

# CEYLON *Today*

The Port Take-Over

The New Budget

Exploiting Ceylon's Iron-  
Ore

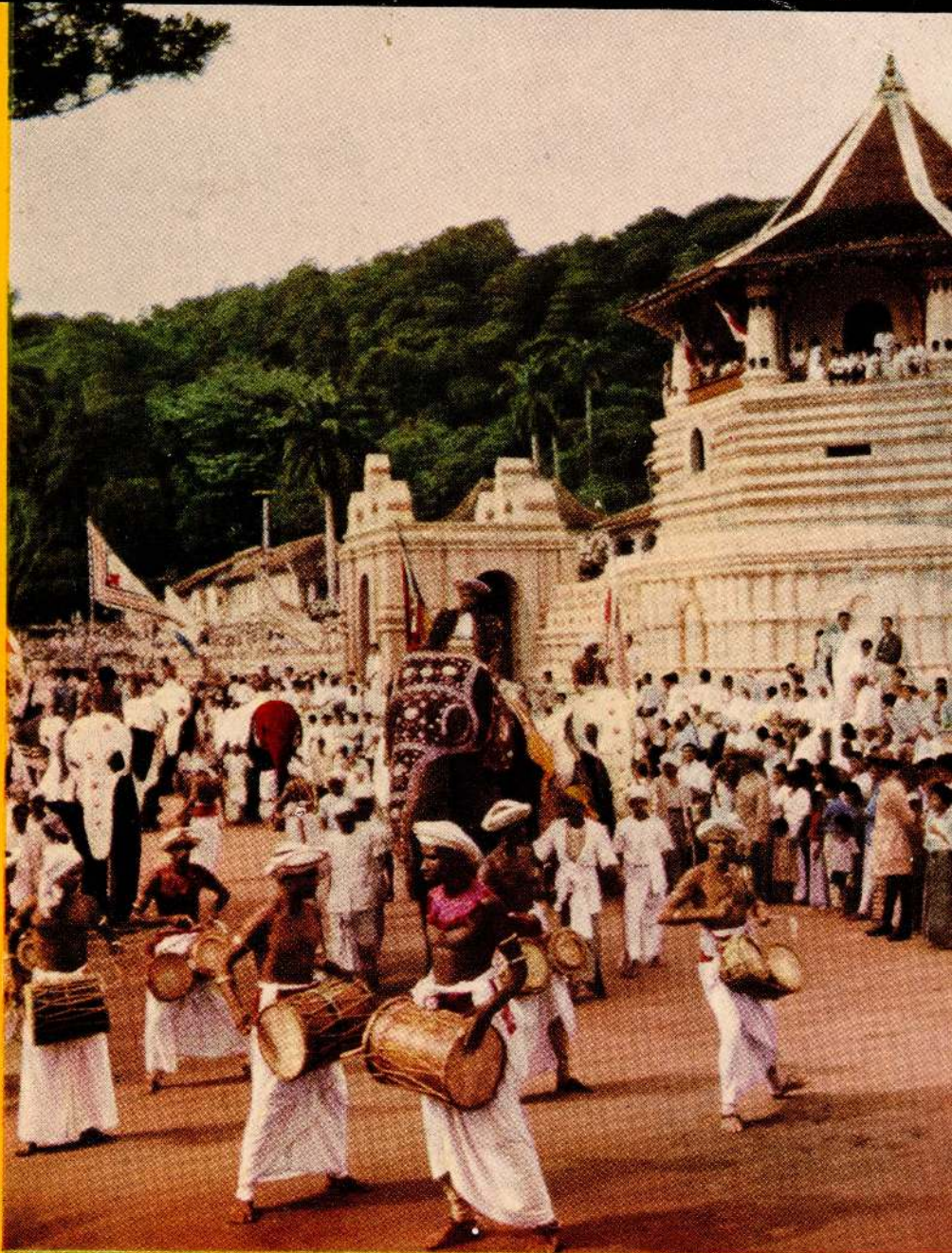
Ceylon Dancers in Rome

A Scheme for Crop  
Insurance

Industrial Achievements  
and Plans

Two Government  
Projects

*Kandy Perahera*



**AUGUST, 1958**

# CEYLON TODAY

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# CEYLON

# Today

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## The Port Take-Over

AT midnight on July 31st the Government nationalized the Cargo handling operations in the Port of Colombo. It was the fulfilment of yet another of the Government's election pledges. The Prime Minister, Mr. S. W. R. D. Bandaranaike, initiated the first cargo handling operation by working a gaily decorated crane which lifted a bag of rice.

The ceremony began amidst the beating of "magul bera" and the sounding of ships sirens. Cabinet Ministers, M. P's, Senators, Members of the Diplomatic Corps, other distinguished guests as well as thousands of harbour workers with their wives and families witnessed the ceremony at the newly built Delft Quay.

In the words of the Minister of Agriculture and Food, Mr. D. P. R. Gunawardena, it was a "wedding day" for the Port workers. The Port premises was a riot of colour from morning. Flags, banners and streamers, with red predominating, decked every warehouse and building in the premises and a festive atmosphere prevailed throughout the day. At 10 a.m. there was an alms-giving for about 500 Buddhist monks at the No. 3 Warehouse, Delft Quay. The Minister of Transport and Works, Mr. Maithripala Senanayake,

the Minister of Agriculture and Food, Mr. Philip Gunawardena, and the Minister of Local Government and Cultural Affairs, Mr. Jayaweera Kuruppu, were present at the alms-giving.

The Prime Minister, Mr. S. W. R. D. Bandaranaike, told the thousands of harbour workers assembled for the historic ceremony in the evening that if nationalization was to be a success every worker should consider himself a soldier marching in the vanguard of an army waging a war not of destruction but of construction—a war aimed at raising the standard of living of the people.

The Premier said that nationalization was not a magic wand and could not be expected to solve all the ills of the Port of Colombo. Nationalization could only be a success if there was complete co-operation between the men at the top and the men at the bottom.

Continuing, he said that it was indeed an important occasion and endorsed the view of the Minister of Agriculture and Food that it was a "wedding day" for port workers. But he reminded his listeners that the real test would come later. He said that it would make him ten times happier if he





▲ The Prime Minister, who performed the opening ceremony, speaking on the occasion



◀ The Minister of Transport and Works, Mr. Maithripala Senanayake, addressing the gathering

could take part in the first anniversary celebrations of the nationalization of the Port and see before him as large a gathering as was present on that day.

### “Wedding Day”

THE Minister of Agriculture and Food, Mr. Philip Gunawardena, said it was a wedding day in the Port of Colombo because the workers had realized a long-cherished ambition, the nationalization of the Port of Colombo.

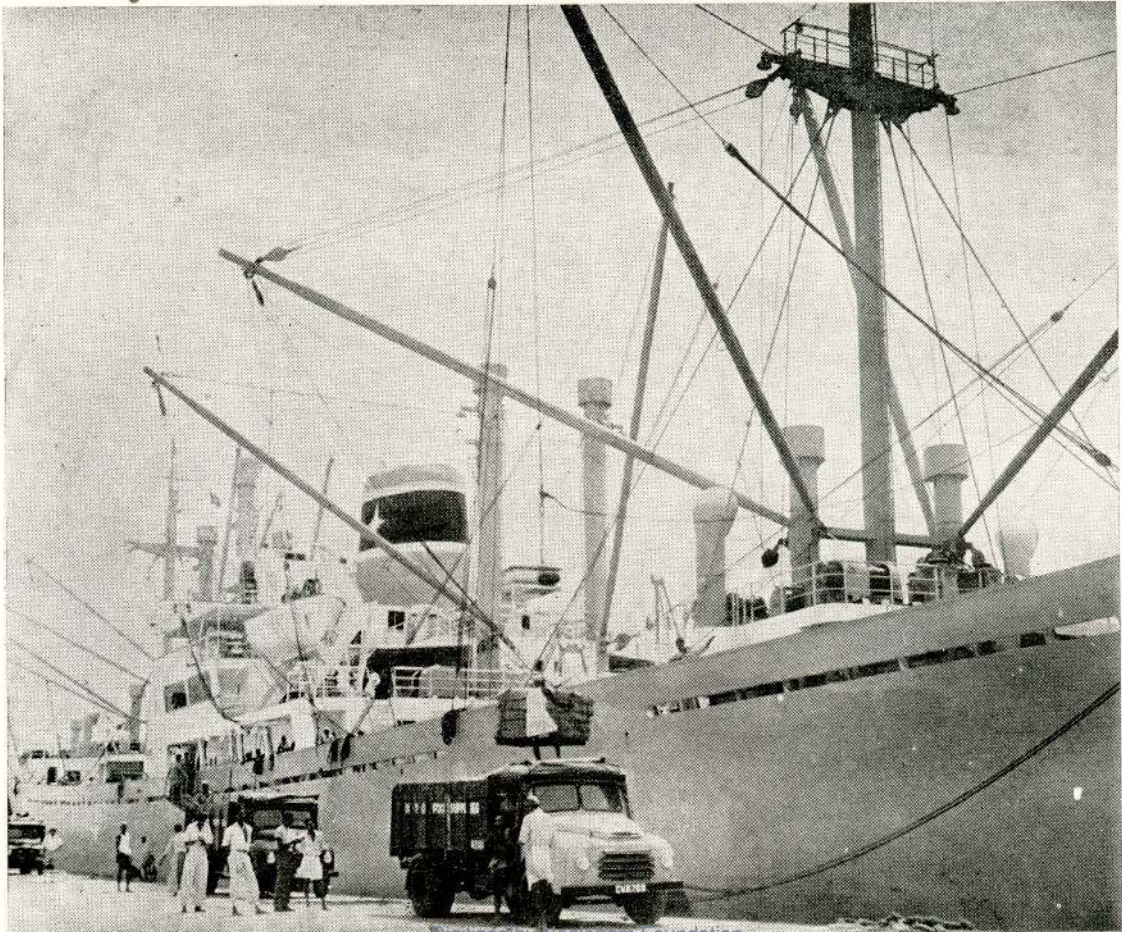
In the past there had been troubles in the Port. There had been delays. All this was not due to the fault of the workers but due to capitalist companies which had controlled cargo handling operations hitherto.



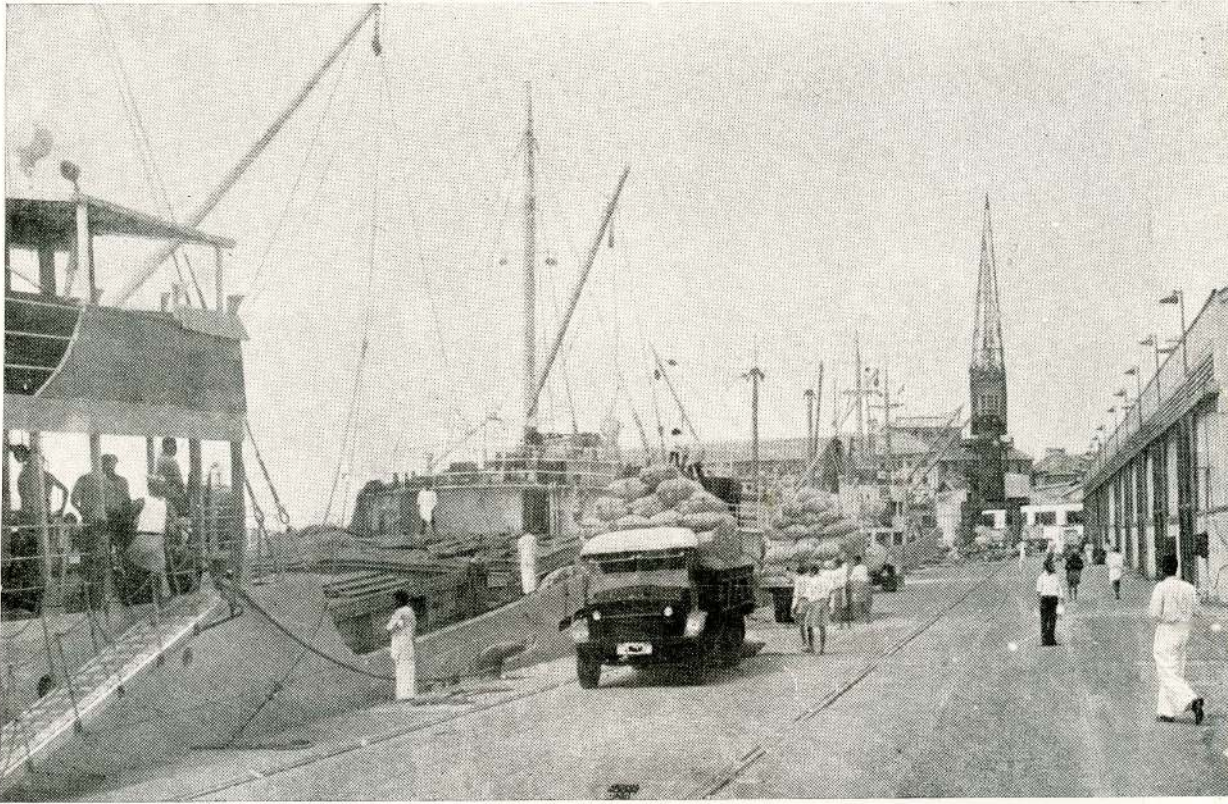


◀ The Minister of Transport and Works offering *dana* at the alms-giving, which preceded the ceremonial take-over of the cargo handling operations at the Port

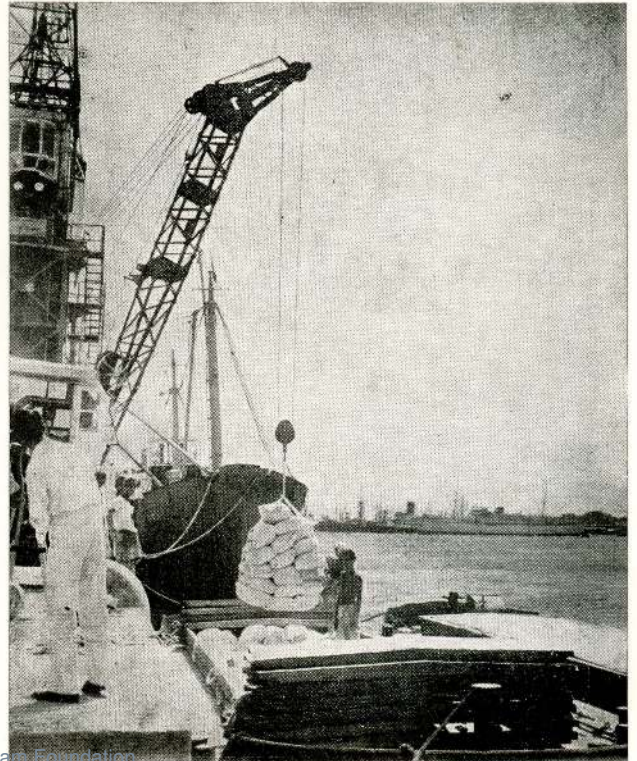
▼ Bags of rice being crash landed from a food ship into lorries







▲ Lorry loads of food cargo waiting at Queen Elizabeth Quay before being sent to various distributing centres in the Island

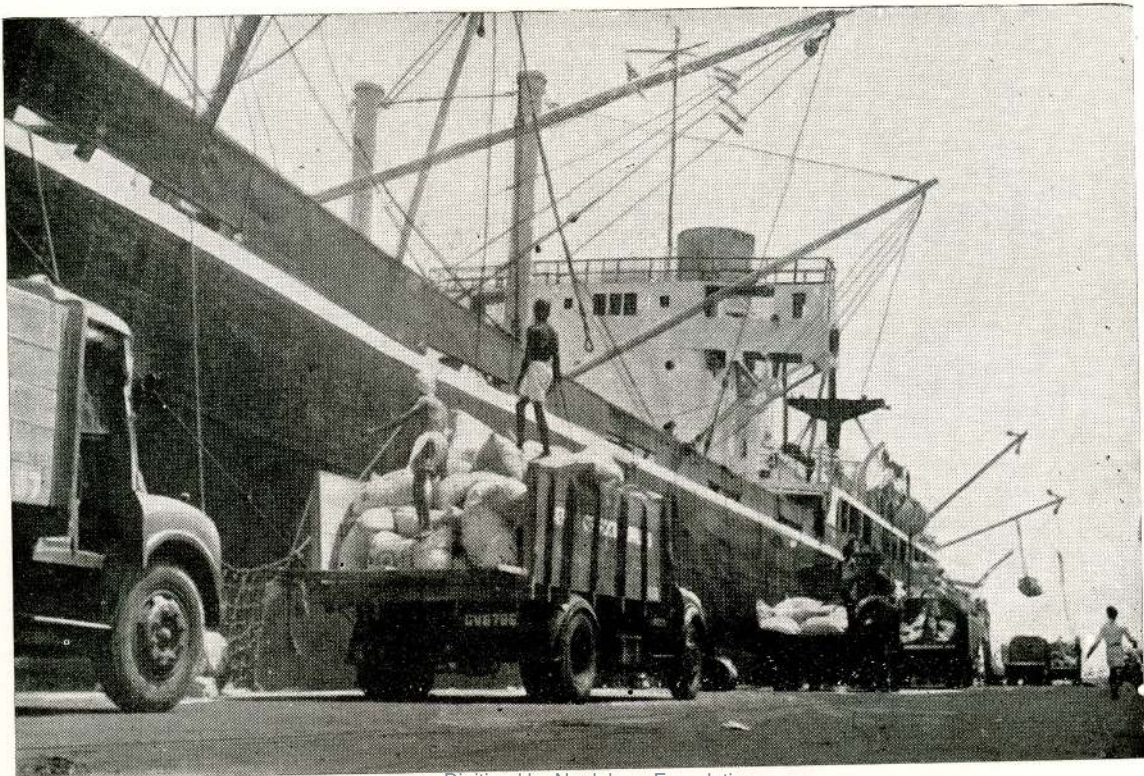


Cranes handling cargo





▲ Workers loading bags of flour from a warehouse into Food Department lorries  
▼ Lorries standing by ships that have been given alongside berthing facilities





The Food Minister told port workers that a new era had dawned for them, the era of socialism. He was convinced that the new Corporation would deliver the goods. With nationalization most of the troubles in the harbour would end and cargo handling, especially that of essential foodstuffs, would be speeded up.

The Government, the Minister declared, was doing everything possible to improve the lot of port workers. He exhorted them to work as if the port belonged to them. "Put your heart and soul into it and do a good job. Then only can you achieve the goal of socialism", he added.

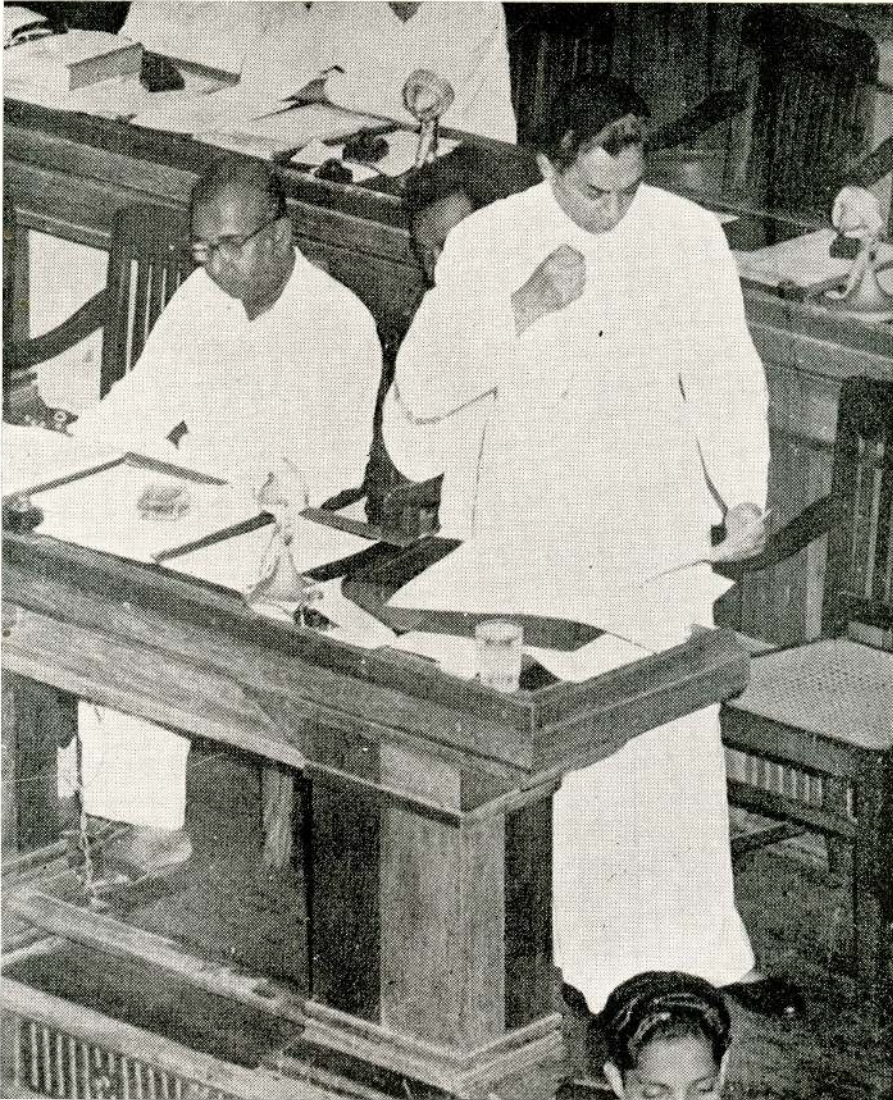
The Minister of Transport and Works, Mr. Maithripala Senanayake, said that the

Government always kept its promises. On January 1, it nationalized the Omnibus Services. The Nationalization of the Port was another stage in the country's march towards socialism. It was his hope that the nationalization of the Port would bring in its wake some measure of economic relief to the people.

The Minister next thanked all those who had helped to make the job of nationalization a reality, especially the Government of the U. K., Canada and the Netherlands.

Mr. H. D. Alexander, on behalf of the United Port Workers' Union and four of the other Unions in the Port, said he was very happy that the Port was nationalized.





The Minister of Finance, the Hon. Stanley de Zoysa, making his Budget Speech

## The New Budget

*IN the July issue of this magazine we published an extract from the Budget Speech of the Minister of Finance which was in the nature of a short review of the preceding year. In this issue we print three aspects of the Budget. The first is a short analysis which*

*highlights some of the important aspects of the Budget and is reproduced from the July issue of the Bulletin of the Central Bank of Ceylon. The second is a short study of the Budget from the Government Information Department journal "Sri Lanka". The third*



*and final section gives an account of the Government's Programme of work for the next year.*

It will be recalled that the budget estimates for 1957-58, as originally passed by Parliament, envisaged a budget deficit of Rs. 158.9 million. In the course of the financial year, the expenditure estimates have been revised from time to time, while the revenue estimates have not changed significantly. The latest available estimates envisage a budget deficit of Rs. 220.4 million in the financial year 1957-58, i.e., Rs. 61.5 million higher than originally expected.

The budget deficit for 1958-59, without taking the new tax proposals into consideration, is estimated at Rs. 484.6 million. The estimated expenditure chargeable to revenue is Rs. 1,363.0 million and the Loan Fund expenditure is Rs. 432.3 million, making a total estimated expenditure of Rs. 1,795.3 million. The total expected revenue, under the existing tax rates, is Rs. 1,310.7 million.

The estimated expenditure chargeable to revenue is Rs. 199.6 million higher than the estimates for the current financial year. Significant increases in estimated expenditure have occurred in the Defence, Police, Pensions, Public Debt, Irrigation, Health, Education, Railway and Electrical Department votes. Additional provision has also been made for loans to the Transport Board, Local Loans and Development Fund and the Tea Research Institute. A significant reduction in estimated expenditure is in the votes of the Food Commissioner where estimated expenditure has fallen from Rs. 135.9 million to Rs. 98.1 million mainly due to a fall in the food subsidy bill resulting from lower sugar and flour prices and lower freight rates.

The estimated loan fund expenditure at Rs. 432.3 million is Rs. 128.7 million higher than the estimates for the current financial year. The votes of all Ministries, other than the Ministry of Justice, have increased. The most significant increases are in the votes of the Defence and External Affairs, Lands and

Land Development, Health, Education, Industries and Fisheries, and Transport and Works Ministries.

The over-all increase in estimated budgetary expenditure between the financial years 1957-58 and 1958-59 amounts to Rs. 328.3 million. This has occurred because of higher expenditure both on social welfare and economic development.

### **New Tax Proposals**

THE entire direct tax structure is to be revised radically over the next two years. The new tax structure enlarges the tax base by the inclusion of capital gains in the income for income tax purposes, by a tax on expenditure, by a tax on gifts, and by a tax on wealth. The tax base is to be deepened by disallowing certain expenditures which are now allowed in assessing income tax. At the same time by allowing substantial once-and-for-all depreciation and capital allowances, in place of the existing depreciation allowances, greater immediate relief from tax appears to be given for capital expenditure.

The appointed date from which the taxation of capital gains will take effect was stated to be April 1, 1957. The appointed date for the first valuation of assets for the Wealth Tax is also the same date. The expenditure tax takes effect from the assessment year 1959-60, but will be based on the expenditure incurred in the year April 1, 1958, to March 31, 1959. Similarly, the Gifts Tax will come into effect from 1959-60, but be applicable to gifts made after April 1, 1958.

The existing profits tax is to be abolished.

Resident companies will pay tax at the rate of 45 per cent on all taxable profits. This tax is non-refundable. Additionally, on distributed profits, resident companies are required to deduct and pay 33 1/3 per cent. Individual shareholders are to be given credit for this latter amount in their personal tax assessments.



Non-resident individuals will continue to pay tax at existing rates. Non-resident companies will pay tax at 51 per cent. One-third of the profits, or the actual amount remitted, whichever is less, will be deemed to have been distributed and hence will be liable to the dividend tax of 33 1/3 per cent.

These changes in direct taxation are not expected to yield any significant net addition to revenue, in 1958-59.

Changes in indirect taxes have been made with a view to—

- (a) protecting domestic industries;
- (b) conserving foreign exchange and discouraging extravagant expenditure; and
- (c) raising revenue.

With a view to assisting local industries the import duties on the following have been reduced :—

- (i) On raw materials required by the dry cell battery, the accumulator, the electric bulb, the crown cork, the paper, the envelope, the plywood, the torch and the leather footwear industries.
- (ii) On certain items of equipment required by the fishing, the packing and the sugar cane industries.

In order to conserve foreign exchange and discourage luxury spending, import duties have been increased on cars whose landed cost is over Rs. 10,000, on imitation jewellery, on certain luxury foods, on dogs and horses, and on carpets.

Two changes have been made in indirect taxes with a view to raising additional revenue, viz.—

- (i) the import duty on petrol has been increased by 10 cents per gallon;
- (ii) the import duty on unmanufactured tobacco, manufactured tobacco and cigarettes has been increased by Rs. 4 per pound and corresponding increases have been made in the local excise duties on these commodities.

The yield from these two tax changes is estimated at Rs. 18 million. A further Rs. 2 million of additional revenue is expected from the other duty changes, making a total of Rs. 20 million.

### The Budget Deficit

AFTER taking the yield from new taxation into account, the budget deficit will be Rs. 464.6 million. About Rs. 100 million is expected from existing sources of foreign finance. The Minister has set an upper limit of Rs. 160 million to borrowing from domestic sources in the next financial year, thereby confining the inflationary impact of the deficit. The amount of net borrowing from domestic sources in 1956-57 was Rs. 166 million and the estimated amount of borrowing from domestic sources in 1957-58 is approximately Rs. 140 million. The limit of Rs. 160 million placed by the Minister on domestic borrowing in 1958-59 is, therefore, roughly of the same magnitude as in recent financial years.

### “ A SOCIALIST BUDGET ”

THE third Budget of the Government is the first that is distinctly socialist in intention, outlook and method. This was claimed for it by the Minister of Finance and there is general acceptance both in the Press and the country that this is so. The analysis that follows highlights some of these features.

The word “ Socialism ”, like “ Democracy ”, can lead itself to a variety of meanings. It is not our intention to examine them here. There are, however, certain basic facts on which all socialists and their opponents are agreed. On this basis there are in this year's Budget several important features which are distinctly of a socialist basis.

First of all there is the general idea of *planning*, i.e., not allowing the economy of the country to develop in a haphazard fashion but on definite lines that will help the



country and its people not only in the short run but also from a long-term point of view. It sets itself targets which are of benefit for the entire community and not for a class or group and strives to achieve them in the quickest as well as the best possible way. There has, of course, been "planning" in the past—all democratic States have planning of some kind or other—but this is no doubt the first time that a thorough attempt is being made at over-all planning. The Minister of Finance has stated that this Plan for the development of the Island will be ready for public discussion very shortly.

Secondly, there is the special bias given to *technical and scientific education*. As the Minister has said the enormous expenditure on education during the last several years has not really taken account of the country's needs. The Colonial administration directed its educational policy towards producing a clerical staff for its official and commercial activities. The expansion of a system, without the particular needs of the country in mind, produced large numbers of students with a secondary academic education with no prospect of employment. The need for technical and scientific education was not realized under a system which neglected development and industry.

### Emphasis on Science

THE present Budget takes these matters into account. In the Estimates, for instance, 800 new posts of science teachers have been provided for. The number of science bursaries has been increased to 400. An increase of one and quarter million rupees has been provided in the equipment to schools and four millions for the building of science laboratories. A Second Faculty of Science is to be established at the University for the training of more science students. Funds are also being provided for the construction of three more Junior Technical Schools and a scheme to increase the number of Engineering graduates.

This scheme of training for science has its counterpart on the Health Services in the attempt that is being made to increase the number of doctors and nurses. Provision has been made for the construction of three more Nurses' Training Schools and three more Schools for Nurse Aides. Plans are also ready for the construction of a Second Medical School. In the field of University education provision is being made for increasing the accommodation at the University from the present number of 2,600 under-graduates to 5,000.

But perhaps the most significant change that takes the country towards Socialism is the new impetus that is being given to *development*—agriculture and industry. In the calendar year 1957 imports of capital goods increased in value by over 28 per cent. and, as the Finance Minister said, what is still more significant is the fact that volume too increased by over 22 per cent. A considerable amount of the capital goods imported into the country has gone to the development of agriculture and industry. For instance, in keeping with the Government's policy of introducing mechanized methods of cultivation wherever possible, provision for agricultural equipment is being raised from Rs. 850,000 in the current year to Rs. 3,200,000 in the coming year.

The provision in next year's Estimates for land development and irrigation is nearly Rs. 37 million more than the present year. Equal importance is being given to the development of power. The construction of Stage IIB of the Hydro-Electric Scheme is to be expedited. Provision is also being made to harness the power that is available at Gal Oya by uniting it up with the Island Grid.

In the coming year 8 new industrial projects will be undertaken and Rs. 22 million has been provided for the next year alone. There will be a second Cement Factory, a Cotton Spinning and Weaving Factory, a Kaolin Refinery, an Iron and Steel Factory, a Fertilizer Factory, a Tile and Brick Factory, a Rubber Tyre and Tube Factory. The total



cost of the projects will be about Rs. 100 million. There is development on Socialist lines.

### Taxation Proposals

FINALLY, there is the system of taxation. Here there is no simple attempt at redistribution of wealth or the mere collection of funds for the financing of the customary Social Services. An effort is made to throw the net as wide as possible and to bring in all who can legitimately be expected to be in a position to help the nation in its attempt at development and reconstruction. Savings are important in any developing country. Hence luxury and unnecessary spending is discouraged.

As the Finance Minister has pointed out the system of taxation now prevailing in Ceylon has been substantially taken over from the tax systems which had grown in the climate of capitalist societies. The Government has, therefore, tried to modify the structure in such a way as to bring it in line with its policy of democratic socialism.

It is now evident that today the direct taxes fall on too narrow a base because it is measured by the criterion of "income" narrowly defined. Further many deductions are also allowed. Secondly, the burden of taxation falls more heavily on "work" than on property with the result that it is not unusual for a property-owner to pay less than a fellow-taxpayer without property.

The Government's measures are, therefore, directed towards harnessing every legitimate source and to bring into Revenue the maximum tax that may justly and fairly be levied. No one is allowed any special privilege. As a result (1) the tax base has been broadened by the inclusion of capital gains in income. "Work" will not be handicapped in relation to mere property; (2) New taxes have been placed on net wealth, personal consumption, expenditure and gifts. Socialism, in the direction of taxation, has therefore been more or less completely achieved.

Here is the Government's programme for the next year :—

### Health

Construction of three more Nurses' Training Schools and three more Schools for Nurses Aides. (Five Nurses' Training Schools and one Nurse Aides' School are already functioning.)

Construction of the second Medical School will commence during the course of the year. (A firm of Consulting Architects have been entrusted with the task of proceeding with this project without delay.) Provision for improving rural health facilities has been increased by nearly Rs. 7 million. Two million has been provided for expansion of and improvements to hospitals, and a further Rs. 2.25 million for the construction of more wards and other medical buildings out of prefabricated building material.

Construction of new hospitals at Deltota, Madampe and Avissawella and for large extensions to the General Hospital, Colombo, and the establishment of a Central Laundry, extensions to the De Soysa and the Castle Street Maternity Hospitals, increased provision for public health work to tackle the major health problems facing the country, namely, malnutrition and preventable morbidity, and increased provision for the Department of Indigenous Medicine and a complete re-organization of the indigenous medical services will be given effect to.

### Education

Provision has been made for increased development of scientific and technical education. Eight hundred new posts of science teachers have been provided for. The number of science bursaries in schools has been increased to 400. An increase of over Rs. 1.25 million has been provided for equipment for schools, and a sum of Rs. 4 million has been provided under the Loan Fund Expenditure for the construction of school laboratories.



A second Faculty of Science will be established at the University. Funds have been provided for the construction of three more Junior Technical Schools and increased provision has been made for the early completion of the construction of the Faculty of Engineering at the University. More technical training courses are to be started at the Ceylon Technical College.

The number of teachers in Government schools is being increased by over 5,500 next year. Hostel accommodation at Central and Senior Schools is being expanded. More scholarships and bursaries are being provided in order to enable a larger number of the needy students to get the education they deserve. Provision in a sum of over Rs. 3 million has been made for furniture and hostel equipment to schools as well as for other amenities, such as water service, latrines, wells and play-grounds. Over Rs. 18 million is being provided for additional accommodation for schools and for their maintenance and repairs.

Training Colleges are being expanded to double their intake. Provision has been made for more physical training instructors and for over 500 music and dancing teachers.

The University is to be expanded to increase its accommodation from the present 2,600 under-graduates to 5,000. In accordance with the policy of extending the national language as the media of instruction progressively to the highest levels, increased provision in a sum of Rs. 8½ lakhs has been made in the grant to the University of Ceylon for next year.

#### *Social Services*

Provision for Public Assistance is increased by over a million rupees, and for assistance to Tuberculosis patients by Rs. 1½ million. Increased provision has been made for sheltered workshops and for rehabilitation centres for the deaf, blind and the lame. A beginning is being made with the setting up of cottage homes for the aged. It is hoped

to establish four reception homes for delinquent children in the Colombo, Kandy, Galle and Jaffna Districts and a Certified School as well as Remand Homes for girls elsewhere.

#### *Agriculture*

Steps will be taken to expand agricultural activities. Increased provision in a sum of Rs. 2.3 million is being made for extension service while provision in more than Rs. 7½ lakhs over the current years' provision is being made for agricultural education and training. Provision for the maintenance and development of agricultural stations is being trebled; provision for agricultural machinery and equipment is being increased from Rs. 850,000 in the current year to Rs. 3,200,000 for the next year; provision for the maintenance and development of animal husbandry stations has been almost doubled, and provision is also made in a sum of nine lakhs of rupees for a Cocoa Planting Subsidy Scheme.

Provision has been made for a Food Research Institute and the grant to the Milk Board has been increased by over Rs. 2½ lakhs, and a sum of Rs. 500,000 has been provided to inaugurate the crop Insurance Fund. An increase of nearly Rs. 2 million has also been made for miscellaneous agrarian services and the issue of seed material.

#### *Lands and Land Development*

Provision in next year's estimates for land development and irrigation is approximately Rs. 37 million above that provided for in the current year's estimates.

A sum of rupees one million has been set apart for commencing a five-year forest development plan. Each year, 7,400 acres of new forest land will be planted with such popular species of timber as mahogany and teak. The total cost of the scheme is estimated at over rupees ten million and the scheme will provide employment to over 2,000 people in the rural areas. Provision has also been made for the establishment of three saw mills.

With the assistance of certain foreign governments investigations have also been



started for the development of major river valleys such as the Mahaweli Ganga, the Walawe Ganga and Malwatu Oya Valleys.

#### *Power*

The construction of Stage IIB of the Hydro-Electric Scheme is to be expedited, and provision in a sum of Rs. 7 million has been made for domestic expenditure. Negotiations have commenced with the World Bank for a loan of about 17 million dollars to meet the foreign exchange costs of this Scheme. A new thermal-power plant is also to be installed and negotiations were recently concluded with the World Bank for a loan of 7.4 million dollars to meet the foreign exchange costs of this. A sum of Rs. 1 million is also being provided for the extension of power lines to Puttalam to supply power to the proposed second Cement Factory. These schemes will necessarily take a little time to yield results. There is, however, a ready power potential in Inginiyagala. With the installation of an additional set of generators, the existing plant will be capable of developing 10,000 kilowatts of power, of which 7,500 kilowatts will be available for use outside the Gal Oya area. Government proposes to harness this. Provision in a sum of over Rs. 5 million for next year alone has, therefore, been made for a power link-up between Gal Oya and the Island grid. The total cost of this work will be Rs. 13.1 million. Preliminary investigations have also begun in connection with the harnessing of other hydrel-power resources particularly the Seven Virgins Project.

#### *Industries*

No less than eight new major industrial undertakings will begin next year. These will be a second Cement Factory, a Cotton Spinning and Weaving Factory, a Kaolin Refinery, an Iron and Steel Factory, Tube Factory and an Industrial Estate. Provision has been made in a sum of almost Rs. 22 million for next year's expenditure in connection with these projects alone. The total cost of the projects enumerated will be approximately Rs. 100 million.

In addition, the Kankesan Cement Factory will be expanding its output to 200,000 tons by the installation of a second kiln, while the Ceramic Factory is to double its present output of 400 tons an year. The Leather Factory will increase its output from 35,000 pairs of shoes an year to 72,000 pairs and the Plywood Factory will increase its present output of 400,000 chests per year to 700,000.

The work of the Mineralogical Department is also being expanded. The Monazite Separating Plant is being improved to enable it to recover the rutile and zircon available in the raw monazite. Mineral exploration work is to be intensified and the provision in the next year's estimates is double that for the current year.

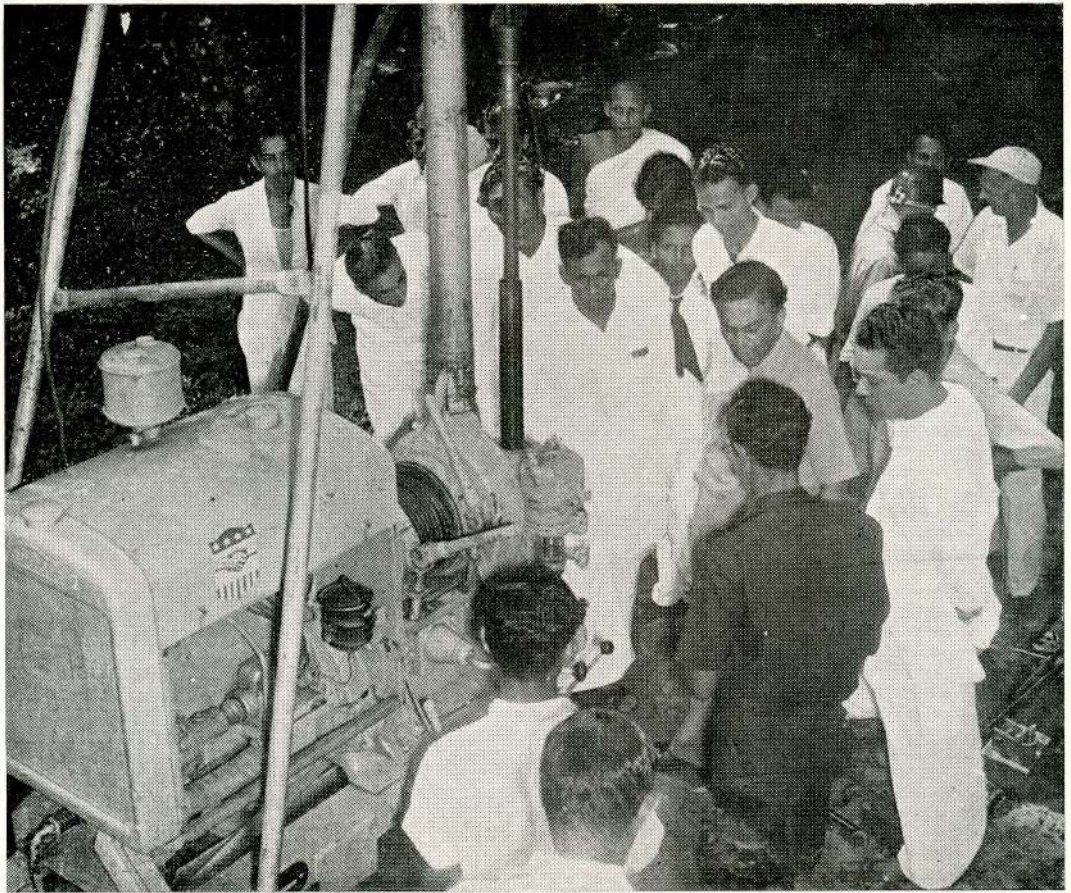
#### *Communications*

The increase in the provision for the development of the telecommunication services next year amounts to over rupees five million. Rs. 6.5 million have been provided for the improvement of minor roads and for the construction of river crossings, culverts and bridges. A Road and Building Research Institute is being set up under the Public Works Department in order to improve the existing standards of workmanship.

With a view to improving railway communications, provision for renewal and capital works has been increased by over Rs. 2.5 million from the current year's Rs. 16.2 million to Rs. 18.8 million next year. In order to meet the needs of the industrial development programme, the Government has decided to re-lay the railway line from Bangadeniya to Puttalam at a cost of Rs. 13 million. Provision in a sum of Rs. 3 million is being made in next year's estimates to commence the work.

The development of the country's harbours is also being expedited. Work on the Galle Harbour is to be stepped up and provision in a sum of Rs. 2 million has been made for the purpose while more mechanical handling equipment and other machinery for the Port of Colombo has also been provided for.





The Minister of Industries inspecting the diamond-drilling machinery at the Dela drilling field

## Exploiting Ceylon's Iron-Ore

IN a village seven miles off Ratnapura, a few men are today busy doing the preliminary work for a new industry in our country. These men from the Government Mineralogical Department, with the assistance of an American Mining Engineer, are today drilling for iron-ore.

Already Mineralogical Department officials have reported that "the known iron-ore of Ceylon is of good quality, the prospect of future discovery is promising, its mining will present no great difficulty, and it is easily accessible".

The principal iron-ore fields are: Dela, Eheliyagoda, Kahawatta, Balangoda, Kalawana, Rakwana, Akuressa, Kosgoda and Ambalangoda. All these are situated in the south-western part of the Island. The total known reserves of iron-ore of the nine accessible areas have been conservatively estimated at 2,320,000 tons.

It is well known that sometime back a report was prepared by Mr. Wadia on our iron deposits. On a superficial examination of our deposits it was calculated that Ceylon



had five to six million tons of iron. Following this report the Mineralogical Department which carried out investigations on its own made an application for two diamond drills in 1948 for the purpose of a survey. The drills were needed to carry out deep borings in the iron-ore deposit areas. It was only after the new Government came into power, on the application of the Minister of Industries and Fisheries, Mr. P. H. W. de Silva, that the Department obtained the money for this survey. The Government has now released Rs. 200,000 for this purpose.

It has been now reported that although Mr. Wadia spoke of superficial deposits scattered over a vast area covering Sabaragamuwa, the Southern Province and other Provinces the Mineralogical Department has estimated, on a closer analysis, that the quantity that could be economically exploited is even more. The

six million tons mentioned by Mr. Wadia covered rock and other superficial substances.

### New Views Discussed

DIAMOND drilling, which was not done before, has now revealed that 60 to 70 feet below there are veins of iron-ore deposits, so that ultimately even Mr. Wadia's estimate of six million tons may prove to be an underestimate.

Speaking in the recent Budget Debate on the future industrial development of the country, Minister de Silva mentioned that three million tons of iron a year would be sufficient for the needs of this country. He added that it had been scientifically analysed and established that our ore has a 54 per cent. of iron-oxide which was one of the highest rates in the world.

The Minister with the Government Mineralogist inspects some iron-ore drilled at the Dela field





On the basis of this figure, if the ore deposits are taken at four million tons, Ceylon will have two million tons of iron. At 50,000 tons a year, we will have sufficient iron for our needs for 40 years. Even on the surface deposits, it is believed, Ceylon has that quantity of iron. The Government has now decided that this should be the basis for the development of an iron and steel industry in this country which could make a fundamental and radical change in our economy.

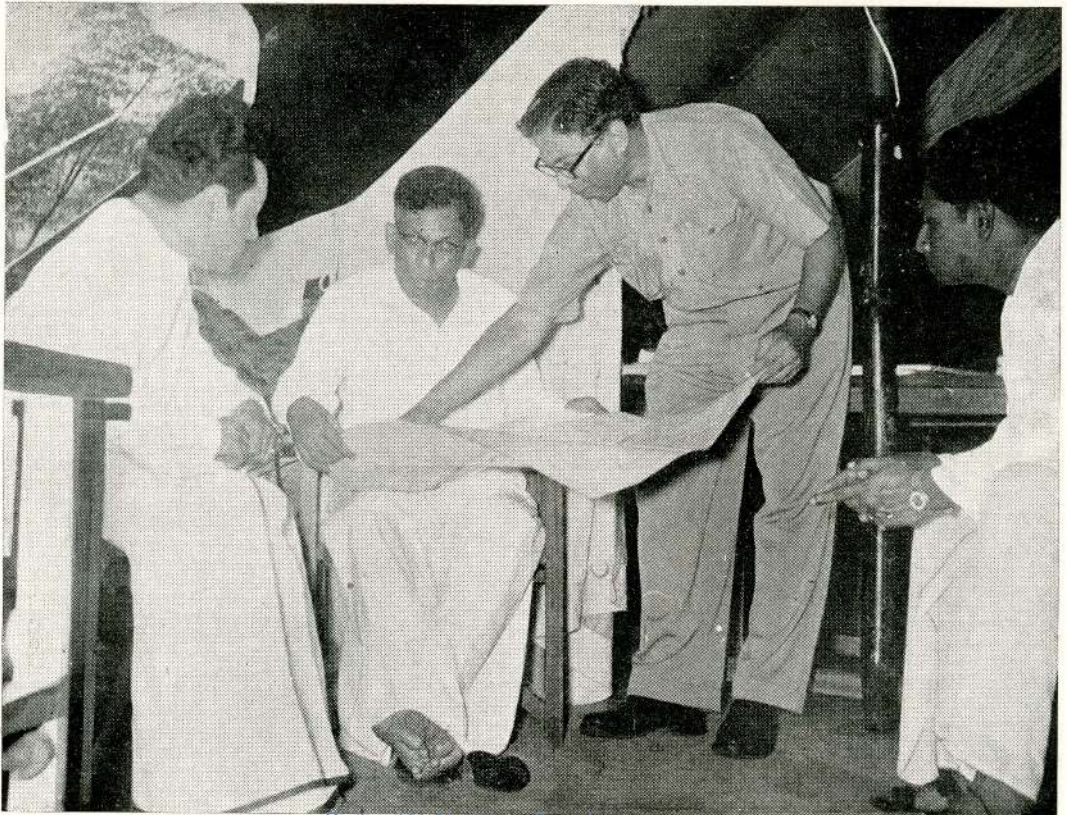
The Minister of Industries who during the Budget Debate pointed out that two million tons of iron would cost about Rs. 1 million, at the lowest, asked his critics. "Why talk of our external assets being depleted when

our internal assets lie buried in Sabaragamuwa, which was our workshop during the time of our Sinhalese kings".

So Ceylon will soon complete the surveys for iron-ore and start work on the iron and steel project.

The development of the iron and steel industry is not only something that provides employment in a factory. In the actual excavation works, thousands will find employment. Not only that, at last we would find a useful purpose for the Kelani Valley railway because this is going to be a basic industry, very important for the future development of this country, which will activate that whole area, creating other subsidiary industries and sources of employment.

The Government Mineralogist shows the Minister a map indicating places where iron-ore deposits are found







The Ceylon Dancers at the Television Studio in Rome

## Ceylon Dancers in Rome

A performance by a troupe of Kandyan dancers was held in Rome for the first time on June 30th. The scene of the performance was the "Castello dei Cesari" (Castle of the Caesars), one of the most beautiful open-air theatres in Rome. A crowd of more than 2,500 people attended the show which was well received.

The National Dancers of Ceylon, led by Kalaguru Guneya, stopped over in Rome on their way to Vancouver, where they are participating in an International Dance

Festival. On their arrival in Rome, they were received at the airport by representatives of the Ceylon Legation and the Ceylon Tea Bureau, who garlanded the dancers.

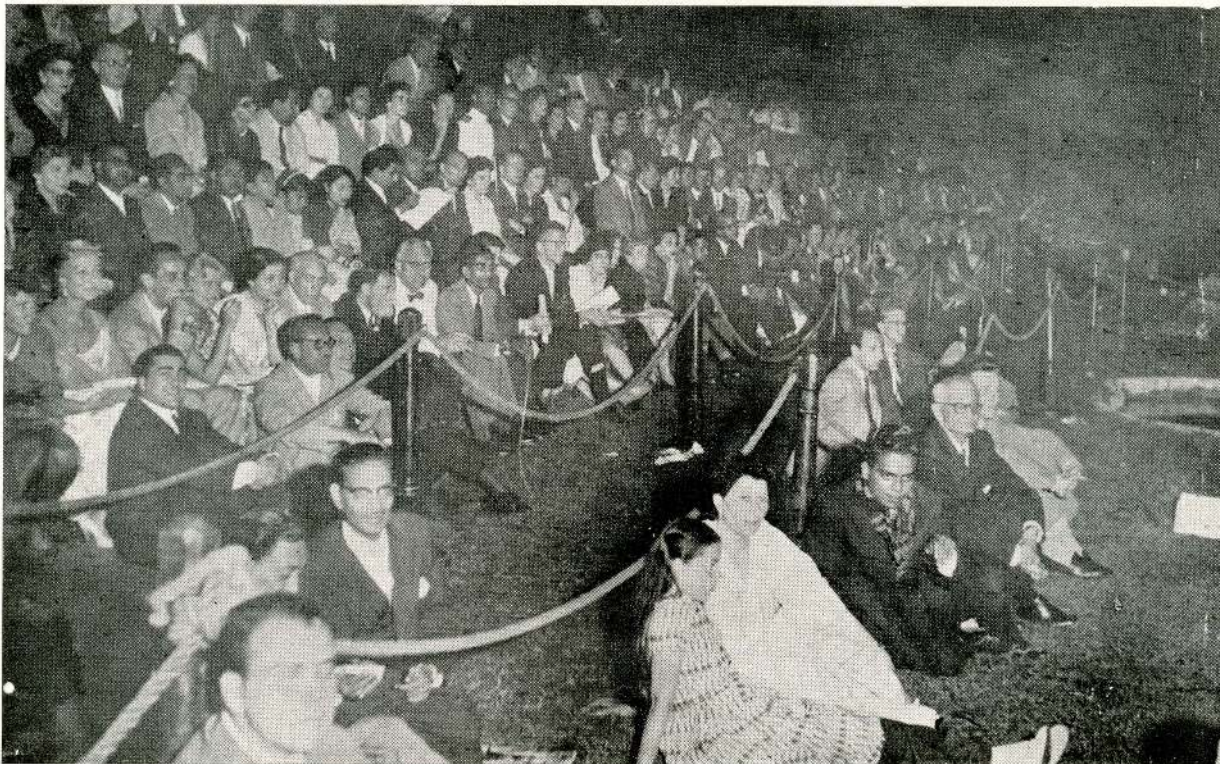
The next day, they were the guests of H. E. Mr. H. A. J. Hulugalle, Minister for Ceylon in Italy, at a cocktail party held at his residence, when they were introduced to the Roman public and the Italian Press.

The National Dancers of Ceylon also gave a performance on the Italian Television network, which was highly appreciated.





▲ Another picture of the Dancers at the Studio ▼ The audience at the Theatre Performance of the Ceylon Dancers







A harvesting scene in Ceylon

## A Scheme for Crop Insurance

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CROP insurance has now become accepted policy of the Government of Ceylon. A scheme is being formulated to protect the cultivator against risks of floods, drought and pests.

The Government approved the drafting of a Crop Insurance Bill, and on the basis of a memorandum submitted by the F. A. O. Adviser on Crop Insurance, Dr. P. K. Ray, who was assigned to advise the Government in this connection, and the advice of the Commissioner of Agrarian Services, the Legal Draftsman has prepared a draft Crop Insurance Bill. It will be placed before Parliament shortly.

The draft Bill will cover insurance of all insurance crops declared to be insurable by

the Minister of Agriculture and Food from time to time, but paddy will be particularised.

Loss of crops due to flood or drought within three weeks of sowing is to be compensated in a special way, i.e., by reimbursement of estimated cost of operations up to and including sowing. Provision will also be made in the draft Bill for adjusting premia rates from time to time.

An important point is the distinction that has to be drawn between insurance and relief. Premium collections can at best take care of only normal losses and an additional percentage of loss could be borne by the Insurance Reserve. But catastrophic or abnormal losses cannot be borne by insurance. Such catastrophic losses would occur very





An aerial view of flood havoc caused by heavy rains in December last year

rarely but when they do occur Government will have to be called upon to bear the difference between what insurance can pay and the total indemnities payable under insurance. This would achieve the laudable objective of insurance and relief supplementing each other while, at the same time, eliminating the necessity for direct relief.

### Limiting Maximum

THE Government has also agreed that provision should be included in the proposed Crop Insurance Bill limiting the maximum insurance liability to 15 per centum of the total aggregate loss, any loss beyond this being borne by normal Government relief to be channelised through the insurance scheme.

Under the Crop Insurance Scheme all paddy holdings lying within such specified areas will be automatically insured against

unavoidable hazards. Owners and tenants of holdings which are brought under the Crop Insurance Scheme will be required to pay to the Insurance Fund premia on an acreage basis for which they will be paid a coverage equivalent to a maximum of 50 per cent. of the total value of the crop. The premia will be calculated on the basis of actuarial analysis and in the light of loss experienced during the past seasons.

Unlike in the case of other types of insurance those insured under this scheme will be called upon to pay their premia after they have harvested their crops, as our farmers, for the most part, depend solely on the harvest for their income and would therefore, find it difficult to pay their premia at any time before harvest.

The Crop Insurance Scheme depends as much in the premium collections as on the subsidy from Government and it is therefore,



necessary to introduce measures to ensure that all premia will be collected with expedition and in the most convenient and least expensive manner.

As the large proportion of our farmers sell their paddy under the Guaranteed Price Scheme, the Cabinet accepted the proposal of the Ministry of Agriculture and Food to deduct the money due as premium payment from those farmers insured under the Crop Insurance Scheme from payments due to them for sales of paddy under the Guaranteed Price Scheme.

This would be a convenient arrangement for those insured because in any case they have to settle their premium dues immediately after harvest. An additional reason for such an arrangement is the fact that both the Guaranteed Price Scheme and the Crop Insurance Scheme are administered by one and the same agency—the Department of Agrarian Services.

However a small part of such dues would have to be collected directly from those farmers who will not sell any paddy to the Guaranteed Price Scheme. Thus from the inception of the Crop Insurance Scheme, default in payment of premium would have been minimized.

### Pilot Scheme

WHILE the draft Crop Insurance Bill is under preparation, the Government has authorized the Minister of Agriculture and Food, Mr. D. P. R. Gunawardena, to go ahead with the preliminary work for the implementation of the Pilot Crop Insurance Scheme proposed by him. It will be inaugurated with the Maha Crop of 1958-59 in specially selected areas in the Districts of Colombo, Hambantota, Anuradhapura, Batticaloa and Kegalla, involving a paddy acreage of approximately 28,000 acres in the first three years of its operation.

The decision to have the pilot crop insurance scheme spread over five districts has been motivated by a desire not to risk too much in the earlier stages of experimentation and to obtain maximum results on a minimum outlay.

The acreage of the pilot project is nearly 2.7 and 3.3 per cent respectively of the total asweddumized paddy area (1.03 million acres) and the total acreage sown (824,572 acres) during the Maha 1954-55.

It was decided to include a total of five districts in the initial scheme, partly on grounds of spreading the risks over a wide area and partly for experimentation on as many regions as possible consistent with safety as well as with reasonable working efficiency.

It is proposed to select two or three Revenue Divisions from each district, which are generally representative of the district, which are not subject to too high a risk, and which are relatively easy to administer. The Revenue Divisions and the allocation of the insurable area among them may be as mentioned below :—

- (1) Colombo District (6,160 acres) :
  - (i) Siyane Korale Meda Pattu West (2,100 acres).
  - (ii) Alut Kuru Korale North B (2,040 acres), and
  - (iii) Hewagam Korale (2,020 acres).
- (2) Hambantota District (5,085 acres) :
  - (i) East Giruwa Pattu (2,350 acres), and
  - (ii) Magam Pattu (2,735 acres).

The Paddy Lands Act is first being applied in full in these two districts.
- (3) Anuradhapura District (6,220 acres) :
  - (i) Kalagam Palata (4,030 acres), and





Paddy fields destroyed by floods

(ii) Hurulu Palata (2,190 acres).

This district is in the dry zone, where the risk of paddy production is relatively high and there is a considerable demand for paddy insurance.

(4) Kegalla District (5,035 acres) :

(i) Beligal Korale (3,530 acres), and

(ii) Dehigampal Korale and Lower Bulathgama (1,505 acres).

This district is one of the high yield and low risk areas, and so will help in off-setting high losses, in other districts. Moreover, new and

improved methods of cultivation are practised in these districts. These methods will be intensified.

(5) Batticaloa District (5,000 acres) :

(i) Samanturai Pattu (2,000 acres, of which 1,059 acres will be in the Gal Oya Development Board area),

(ii) Manmunai Pattu South (New Unnichchai Colony C. A. P. & S. S. area (1,580 acres) ), and

(iii) Manmunai South and Eruvil Purathive Pattu (covering Manalpiddy C. A. P. & S. S. area (1,420 acres)).



This district is one of the principal rice-growing and surplus areas, with losses not too high nor too low.

### Balancing Lists

THE allocation of the insured acreage to the selected districts was made with a view to balancing, as far as practicable, high and low risks. The pilot area will be about 7 per cent. of the gross Maha acreage in the five districts. Considering by such acreage in the districts it will vary from 3.3 per cent. in Batticaloa to 18 per cent. in Kegalla.

The acreage insurance coverage and the net premium to be charged per acre are determined on the basis of the recommendations made in the F. A. O. Report (Sessional Paper XIV—1957), modified according to differences in yields and risks in various revenue divisions.

The total financial liability of Government in respect of the first three years of the initial

pilot crop insurance scheme will be as follows :

The cost of administration : Rs. 60,200 per annum for 3 years ;

The contribution to the Insurance Reserve will be Rs. 500,000 during the first year, and Rs. 250,000 each for the second and third years ;

The premium subsidy will be Rs. 40,000 per annum for 3 years. Thus on an average the total annual liability of Government during the first three years of the proposed pilot crop insurance scheme will be approximately Rs. 500,000.

The Government further agreed that (a) a sum of Rs. 500,000, being the proposed Government contribution to the Insurance Reserve during the first year should be in the form of an interest free loan and that at the end of the first year it should be considered whether this amount should be reduced ; and (b) that the proposed Government premium subsidy of Rs. 40,000 during the first year should be subject to review after that year.



## Industrial Achievements and Plans

*THE following is an adaptation of the speech made by the Minister of Industries and Fisheries, the Hon. P. H. W. de Silva, in the course of the Budget Debate. It is a summary of the Government's achievements and its plans for the future.*

In my Budget Speech last year I indicated the policy that I would follow with regard to industrial development. I divided the various possible industries, on the basis of the known resources, into three categories—basic, strategically important major industries that would be entirely State-owned; other industries which would be either jointly or separately owned by the State and by the private sector; certain industries that will be left entirely in the hands of the private sector for development. In this connection I want to say this. If a private party trying to develop an industry, say in the second category, were to take up the attitude that they would need time to start the industry, it would be necessary without, indefinitely postponing the initiation of that industry, for the Government to step in. In the interests of the national economy, if the setting up of that industry is urgent, it is necessary for the State to intervene and initiate that industry.

Now, that is the programme for industrial development which I outlined in my Budget speech last year. It is sometimes stated that we are going too fast. One criticism is that we are starting too many industries and that we are investing too much. On the other hand there is the criticism that we are not spending enough. I agree that our present rate of investment by the public sector on our developmental work is not sufficient so far as the programme of development so urgently needed in this country is concerned. At the same time it is not correct to say that it is insignificant, that it does not make an impact on the economic life and activity of

this country. There is much prejudice in Asian countries with regard to expansion of industries, particularly in the public sector. There are doubts, not only in our country but in other countries as well. This is not peculiar to Ceylon, not peculiar to other South-East Asian countries. Even when the Government of India initiated their Second Five Year Plan, providing for a large scale expansion of the public sector activity in the field of industry, doubts were expressed. Once again, with regard to this question of rapid expansion of programmes of development in undeveloped countries with mixed economies, Professor Myrdal has some interesting things to say:

“Socialist pattern: India has decided that it is having a socialist pattern of society. I have met friends from the United States of America—another great country which through study I have come to know and love very much—and also Indian friends who are in such a fright that India is taking a too radical course. This opinion might be represented even in this Parliament. I may, therefore, perhaps be permitted to end my discourse today by expressing my opinion, as an outside student who is deeply and warmly interested in India's destiny, that the danger is not, as I see it, that you are going too rapidly but is, on the contrary, that you will be tempted to try and advance too slowly.”

### Our Programme

ONE could hardly say that the programme of investment indicated in these Estimates is a huge one. I am not for a moment saying that we are embarking on some huge programme of industrial development. This is only a beginning. This is the light and perspective that is necessary. We are only initiating a phased programme of investment in industry in the private sector.



In this connection it will be noted that the Loan Fund expenditure indicates an estimate of about Rs. 38.5 million for new projects. That, of course, does not include certain other programmes of expansion like the second kiln at the Cement Factory at Kankasanturai, the expansion of the Leather Factory, and of the Ceramic Factory which come to another Rs. 10 to 15 million this year because that will be financed from independent loans obtained by those Corporations which have the right to obtain such loans and from some foreign loans which are expected. The total expenditure will thus be about Rs. 50 million as against Rs. 23 million last year. So that, we have doubled our expenditure on industries this year. This involves a total expenditure of Rs. 10 million within the next two years. So that for a country which for a considerable time did not spend anything more than Rs. 5 to Rs. 6 million per year—I think the highest ever spent in a year was Rs. 13 million and over the period of the first Six Year Plan and the first eight or nine years of the United National Party Government, they spent about Rs. 80 million—there is a radical change even from the point of view of the expenditure that is going to be incurred. There is definitely and positively an understanding of the need for greater and greater investment on industries in this country.

### Foreign Aid

THERE are three projects for which we expect foreign aid—for two from the U. S. S. R. and for one from China. Under the Economic Co-operation Agreement, we are expecting not only the capital machinery but also technical assistance, designing and service for the two projects, namely, the Iron and Steel Industry and for the manufacture of Motor Car Tyres and Tubes.

With regard to the Spinning Mill we have already accepted the offer, and the Chinese engineers will be here in a few weeks' time

to do the designing and to prepare the specifications. The total sum involved on the Spinning and Weaving Mill is about Rs. 32 million. Of that, roughly Rs. 15 million worth of machinery will be the amount that we will get by way of economic aid from China, which amount will be credited to the Rubber Rehabilitation Fund because it is under that Agreement that we are utilizing this aid for the purpose of the Spinning and Weaving Mill.

I will now come to the lines on which we propose to speed up the process of industrialization in this country, more particularly in the public sector. It has been found that it is possible to grow sugar cane on a large scale in this country, and after considerable investigation we have decided that we can make Ceylon self-sufficient with regard to our sugar requirements. We have found that it is possible within a period of five to six years to achieve self-sufficiency in regard to our sugar requirements. At the moment we import about 130,000 to 135,000 tons of sugar. We have already initiated two projects with a capacity of 20,000 tons. So that, if we can have another five projects of that nature we will be self-sufficient in regard to our sugar requirements. The Agricultural Department has now found out that it is possible to grow, in the Kantalai area alone, about 30,000 acres with sugar cane. To help us in the cultivation of it we have come to an understanding with the Soviet Union, under the Soviet Aid Agreement, who will send us certain types of machinery and other technical advice. Our programme is to build sugar factories in that area so that within five to six years it will be possible for us to be substantially self-sufficient with regard to our sugar requirements.

At the moment we import about 140 million yards of textiles, about 125 to 130 million of which are cotton textiles. Our local production meets only about one-tenth of our requirements. So, it is necessary that we expand our textile industry. We must build up this industry in order to make us



self-sufficient in regard to textiles. After experimentation the Agricultural Department has found that in the Hambantota area it is possible for us to grow sufficient cotton to supply these mills. With that object in view they have already started cultivation. Several hundreds of acres are already under cultivation. We have passed from the stage of experimentation to the actual project of cultivation with a view to feeding the mills we are going to build. The proposed mill, the Chinese mill, has a capacity of about 10 million yards, so that we can afford to have in this country four or five of these textiles mills. It is possible for us to grow the necessary cotton, but till we grow it we can import it.

We cannot think of industrialization only on the basis of having the raw materials and other requirements at hand. It is possible to start them on the basis of imports and gradually supplement local production. We are planning for the development of the textile industry on that basis. We are setting up two mills and in a few years' time we will be self-sufficient with regard to our textile requirements. Once the specifications are drawn up, we have been told that the machinery can be sent within 6 months and the factory could be completed on a turnkey basis. I think within two years by 1960, we will be able to put the factory into commission.

### Cement Production

I NOW come to the third category of industries, the building material industry. Cement production in this country, as you know, was about 85,000 tons, which was the maximum out-put in 1956. As our domestic needs are about 250,000 to 300,000 tons of cement a year there was a proposal to expand the Kankesanturai factory with the installation of a second kiln. That proposal was there. When we came into power we considered the question of the cement factory and we got project surveys made. We are now in a position to go ahead with our plans. We have, therefore,

decided to expand the Kankesanturai factory by installing a second kiln so that we may be able to double the production.

Immediately we came into power we wanted to make a survey of the cement industry because it was a controversial matter. That is, whether it was more economical to produce cement elsewhere than to expand the Kankesanturai factory. It was a controversial matter.

We got down a cement expert from Czechoslovakia to make a survey. He was here for several months; he went to Hikkaduwa, Ambalangoda, Puttalam, and all those areas and reported to me that for the moment it was more of an economical proposition to exploit the deposits in the Puttalam area as there was sufficient quantity to work a 200,000-ton capacity plant at its maximum. However, it was not possible, from that survey, to recommend it because the deposits were not sufficiently large to be exploited. We have not given them up. We will be continuing our surveys in the Ambalangoda area too and the next cement factory naturally will have to be there.

The maximum capacity of the cement factory in the Puttalam area with two kilns will be about 200,000 tons, so that with the Puttalam project and the possible project in the Ambalangoda-Balapitiya area it will be possible for us in three or four years' time or five years at the maximum to be self-sufficient in regard to cement.

I referred first to the sugar industry, then to the textile industry and now to the building materials industry—three fundamental requirements, food, clothing and shelter. With regard to the building materials industry, apart from cement, Ceylon imports about 10,000,000 to 12,000,000 roofing tiles per year. We are producing at the moment only about one-tenth of our needs. We have suitable clay for this in several parts of the Island. We have already produced good tiles, very high quality standard type tiles, in Gal Oya and we can produce all the tiles we need.



We have included in these Estimates provision for the building of a tile factory in the Kandyan area, to begin with, because that area is very rich in the necessary raw material.

### Iron and Steel

IT is well known that some time back a report was prepared by Mr. Wadia on our iron deposits. On a superficial examination of our deposits it was calculated that we had five to six million tons of iron ore. This report was there all the time; it was there when the U. N. P. came to power; it was there when they went out of power. Mr. Wadia reported in the 'thirties, but nothing was done about it.

It is very heartening to be able to report that although Mr. Wadia spoke of superficial deposits scattered over a vast area covering Sabaragamuwa, the Southern Province and other provinces, the Mineralogy Department has estimated, on a closer analysis, that the quantity that could be economically exploited is about 3 million tons. The 6 million tons mentioned by Mr. Wadia covered rock and other superficial substances. Diamond drilling, which was not done before, has now revealed that sixty to seventy feet below there are veins of iron ore deposits, so that ultimately even Mr. Wadia's 6 million tons may prove to be an under-estimate. Let us take it at 3 million tons. That is sufficient for the needs of this country.

Today we import about 30,000 tons of iron a year. Let us say this figure will rise to 50,000 tons. It has been scientifically analysed and established that our ore has a 54 per cent content of iron-oxide, which is one of the highest rates in the world. I understand that in the Nottinghamshire fields the iron-oxide content is only 30 per cent. On the basis of our figure if you take the ore deposits at 4 million tons, we will have 2 million tons of iron. At 50,000 tons a year

we will have sufficient iron for our needs for forty years. Even on the surface deposits we have that quantity of iron. This can be the basis for the development of an iron and steel industry in this country which could make a fundamental and radical change in our economy, more important than anything else.

What is the value of 2 million tons of iron? About Rs. 1,000 million, at the lowest. So why talk of our external assets being depleted when our internal assets lie buried in Sabaragamuwa, which was our workshop during the time of the Sinhalese Kings? We have one year's annual revenue of the country there. Our external assets come to about Rs. 734 million.

We will soon complete our surveys and start work on our iron and steel project. To begin with we will have two stages of development. In a few days' time we will have this project included in our Economic Co-operation Agreement. We need not wait till all the surveys are over. We can make a start in the way they do these things in other countries. There are countries even in Asia where they have started an iron and steel industry initially with scrap iron and imported ingots. We can do the same and supplement our needs fully and finally with our own iron ore deposits.

The development of the iron and steel industry is not only something that provides employment in a factory. In the actual excavation works, thousands will find employment. Not only that, at last we would find a useful purpose for the Kelani Valley railway because this is going to be a basic industry, very important for the future development of this country, which will activate that whole area, creating other subsidiary industries and sources of employment.

For the development of the cement industry in the Puttalam area, we have decided to re-lay and extend the railway line from Bangadeniya to Puttalam. Provision has been made, and we are going to spend



Rs. 10 million on that. It is a developing area and the railway will not serve only the cement factory there. Land development too is going on there and irrigation projects are being initiated by the Hon. Minister of Lands and Land Development. There will be colonization schemes and several other industries. This railway line, I have no doubt, will make a big difference to the economy of that part of the North-Western Province and its people.

The question has been asked as to when the construction of some of these factories will be over. I think the Kantalai Sugar Factory is expected, according to schedule, to go into production next year, i.e., in 1959. With regard to the Spinning and Weaving Mills, now that we have accepted that offer and now that we are assured that the machinery will be here in six months' time, it will take 3 to 4 months to draw up the specifications, and about another year for the construction. And ultimately, I think by 1960, that spinning and weaving mills could go into commission.

### Other Projects

THEN, there are the other projects for which provision was made last year—the exploitation and the processing of our mineral sand, the Ilmenite Corporation, the National Salt Corporation which has initiated a scheme for the production of more salt and by-products in the Hambantota area. We have already started work on that, and the work on the Ilmenite project has also been started. We hope to be able to finish these projects too by 1960. Some of these projects which we have started last year will definitely go into commission in 1960. With regard to the others which we are starting some of them might be finished by 1961, and some by 1962.

There is another project provision for which is included in this year's estimates and that is the motor car tyre and tube Ordinance.

factory. It is our hope to set up this project to meet our requirements in Ceylon to begin with. This was one of the projects that was discussed with the Soviet team which was here, and one that was included in our agreement with them. We have had preliminary discussions, and on the basis of those discussions we have drawn up a scheme. In a few months' time the Soviet engineers will be here and they will draw up the designs and specifications as provided for in the Economic Co-operation Agreement, both for the rubber tyres and tubes and the steel rolling projects.

### Private Sector

UP to now I have dealt with the industrial projects and programmes in the public sector. As I said at the beginning of my speech, because our plan of development implies a mixed economy where there will be a private sector and a public sector, there are several industries which have been started in the recent past by local private enterprise. There are a few of them which are enterprising enough to venture out. There are a few of them, I do not say many. One of the projects, I believe, is in respect of cycle tyres and tubes. There is a private party interested in initiating a project for the manufacture of cycle tyres and tubes and several other small-scale industries. There is also the dry cell batteries industry.

I want to make the position clear with regard to some of the private investments where the Government participates. These are industries which we approve in the sense that we say these are necessary from the point of view of the economy of the country. These are industries for which the State has no plans or programmes or which the State has no desire to enroach upon. They make applications to us and they ask for some assistance; and normally the assistance they seek is income tax exemption for a period of years as provided for under the Tax



The Hon. Minister of Finance last year in his Budget Speech, promised, as another incentive to industries, that certain income tax concessions on investments, on certain industries approved by the Ministry of Industries, would be considered, that certain income tax concession would be allowed for certain approved industries. Now, as a result of these several proposals have been submitted by the private sector. Some of them even earlier had started some of these industries, and there is a provision in the Income Tax Ordinance, that for them to enable them to get this income concession for the first five years it is necessary for the Government to be a shareholder. So what we do in such cases is to make a token investment—sometimes 100 shares or 1,000 shares. But that does not give us a control of the industry ; that does not by itself entitle us to a seat on the directorate in that particular concern. So that nobody can blame the Government, that where these industries are concerned Government also has joint responsibility with the private sector. That is not the case. These investments are there. We show our interest by helping them to get these concessions in order to put them on their feet, so to say. It may be that some of them are not doing well ; but some are doing very well. But now we have decided that whenever Government invests, a representative from the Government should be on their Board for purpose of safety and to ensure that the Government interests in that project would be safeguarded. We are taking that precaution in connection with industries of that nature.

There are other enterprises, for instance, dry cell batteries, bicycle assembly, accumulators, &c. There is also the Nattandiya Glass Factory where the Government is not only taking an interest, but a substantial contribution has been made. We are glad to say that Nattandiya Glass Factory, from the latest reports, is working quite satisfactorily and they are producing all the bottles that are necessary.

### State Corporations

I should also like to refer to the new set-up that we have introduced, namely, the State Corporation. You will remember that some time back this House passed the State Industrial Corporations Act which provided the form of management for these State-owned industries.

State Corporation is the form that has been worked out to fuse State ownership with independent autonomous management. One of the causes for the failure of the commercial undertakings of the Government of Ceylon in the past has been the fact that everything was done departmentally. Some time back, a Committee was appointed to find out the causes for the great losses incurred by the commercial undertakings of the Government. That Committee, in its Report, stated that one of the causes was the absence of a proper form of management in any of these commercial enterprises, and recommended the establishment of Corporations.

State Corporation, in its best form, as far as non-socialist countries are concerned, is found in the United Kingdom. Most of the nationalized industries in the United Kingdom are run not by departments of the Government but by Corporations. In the running of these Corporations, you get State ownership as well as autonomous management.

I was very much interested in finding out how these Corporations work in the United Kingdom. When I was in England about a year and half ago, I had an hour's discussion with Sir Walter Citrine, Chairman of the United Kingdom Electricity Authority, one of the biggest national corporations in England. He was good enough to explain to me the working of these Corporations and State enterprises, the relationship between the Corporation and the Government, the responsibilities of the Minister and of Parliament, and how criticism of work of the Corporation are made.



Of course, in England the practice of the House of Commons is to go into details, to criticize, scrutinize and attack the work of the Board once a year when the annual report of the Corporation is presented to Parliament for approval. In between, normally no question of a routine nature, such as why so-and-so was dismissed or why so-and-so was taken, are asked in the House of Commons. But once a year a full investigation into the activities of the Corporation is made in the House of Commons, when Members of Parliament can make allegations, if any, and point out all the drawbacks, so that the managerial body of the Corporation may know the mind of Parliament, as well as the opinion of the public as expressed through Parliament, and make the necessary adjustments. That is the practice obtaining in the United Kingdom. It has worked well and, I believe, is working well.

In Ceylon, the establishment of Corporations is a new idea introduced very recently as a form of State ownership and management. During the last two years, particularly after this Government came into power, we have seen the nationalization of the bus services and the harbour. The proper working of these Corporations is an important factor in the successful nationalization of various projects in this country.

### Ministerial Powers

IN respect of most of these industrial projects the Government and the Minister have the necessary powers—general powers of direction, special powers of direction, powers of approval, powers of framing regulations so that they can keep a check and control over the affairs of a particular Corporation or a State enterprise while, at the same time, giving that corporate body of management the independence and autonomy necessary to run it on the basis of a commercial activity. Unless our nationalized projects are worked on the basis of commercial activities

and not Government departments, we would have lost the real meaning and purpose of nationalization.

Corporations are an important part of the set-up necessary for the industrialization of this country, particularly in the public sector and the State Industrial Corporations Act of 1947 has played an important role in speedily executing the projects for which moneys have been provided in these estimates.

The programme outlined by me in regard to the role of the public as well as the private sector depends on the co-ordination, direction and discipline organized centrally on the basis of Government policy. That is what is most important.

It is for that purpose, for that co-ordination of policies of direction, that we need a Plan for the industrial development of this country. After all, a Plan is a collection of policies which co-ordinates the policies with regard to the various sectors of the economy. Government has already approved a Bill in principle for the regulation and registration of industries in this country. That is very necessary for the co-ordination between the public sector and the private sector with regard to industry, so that there will be no overlapping or overproduction in a particular line. That is what has been done in India too. The Cabinet has already approved and legislation is being drafted for the purpose of introducing a Bill of that nature to co-ordinate the public and the private sector in the field of industry.

On this basis and with the Plan which the Planning Council is preparing, I am sure all the proposals of the various Ministries, particularly, the Ministries dealing with development programmes, will fit into a comprehensive plan for the economic development of the country. Such a plan will be placed before the House and the country very soon. On the basis of that we will be able not only to implement our programmes but also to take further steps in reaching our goal towards socialism.



## Two Government Projects

WITH the near completion of Stage II A of the hydro-electric scheme the Department of Electrical Undertakings is giving top priority to Stage III of the scheme, namely, the "Seven Virgins" project on the Maskeliya Oya.

Power demand in Ceylon is increasing so fast that every effort is being made to have at least the first stage of the project in operation in 1964-65.

Inquiries have, therefore, been sent out to a number of selected engineering companies of international repute as to whether they will be interested in undertaking the responsibility for the detailed design and construction supervision of the project starting sometime in 1959 and in such manner that construction contract tender specifications can be issued by the end of 1960.

The Government recently signed an agreement with the American International Cooperation Administration according to which the I. C. A. will furnish the services of an engineering team which will prepare a Feasibility Report for the purpose of negotiations regarding the international financing of the project. The engineering team is expected to present its report by the middle or end of 1959. The contract with I. C. A. also includes the provision of drilling equipment and the complete investigation under expert supervision of geological conditions in the project area.

Surveys and the construction of access roads are already in hand and diamond core drilling will be started later this year.

### Best and Cheapest

ACCORDING to experts "Seven Virgins" is probably one of the best and cheapest projects available in Ceylon. This is of utmost

importance since only a sizeable reduction of present rates for electric energy will stimulate large-scale industrial development.

The project in its present conception is very similar to modern constructions carried out in Switzerland, Italy, Norway, British Columbia and Brazil.

The project is not controversial since no farm land and no settlements will be flooded.

The proposed design of this project is such that about one-fourth of its total cost and one-half of the total installed capacity can be deferred until the time when system loads require maximum output.

### An Academy of Letters

STEPS have been taken by the Ministry of Local Government and Cultural Affairs to set up in Ceylon a "Sri Lanka Sahitya Mandalaya", an organization similar to the National Academy of Letters established by the Government of India, to work actively for the development of letters and to set high literary standards, to foster and co-ordinate literary activities and promote through them all the cultural unity of the country.

Mr. Jayaweera Kuruppu, the Minister of Local Government and Cultural Affairs, has tabled in the House of Representatives a Bill to provide for the establishment and incorporation of the "Sri Lanka Sahitya Mandalaya" and for matters connected therewith.

The objects of the Mandalaya will be (a) to secure the co-operation among men of letters for the development of literature in the national languages; (b) to encourage or cause translations of literary works in foreign



languages to be made into national languages and translations of literary works in the national languages to be made into foreign languages; (c) to assist individuals and bodies of persons in the publication of literary works, including bibliographies, dictionaries, encyclopaedias and other works of reference, in the national languages; (d) to sponsor or hold conferences or seminars for the study of literature in the national languages, and exhibitions of literary works in the national languages, on an all-island or a regional basis, and otherwise to encourage and foster the study of such literature among the people; (e) to award prizes and distinctions and to give recognition to authors of literary works of outstanding merit in the national languages; (f) to edit and publish such literary works written in Ceylon in the national languages or in Pali or Sanskrit as

have not hitherto received sufficient attention; and (g) to exchange cultural missions with other countries and to establish relations with international organizations in the field of letters.

The Mandalaya is to consist of 5 members appointed by the Minister, 5 representatives of the Pirivenas, 3 representatives of the University of Ceylon to be elected from the Faculties of Oriental Languages, Arts and Science, 1 representative from the Royal Asiatic Society, 1 representative from the Pracheena Bhashopakara Samitiya, 1 representative from the Arts Council of Ceylon, 2 representatives of the Tamil community, 2 representatives of the Muslim community, and not more than 9 persons eminent in the field of letters to be elected by all other members of the Mandalaya.



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