving the pressure on the other forms of transport. In South, the Godavari, Krishna and Eluru Canal systems combined with the Buckingham Canal offer navigational facility right from East Godavari to South Arcot. The Buckingham Canal should be deepened and widened and linked with Madras Harbour and with Adyar and Cooum rivers and canals. I request you to take up the improvement of waterways in South India at the earliest not only because the outlay involved will be small



compared to investment on railways but also the congestion on the north-eastern line of the Southern Railway would be relieved to a very great extent.

In the matter of relieving congestion in railways, development of minor ports and encouragement of sailing vessels traffic and coastal shipping is of considerable importance. The allotment for minor ports in the second plan as also the third plan is not adequate. While appreciating the efforts of the Government in this regard, I request the Hon'ble Minister to recommend special grants for development of Kakinada and Masulipatam and Vadarevu as all weather and all time ports. Simultaneously Government should make use of minor ports and sailing vessels traffic for the movement of Government stores and imported foodgrains to different centres.

While dealing with the problem of transport permit me, Sir, to say a few words about civil air transport. Air transport in India is becoming costlier day by day even though one would naturally expect the cost of fare to come down with increase in the volume of traffic. You have mentioned the other day that this increase had become inevitable on account of increase in staff salaries and introduction of Viscount Aircraft. Air transport today serves a very small fraction of the people and if air transport should become more popular and give more return, I believe the Indian Air Lines should develop their cargo traffic so that the same can help to maintain passenger fares at reasonable levels. As a matter of convenience to passengers and a source of additional traffic to their air lines I feel that Indian Air Lines should encourage running of feeder services between interior centres with trunk services. I believe such a link up of towns like Bezwada, Guntur, Tanjore and Tuticorin with centres on trunk services would be of immense benefit to the business community and even to the Government themselves. Their role in facilitating speedy postal transmission would also be a point in favour of the proposal.

While we are glad on the one side over the general development of postal, telegraph and telephone facilities we are concerned about the inadequate telephone facilities in urban areas and over the rise in telephone rates. When we hear that the P. & T. Department is being maintained in a commercial basis we not only expect it to pool its surplus profits for developmental activity, after contributing to the general revenues, but we also expect the department to work like a commercial undertaking. It is indeed surprising to find the Public Accounts Committee remark that the amount defalcated or loss of public money incurred during 1960 was the heaviest so far recorded in the P. & T. Department and the employees of the department were responsible for a high proportion of such losses. It has also expressed concern over the way in which postal stores were purchased and maintained. I only feel as the Committee has rightly mentioned that the P. & T. Department with a net work of offices having thousands of transactions involving cash should enforce strict compliance with rules, regulations, supervision and check. Purchase of equipment after proper testing, collection of all dues greater vigilance and timely disciplinary action against erring employees not only with a view to safeguarding the financial interests of the Government but also the integrity of services should go to raise the revenues. I am also of the view that along side developmental work to increase capacity as regards telephones, effective measures should be taken to utilise the existing capacity to the maximum possible extent and to increase the number of the existing services to the public and at the same time realise a substantially higher revenues. There is at present a heavy backlog of telephone connections and large number of applicants are on the waiting list. I hope that speedy measures would be taken to deal with the waiting list and also provide for future demand.

While it is gratifying to note that we have the assurance of the Finance Minister that steps would be taken during the Third Plan period to stabilise prices of necessities of life such as food and cloth, the public at large are greatly concerned over the rise in prices. The All-India general index of wholesale prices (with 1952-53 as the base) reveals that the index figure which was at 112.1 in 1958-59 has gone up to 118.7 in 1959-60 and 127.5 in 1960-61. The rise is not attributable to any sinlge group of article and it is visible in food, industrial raw materials, tobacco, fuel, power, intermediate and finished products.

The Planning Commission, while uttering a warning about the possibilities of a rise in prices during the Third Five-Year Plan have urged the creation of elaborate machinery to control and regulate the prices of essential commodities and raw materials. They envisage extensive licensing, regulation of trade, strict controls and physcial allocation and to achieve the desired objectives they also desire to strengthen the public and co-operative distribution agencies as against the private distribution agencies. With all the checks and balances the Planning Commission have stated that serious increases in prices cannot be entirely eliminated.

The farmer must be assured of a reasonable return and the consumer also must at the same time be enabled to obtain his requirements at a reasonable price. The success of the plan would depend on our ability to strike a harmonious mean in fixing the prices for farm produce. Though control over distribution and prices would afford temporary relief it can never be a substitute for a balanced plan where supply and demand and prices would adjust themselves.

It is some what paradoxical to find that new units are being licensed to state manufacture when existing units are not producing to their full capacity. A large gap exists between actual production and installed capacity in as many as 85% of the industries in our country. It is imperative that efforts should be made to utilise the entire installed capacity. Further there is an equally urgent need to increase the level of productivity in agriculture as well. When international trade was becoming complicated with the conclusion of Common Market and Free Trade Agreements, our success in entering new markets or retaining the existing markets would largely



if not solely, depend on our ability to supply our goods at competitive rates. Again the Third Five-Year Plan envisages a large foreign exchange outlay. Leaving aside the funds India would be able to get from the Aid India Club and other friendly nations, it is assumed there would still be a gap. To meet this gap and also to meet the gap in the merchandise account, it is of utmost importance that we should step up our exports from the present level of Rs. 600 crores to about Rs. 1,000 crores annually. This calls for supreme efforts and determination on the part of the manufacturers, exporters and the Government. While the industries will have to rationalise their units, modernise techniques and increase productivity so as to reduce cost structure the Government also should come to the assistance of the trade by way of grant of relief in direct taxes in respect of profits earned on exports and also by introducing facilities for retention of foreign currency upto a certain percentage as is in vogue in certain countries. This apart, the individual exporter is faced with lot of procedures and formalities in obtaining the incentive and or the rebate and it is necessary that the procedures and formalities in this regard should be simplified. The offer of a rebate in railway freight on articles of export may increase the competitive capacity to some extent in international markets, but it cannot be a very effective measure, as it may not provide the extra incentive needed by the exporters.

It has often been mentioned in official and non-official quarters that lack of aggressive selling on our part is one of the reasons for our inability to promote our exports. But this means extensive and constant on the spot studies and promotional activity and to achieve this the businessmen will have to visit foreign countries periodically. In this regard I only wish to mention that the authorities should adopt a more liberal attitude in the grant of foreign exchange for business tours.

The Government have come forward with a bill to introduce a comprehensive Income-tax Law on the lines of the accepted recommendations of the Tyagi Committee and the Law Commission. The Bill is of considerable importance from the standpoint of the object it seeks to achieve. As there are some radical changes in the proposed bill I suggest that reasonable time should be given both before and after the Select Committee stage for businessmen to offer their views and suggestions.

The *per capita* burden of taxation as it obtains today when compared to other developed countries is decribed in certain quarters as very low by those who urge upon additional taxation to finance the plan. But they overlook the fact that the *per capita* income in those countries is by far greater than what is obtaining in India. If we in India should think of increasing the yield from direct taxation we must do something urgently to increase the present *per capita* income. Experience has shown that the private sector is today, as ever before, in a better position to create welath and increase national income and thereby increase the *per capita* income at a more rapid pace than the public sector. I therefore urge upon the Government to extend their co-operation in this national endeavour by removing the impediments in the way of private sector.

The view that there is increasing concentration of wealth tending to create monopolies and cartels appears to be gaining ground in certain quarters at present. While it will not be difficult to refute this view I only wish to add that such a concentration and monopolistic tendency is being seen in the State Trading Corporation, which though started with limited objectives in view, today threatens to engross trade in almost all branches. By means of an amendment to its Memorandum and Articles of Association, the S.T.C. seeks to enter different spheres of economic activity including banking. While striking a note of caution as to the possible repercussions on the trade, industry and banking and the employment position as a result of the expanding activities of the State Trading Corporation, I wish to emphasize that wisdom lies in S.T.C. supplementing the efforts of private trade and not supplanting it. Having regard to the promotion of internal as well as our external trade on sound and efficient lines Government should declare in clear and unambiguous terms the future role of the S.T.C. and put an end to unnecessary duplication and unequal competition.

The Planning Commission have taken cognisance of the regional disparities in economic development and have sought to correct such imbalance under the Third Five-Year Plan. While it is necessary that regional imbalance should be reduced, if not eliminated, it should be pointed out that major irrigation, industrial, electrical and other developmental projects should be located in places where the maximum benefits can be obtained with the minimum investment, in order to develop an integrated economic growth in the country as a whole. In this connection, it may be worthwhile for States in different zones to explore the possibilities of developing joint ventures, such as common power grid, joint industrial ventures and common river valley schemes. As the talks for a common power grid have already made satisfactory progress in the south zone, may I take this opportunity of suggesting to the Governments of Madras and Andhra Pradesh to take the initiative in the matter of setting up a big steel plant at a suitable and convenient site where the large and rich iron ore deposits of Andhra and lignite of Madras can be utilised to the benefit of the entire south zone? A common road transport policy, linking of rivers and canals and correct crop-planning or similar action would go a long way towards promoting an integrated economic growth. It will help to promote the political as well as the economic stability of the country.

Before I conclude it is my duty to thank you all once again for honouring this Chamber with your presence this evening.

The end of my third year of office as President enables me to look back confidently on the success of the Chamber in its own chosen sphere. It has been active in making representations, eliciting information and in helping members. We have at all times been anxious to co-operate with the Government although on certain occasions we have been compelled to adopt a critical attitude, because we are afraid that the present policies might not promote the interests which they as well as we desire to encourage. During my term of office I have tried my best to put forth the views of the Chamber before the Government at the Centre and the States and seek redress. Some of the objectives such as opening of an Industrial Museum and launching of scientific studies to examine some of the major problems of trade, commerce and industry with the help of a number of Sub-Committees and Expert Committees could not be achieved during my term of office. I am confident my successor will take these things on hand and work for the progress of all.



I am obliged to my colleagues on the Executive Committee who have extended their uniform support and co-operation throughout the term of my office. Friends, Sri S. Venkatarangam who will be heading the Executive Committee as its President needs no introduction to you. I assure him of my co-operation and I am confident that the Chamber would progress further under his able guidance.

I take this opportunity of expressing my appreciation for the efficient work put by the Secretary and staff of the Chamber. Their diligence and enthusiasm to give all that is best in them is a matter of great encouragement to me.

I thank the Press at Madras and elsewhere for the opportunities extended to us for presenting our views to the general public.

I once again sincerely thank you, Sir, for accepting our invitation. I request you to inaugurate this meeting."

During the course of his reply the Hon'ble Dr. P. Subbaroyan said that before the end of the Third Plan period the Government of India would be able to know the country's transport requirements and adjust themselves to the fourth plan so as to achieve a satisfactory position in regard to road, rail and inland transport. He said that his Ministry would try as far as it lay in its power to relieve transport bottleneck in the country.

He defended the decision to increase the fares on the Viscount and the Dakota services operated by the Indian Airlines Corporation. He said any Airline must pay its way and subsidies from the general revenues over a long period of time were not possible. The Indian Airlines Corporation had to find out ways and means of making both ends meet. Consequent on the increase in the wage bill of the Corporation the cost of operation had gone up and enhanced fares—10% in the case of Viscount and 5% in the case of Dakotas became inevitable.

Speaking about the feeder air routes Dr. Subbaroyan observed that flying clubs were unwilling to run air services as they were unprofitable. The Minister said that if the State Governments would come forward to meet part of the loss incurred in running such services, the question could be considered. It was the policy of the Government to open as many feeder routes as possible. Initially the Government proposed that flying clubs may use short feeder services with Government aid. No clubs however had come forward to do so because of various difficulties. The Indian

Airlines Corporation had now taken over this responsibility also. The Indian Airlines Corporation continued to operate some of the uneconomic routes because the State Governments meet the loss. The Government of Rajasthan had done so and therefore the services there were not suspended. Recently the Government of Andhra Pradesh had expressed its willingness to bear the losses proportionately if the feeder service was run on Hyderabad-Vijayawada-Waltair route. He expected that the services would commence after the formalities were completed.

If the Finance Ministry allowed them to acquire planes like the Vanguard, the I.A.C. would be in a better position than it was today. He also referred to the acquisition of the five Fokker Friendship aircrafts intended for routes like Calcutta-Gauhati. He said that with a limited number of planes available with the airlines the Indian Airlines Corporation was trying to expand its services as much as possible. More routes had been opened during the past three years. Services between Madurai and Madras, he was glad to say, was running smoothly and without loss.

Referring to the development of road transport he said the International Development Association had given to the Government of India a loan of Rs. 29.9 crores which would perhaps remove some of the troubles they were facing in the matter of road transport development. The loan had been given on favourable terms to be repaid over a period of 50 years. He also said the original allotment of Rs. 265 crores for development of roads had now been raised to Rs. 325 crores.

He expressed the hope that by the end of the Third Five-Year Plan they would have gone far ahead in the solution of the problem of road, rail and inland water transport. Referring to the question of nationalisation of transport Dr. Subbaroyan said the country was committed to a system of mixed economy.

In the matter of improvement of navigational facility over the Buckingham Canal, Dr. Subbaroyan said that the provision made by the Union Government had not been utilised so far by the Government of Andhra Pradesh or Madras. He said he had urged both the Governments to utilise it in a manner beneficial to the trade interests.

Referring to the criticism of some people that the two plans had been an "eye wash" Dr. Subbaroyan said people from other countries who had come here had testified to the amazing progress the country had made during the past decade. Unless foreign creditors felt sure that they could get back their money they would not lend. The advance in the country's economy had been more than the Government themselves had anticipated.

Referring to the rise in prices of essential commodities the Minister said that any regulation in the matter of price must apply not only to agricultural commodities but also to the articles used by the agriculturists.



Replying to the criticism of the Posts and Telegraphs Department, Dr. Subbaroyan said in the last 14 years the services had gone up by 500 per cent, whereas the increase in staff was grossly inadequate. When we consider the percentage of misdeamonour it was negligible, hardly 0.002 per cent. He said the country had a telephone industry and a cable factory and yet its needs had not been met. Though, they seemed to be fairly comfortable in regard to telephones, they had to double the capacity of the Indian Telephone Industry in Bangalore and even after that they find the need for another telephone factory. The country had become telephone minded and every village wanted to have a public call office.

Continuing Dr. Subbaroyan referred to the latest population figures as revealed by the census of this year. The Planning Commission which had estimated the population to rise to Rs. 40 crores and had planned accordingly had to revise the plan to suit the latest population of 43 crores. To a certain extent this came in the way of our expectations being realised, he said.

Sri Venkatarangam incoming President prosed a vote of thanks.

### Annual Session of the Federation.

The Thirty-fourth Annual Session of the Federation of Indian Chambers of Commerce and Industry was held on March 25-27, 1961 at New Delhi.

The Chamber forwarded the following resolutions for consideration by the Executive Committee of the Federation while finalising the list of resolutions to be adopted at the Annual Session :

#### Sales Tax.

The high incidence of sales tax in addition to other factors is inhibiting production while the obligations of industries as regards central taxes, labour awards, wages, etc., are uniform in all States, the varying rate of taxation in respect of one and the same industry in different States tends to place units engaged in the same industry in one State in an advantageous position over the units in other States. Added to this, the Central Sales Tax as it is constituted today is affecting inter-State transactions among dealers adversely, with the result industries in one State have to think of marketing their goods in another State. In the matter of purchases by State Governments and Statutory Bodies an anamalous situation has arisen whereby it is economical for them to buy from a supplier outside the State than from one within the State, because of the fact that the agency has to pay 1% Central Sales Tax while buying from outside the State whereas it has to pay the local tax at a higher rate when buying from a dealer within the State.

While a centralised sales-tax law under which sales tax would be collected by the Union Government and distributed to the States on the basis of the consumption and or population as may be agreed upon would be an ideal one, this Annual Session of the Federation is of the view that this may not be found acceptable to many States and it therefore urges that the following measures be taken immediately.

(*a*) to persuade the State Governments to adopt a uniform policy in the matter of exemptions and rates of tax in respect of all items in general and industrial products in particular ;

(*b*) to increase the list of items under declared goods under the Central Sales-tax ;

(*c*) to expand the list of items covered by the Additional duties of Excise Goods of Special Importance by which Sales-tax will be replaced by excise duty ;

(*d*) to induce the State Governments to give rebate of sales-tax paid at the penultimate stage of exports by exporters on production of proof ; and

(*e*) to enact a model Sales-tax Act incorporating therein the suggestions made by the representative commercial and industrial organisations in the country and induce the State Governments to revise their sales-tax rules and regulations accordingly as far as possible.

### Development of Minor Ports.

This Annual Session of the Federation of Indian Chambers of Commerce and Industry urges upon the Government of India the need to develop the medium and minor ports with a view to facilitate easy and cheap coastal traffic as also to reduce the congestion on the Railways. While expressing gratification at the efforts of the Government of India and the Planning Commission to develop some of the minor and medium ports this Annual Session of the Federation calls upon the Government of India to make effective use of the medium and minor ports for import and movement of foodgrains as it would avoid the congestion at major ports and in the Railways and at the same time provide employment opportunities in the respective port areas, give fillip to the sailing vessels traffic and ensure quicker movement of required supplies to the various points at reduced cost.

### Single Levy on Industry to Provide all Benefits to Labour

While the Federation is alive to the need to provide better facilities to labour in the shape of Provident Fund, Bonus and other benefits, it is anxious that the interests of the industry should not be ignored while imposing any additional impost. There appears to be a tendency to confer ever increasing benefits to workers either voluntarily or compulsarily without taking into account the relationship between these increasing imposts and productivity or to the capacity of the industry. The introduction of welfare measures piecemeal is not only having an adverse cumulative effect on industry, but is also inducing labour to constantly put forward ever increasing



list of demands which only accentuate the inflationary spiral. Whereas the expenditure on labour account is on the increase and whereas it is becoming unpredictable in its incidence, the Federation views with concern its adverse influence on the problem of providing employment and it therefore urges upon the Government of India to consider the introduction of a scheme whereby an employer will be called upon to pay a certain percentage of the wage paid to a worker, to the Government for the implementation of all welfare schemes, as it would be advantageous both to the employees and the employers, and it would at the same time help the employer to assess labour costs with certainty.

Sri P. Srinivasa Rao, Sri S. C. Shah and Sri R. M. Dave attended the Thirty-fourth Annual Session of the Federation of Indian Chambers of Commerce and Industry was held on March 25 to 27, 1961 at New Delhi as the delegates of the Andhra Chamber of Commerce.

Sri S. C. Shah spoke on the resolution on "Streamlining of Administrative Machinery."

The following is the text of the speech of Sri S. C. Shah :

"I have pleasure in supporting the resolution on "Streamlining of Administrative Machinery" which has been so ably moved and seconded.

The first and the second five year plans have shown us from their working that regulation and control over every sphere of economic life in the country would continue and during the third plan period, because of increased outlay and more ambitious targets, I believe businessmen will have to be prepared to face greater number of regulations and controls. While I am sure everyone of us concedes that some sort of regulation and control is inevitable in any form of planning, I only desire that all such regulations and controls should be aimed to help the plan objectives and not stifle the growth of industry and trade.

The businessman today faces controls in almost every conceivable sphere of activity. He has to keep and maintain a multitude of registers and submit ever so many returns and statements to different authorities under different regulations.

Because of the ever increasing number of rules and regulations business has become very complicated today and there is no incentive for expansion of development. Many a businessman almost finds it next to impossibility to keep track or these regulations and controls and conform to them. One has to seek the assistance of experts and lawyers to understand the implications of the various rules and regulations.

Any control or regulation should be simple and easy to adoption and should be aimed at achieving a specific end. No regulatory measure should be allowed to stifle the growth of industry and commerce.

In this context regulations and procedures regarding promotion of joint stock enterprises, capital issues, foreign collaboration, import of plant and machinery, industries licensing and registration have to be simplified to help the development of industries. The Companies Act, the Foreign Exchange Control and other measures also need simplification and liberal interpretation.

There is need for effective co-ordination between different departments with a view to promote the economic development of the country. It is not uncommon to find when one authority gives permit for purchase of a controlled raw material or fuel the businessman is faced with, the problem of moving the same for want of transport facility. When the State Department of Industries grants an essentiality certificate for import, the Import Licensing Authority rejects the same or grants a licence only for a part of the value recommended.

In the matter of promotion of exports one finds absence of urgency among the officials while handling requests for exports. It takes a long time to get a clarification from the department and strangely enough different clarifications are obtained from different offices. However this is not the case with Export Department alone. We find it in many other departments also. When a commodity is alowed to be exported from different ports requests for exports from a specific port are rejected and parties are advised to move the goods to distant ports for export or impossible conditions are imposed.

A change in attitude on the part of the officials is urgently called for. They should feel that the Government and the business community are partners in a common endeavour to promote the prosperity of the country and deal with all problems in a realistic and practical manner. They should interpret all regulations liberally having in mind the ultimate object and the spirit of regulation.

It has become imperative today that steps should be taken to streamline the administrative machinery, reduce needless restrictions as expansion would be hampered and ultimate cost of the plan and of materials would go up. I urge upon the Government and the Planning Commission through this august gathering to give their thought and attention to this aspect.

With these words I have pleasure in commending the resolution for your adoption."

Sri R. M. Dave, nominee of the Chamber was elected to the Committee of the Federation to represent Insurance interests.

**Annual Session of the Indian National Committee.**

The Thirty-second Annual Session of the Indian National Committee of the International Chamber of Commerce was held on March 26, 1961 at New Delhi. The Andhra Chamber was represented at the meeting by Sri P. Srinivasa Rao,



**101st Birthday of Dr. M. Visveswaraya.**

The Andhra Chamber celebrated the 101st Birthday of the Engineer-Statesman, Dr. M. Visveswaraya on Saturday, September 16, 1961 at the Chamber premises. Dr. P. V. Cherian, Chairman of the Madras Legislative Council presided over the function. Sri M. Bhaktavatsalam, Minister for Home and Agriculture, Government of Madras, unveiled the portrait of Dr. Visveswaraya.

Sri S. Venkatarangam, President ofthe Chamber, in his welcome address observed: "Dr. Visveswaraya, to honour whom we have gathered here this evening has completed one hundred years and has entered his 101st year today. His greatness as an Engineer, Statesman and Industrialist is indeed so immeasurable that it is hardly, necessary for me to dilate upon it. It is, however, worth recalling the various phases of his colourful and illustrative career. Commencing his life as an Assistant Engineer in Bombay State as early as 1884, Dr. Visveswaraya served as an Engineer, Special Consulting Engineer, to the Nizam, Chief Engineer to the Government of Mysore and finally as Dewan of Mysore from 1912 to 1918. He has been associated with a number of Official Commissions and Committees, the reports of all of which have evoked the highest approbation. The genius of this Grand Old Man of India has found visible expression in the numerous irrigation schemes, flood control measures, drainage and water works, town planning and rural development projects initiated by him. The Krishnarajasagar Dam, the Sukkur Barrage in Sind, the Badravathi Iron and Steel Works and the Hindusthan Aircraft are all standing monuments to his foresight and enterprise. His genius gained the recognition of the British Government when he was conferred the Knighthood and of the Government of India when he was chosen for the award of the nation's highest honour, "Bharata Ratna" in 1955 along with our revered Prime Minister, Pandit Nehru. The Prime Minister's participation in his Centenary Celebration last year was a fitting tribute to this engineer-statesman. Even as early as 1934, Dr. Visveswaraya emphasized the need for development of industries in India. In his publication "Memoirs of my working life" Dr. Visveswaraya has said: "India cannot afford to stand still and remain a planless, undeveloped country any longer. Its future safety will be imperiled unless large sections of its population become imbued with sound practical knowledge of world affairs and familiar with the latest business ideals, constructive views and creative power". It is this man who has given us the slogan "Industrialise or perish", and "Export or perish". The wisdom and foresight of Dr. Visveswaraya can well be appreciated when we see that the need of the hour is only increased productivity and export promotion. Dr. Visveswaraya in his publication "Planned Economy for India" which was released in 1934 enunciated a code of ten rules to be followed.. They are: 'Practice help; Knowledge is power; Cultivate team work; Practice thrift; Increase production and service; Support Indian Industries; Restrict Imports; Maintain Efficient Standards; Think and Act Institutionally and Think in Terms of the Nation. These rules have a trasncendent validity even after a lapse of over 26 years. In paying my humble tributes to this beloved son of India, I pray to the Almighty to bless Dr. Visveswaraya with many more years of health and happiness. Though old in years, he continues to be young in spirit and his very presence in our midst would be a source of unfailing inspiration to all of us."

Dr. Cherian, said that Dr. Visveswaraya was a pioneer in the industrial development of the country and his incessantly active disposition was an outstanding quality. Dr. Cherian als referred to the association of Dr. Visveswaraya with the Organisation like the A.I.M.O. Sri M. Bhaktavatsalam, unveiling the portrait of Dr. Visveswaraya said that the engineer-statesman had all the qualities which went to make up an out standing personality—great character, affable manners, sense of humility and arden patriotism. The Minister also recalled how Dr. Visveswaraya some twelve years ago successfully settled the difference of opinion that arose between Madras and Hyderabad Engineers on the contruction of the Tungabhadra Project. He said Dr. Visveswaraya took particular interest in the development of rural industries. He was a teacher and inspired any one who came into contact with him.

Sri V. G. S. V. Prasad, Vice-President of the Chamber proposed a vote of thanks.

### Journals and Periodicals Display.

A display of Journals and Periodicals received by the Chamber was arranged from October 10 to October 16, 1961 at the Chamber premises. The display was inaugurated by Sri S. Venkatarangam, President of the Chamber on October 10, 1961. Opening the Exhibition Sri Venkatarangam said that the Chamber was receiving as many as 300 journals and periodicals and he appealed to the members to make effective use of the Library and Reading Room of the Chamber for furthering their trade and industry. Sri N. Radhakrishnan, Chairman of the Library Sub-Committee proposed a vote of thanks.

The display which was open for a fortnight attracted a large number of members and non-members.

### Party to Sheriff of Madras.

Sri P. Suryanarayana, former President of the Chamber was appointed by the Government of Madras as the Sheriff of Madras for 1961-62. The Chamber got up a function on December 26, 1961 to felicitate Sri P. Suryanarayana.

Sri S. Venkatarangam, President of the Chamber speaking on the occasion observed:

"We have all gathered here today to felicitate, one of our active members and past President Sri P. Suryanarayana on his appointment as the Sheriff of Madras



Patnam. On behalf of you all and on my own behalf I congratulate Sri Suryanarayana on his well merited distinction and I also thank the Government of Madras for having chosen him for the high office of the Sheriff of Madras.

Sri Suryanarayana has been associated with the Andhra Chamber of Commerce for over two decades. He became a member of the Executive Committee of the Chamber in 1944-45; Vice-President in the 1950-51 and became the President in the year 1952. It was during his tenure of office as President, the Chamber celebrated its Silver Jubilee. Sri Suryanarayana has also served as a Co-opted member of the Committee of the Chamber in 1954 and 1955. The Chamber made considerable progress during his stewardship. Though Sri. Suryanarayana is not in the Executive Committee of the Chamber today his advice and guidance has always been available to us.

In the industrial development of South India Sri Suryanarayana has contributed his part. The Cotton Spinning Mills he has founded at Pudukottah and at Renigunta speak of his outstanding ability. Sri Suryanarayana, I learn is planning to set up a few more industries in this part of the country and let me hope these projects would take shape ere long and would promote a great extent towards the economic prosperity of the area.

The Chamber has utilised his services to a considerable extent in representing the case of the mercantile community to the Government and has nominated him as its representative in the past to the Corporation of Madras, the Madras Port Trust and many other bodies. The Government on their part have also recognised his services and have conferred on him many honours. I am glad he has been conferred the honour of being the Sheriff of Madras.

My joy is all the more greater because he happens to be the second of our past Presidents who have been given this honour, the first being Sri Emberumanar Chetty. Let me hope this will be the forerunner and Sri Suryanarayana will be crowned with many more honours in the coming years."

Sri Guntur Narasimha Rao and Sri J. V. Somayajulu former Presidents also felicitated Sri P. Suryanarayana on the occasion.

Sri P. Suryanarayana thanking the Chamber referred to the important role to be played by Chambers of Commerce in the present economic set up and offered his assistance to the Chamber in all its endeavours.

Sri J. V. Somayajulu proposed a vote of thanks.

## Lady Edwina Mountbatten Memorial Fund.

Representatives of the Chamber participated in a meeting convened on behalf of the Southern Regional Committee for Lady Edwina Mountbatten Memorial Fund held on July 17, 1961. Sri T. T. Krishnamachari, Chairman of the Southern Regional Committee, addressing the representatives of the business community recalled the services rendered by Earl Mountbatten of Burma and Countess Edwina Mountbatten in the cause of Indo-British Relations. Sri A. M. M. Murugappa Chettiar who welcomed the gathering offered a donation of Rs. 5,000 on his own behalf. It was stated that the all-India target for the fund was Rs. 25 lakhs, and that so far Rs. 9.13 lakhs have been collected. Madras alone has raised so far a sum of Rs. 36,672

The Fund is intended to be a permanent one and the whole corpus was going to be kept in tact. The interest earned would be utilised for Child Welfare, Nursing and St. John Ambulance, causes which were closet to the heart of the late Countess. Members of the chamber were requested to donate liberally to the above Fund. Cheques may be drawn in favour of Lady Mountbatten Memorial Fund and forwarded to the office of the Chamber for onward transmission. Donations given to this Fund are exempt from payment of Income-tax under Section 15-B/4(3) (i) of the Income-tax Act being a public charitable fund.

## Death of Sri G. B. Pant.

Hon'ble Sri Gobind Ballabh Pant, Union Minister for Home passed away on March 7, 1961. The Office of the Chamber remained closed as a mark of respect to the memory of Sri Pant.

The Committee passed a resolution condoling the death of Sri Pant.

## Death of Dr. U. Krishna Rao.

The Executive Committee of the Chamber at their meeting held on August 7, 1961 passed a resolution touching the death of Dr. U. Krishna Rao, Speaker, Madras Legislative Assembly and former Minister for Industries of the Government of Madras. The Office of the Chamber also remained closed on August 3, 1961 as a mark of respect to the memory of Dr. U. Krishna Rao.

## Death of Sri T. V. Ethirajulu Chetty.

Sri T. V. Ethirajulu Chetty, former President of the Chamber passed away on August 27, 1961 after a heart attack. Sri Ethirajulu Chetty was a life member of the Chamber. He was the Honorary Secretary of the Chamber from 1943 till 1949 when he became the Vice-President. He became the President of the Chamber in 1951.



Sri Ethirajulu Chetty represented the Chamber on a number of public bodies among which mention may be made of H.P.P. Ordinance City Advisory Committee, Cotton Cloth and Yarn Control City Advisory Committee, Excess Profit Tax, Board of Referees, Provincial Textile Advisory Committee, Madras Port Trust, State Trading Advisory Board, Madras Port Committee of the Export Advisory Council and Madras Sales Tax Advisory Committee.

The Office of the Chamber remained closed on Monday, August 28, 1961 as a mark of respect to the memory of late Sri Chetty.

The Executive Committee of the Chamber at their meeting held on September 6, 1961 expressed their profound sense of sorrow at the demise of Sri Chetty and conveyed their heart-felt condolence to the members of the bereaedv family

## Death of Sri M. V. P. Sastri.

Sri M. V. P. Sastri, a former Joint Honorary Secretary of the Chamber passed away on September 7, 1961. Sri Sastri was a member of the Executive Committee from 1943 till 1949 and he was the Joint Honorary Secretary of the Chamber in 1946-47. He also represented the Chamber on the Madras Port Trust Board in 1946-47. The Office of the Andhra Chamber of Commerce remained closed on September 7, 1961 as a mark of respect to the memory of late Sri Sastri.

The Executive Committee of the Chamber expressed their profound sense of sorrow at the demise of Sri Sastri and conveyed their heartfelt condolences to the members of the bereaved family.

## ANDHRA CHAMBER OF COMMERCE

**68-B, Rashtrapathi Road, Secunderabad (A.P.)**

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### SECUNDERABAD LOCAL ADVISORY COMMITTEE

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| CHAIRMAN : | Sri M. Harischandra Prasad, M.L.A. |
| MEMBERS : | Sri K. R. Nandagopal. |
| | Sri J. D. Italia (upto May 23, 1962). |
| | Sri Dundoo Balakrishnamurthi. |
| | Sri K. Satyanarayan Agarwal of Hyderabad Kirana Merchants' Association. |
| | Dr. Ramesh Gandhi. |
| | Sri B. Sunder Rao of Andhra Pradesh Hotels' Association. |
| | Sri Sirnam Satyanarayan Gupta. |
| | Sri P. Veereshwar Rao. |
| | Sri Tokarshi Laljee Kapadia. |
| | Sri Sureshchand. |
| | Sri K. Seethiah Guptha, M.L.A. |
| | Sri K. Mohan Reddy. |
| ASST. SECRETARY : | Sri K. P. Ramamurthy. |

29/3/94
8/7/94

## ANDHRA CHAMBER OF COMMERCE

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### Presidents—Past and Present

Late Sri Kommireddi Suryanarayanamurthi Naidu (1928—29)

Late Sri Narayandas Girdhardas (1930, 1935—43).

Late Sri P. T. Kumaraswami Chetty (1931—34).

Sri C. Seshachalam, M.A., B.L. (1944—46).

Sri N. Rama Rao, B.A., B.L. (1947).

Sri Guntur Narasimha Rao (1948—50).

Late Sri T. V. Ethirajulu Chetty, B.A. (1951).

Sri P. Suryanarayana, B.A. (1952—53).

Sri J. V. Somayajulu, M.A., B.ED. (1954—55).

Sri V. Venugopal (1956—57).

Sri V. Emberumanar Chetty (1958—60).

Sri S. Venkatarangam.