

CEYLON *Today*



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Foreign Affairs

The Samadhi

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Prospects for Industrialisation

IF profit is to be taken as a criterion, almost all State Corporations are now showing such profits. It is only the Chemical Sector and the Ilmenite industry which are subject to difficulties. Total production in terms of value at cost increased from Rs. 19,000,000 in 1957 to Rs. 48,000,000 in 1961. In terms of productivity, in 1957 output per man was Rs. 8,000 ; in 1961, Rs. 10,000.

Labour is one of the most important constituents in modern industry. Nearly 5,000 workers are directly employed in the State Industries Sector. This excludes the Sugar industry. Between 1962 and 1968, there will be an addition of 6,000 to the labour force. State industries will during the next six years be employing over 10,000 workers directly in manufacture.

In the past, labour disputes have also contributed largely to the inefficiencies in this sector. There were reasons for this. Although labour wages were much better in the public sector, the existence of anomalies in gradings and terms and conditions of service tended to create constant friction between management and labour. Multiplicity of Unions also added to these difficulties.

In order to relieve management from the day to day problems of labour and to maintain continuous supervision, the Ministry decided to obtain the services of an experienced Labour Relations Officer who could devote full time to these problems. The Labour Department has released an experienced Labour Relations Officer who is attached to the Development Division. His services are available to the Corporations.

With this re-setting, plans were prepared for the expansion of existing industries, such as cement, paper, ceramics, leather, textiles and tiles. They involve a total expenditure up to 1966 of Rs. 318 million. In most instances the expansion schemes were under way. These were subject to re-examination so as to enable a rational scheme to be drawn up. Output in the cement industry is to be increased to 250,000 tons by 1963, 450,000 tons in 1966 and 950,000 tons in 1968. Increases of capacity beyond 450,000 tons will be dependent solely on market prospects.

In the paper industry, the writing and printing paper production will be stepped up from its present 5,000 tons to 9,000 tons in 1963. The new plant for paper board on

which work will commence in 1962-63, will be ready for production by early 1965 with a capacity of 9,000 tons. In 1965, 5,000 tons will be produced. A plant for newsprint is to be set up before 1968. Investigations are now being made for setting up of a newsprint plant with a capacity of 15,000 tons per annum.

Ceramics expansion programme at Negombo has been completed and the capacity increased from 420 tons per annum to 840 tons per annum. The second kiln is already in operation. The second stage is to set up a new plant at Boralesgamuwa along with a Kaolin Refinery. The Kaolin Refinery will come into production in December, 1962. In regard to the second Ceramic factory, the pre-investment investigations are complete and work is expected to commence during the course of this year. Capacity at this plant will be 1,600 tons of domestic crockery, 300 tons wall tiles and 500 tons ceramic ware.

Leather and Textile

WORK on the leather expansion is now complete and production will commence as from October, 1962—capacity will then be raised to 300,000 pairs of shoes per annum from its present 60,000 pairs per annum. Investigations are being made for increasing the tanning capacity, so as to enable the factory to have its own raw material. The main drawback has been the non-availability in sufficient quantities of good quality hides. Arrangements are being made between this Ministry and the Ministry of Agriculture and Lands by legislative and educational means to ensure that damage to hides will be at a minimum.

In the textile industry, the first stage, commissioned in June, 1961, has been in production for over a year. Work on Stages II, III and IV commenced early this year and is expected to be completed by June, 1964. In July 1964, construction work on the second mill at Pugoda is due to commence and this

would be ready for production by October, 1966. The entire scheme would have the following capacities: 20 million yards of woven textiles, 34 million yards of processed textiles and 3.5 million lbs. of yarn.

Small-scale industries of the public sector will function under the control and supervision of the National Small Industrial Corporation. Apart from the carpentry works, this Corporation has in hand the development of the tile industry and the Ayurvedic Drugs Factory. In regard to tiles, continuous surveys are being carried out by the Government Mineralogist on clay deposits, and the policy is to set up units in different parts of the Island. This will help development of the backward regions and also provide essential building material where otherwise they have to be transported at prohibitive costs to these areas. In the programme for tile manufacture, the five factories at Weuda, Yatiyana, Bangadeniya, Mullaitivu and Anuradhapura, respectively in hand would be ready for production in 1963 and in the same year work will commence on the construction of 5 more factories which would be completed in 1964. A market and comprehensive raw material survey has been in hand since 1959, and the siting of the factories will be based on these examinations. By 1964, 19 million tiles from the public sector will be in the market at considerably lower prices than prevailing market prices to meet the expanding building and construction activities in the country.

Capacities have been attained in all the existing State Corporations with the exception of Chemicals, Mineral Sands and Oils and Fats. In the Chemical Industry, the achievements on the technical side have been almost wiped out by marketing difficulties. Caustic Soda presented no problems as steps have been taken to ensure that the entire output will be absorbed by local users at predetermined prices. During the first 5 months of 1962, nearly Rs. 300,000 have been realised by the sale of over 630 tons to local industry. Although this is a partial measure,

it was adopted as the first step to relieve the pressure upon the difficulties besetting this industry. Pricing had to be carefully worked out, taking into consideration the effects of such prices upon established industries.

Chlorine is used both as a water purifier and a base material for several chemical products. The Chemicals Corporation supplies limited quantities to the Paper Corporation and the Colombo Municipality. Output far exceeds existing demand.

The Plant is capable of an output of 1,500 tons of Caustic Soda and 1,450 tons of Chlorine. While there is no problem pertaining to the sale of Caustic Soda—the local demand being over 2,000 tons per annum—the output of Chlorine cannot be disposed of. Present sales of Chlorine are 200 tons to the Colombo Municipality, 120 tons to the Paper Factory at Valaichchenai and 60 tons to miscellaneous outlets. The total sales of Chlorine being 380 tons, the entire production plan is dislocated resulting in the restriction of the production of caustic soda.

The expansion of paper manufacture will increase the demand for chlorine from this industry to 267 tons in 1964 and 314 tons by 1966. When the Newsprint industry is set up, the production of 15,000 tons would require 250 tons of chlorine. Assuming that a newsprint plant can be set up by 1967, the paper industry will absorb 564 tons of chlorine. It is also anticipated that Local Authorities will place greater importance on water purification aspects and if in 5 years the demand for such purposes can be increased to 500 tons, 1,064 tons will have an outlet leaving a small balance for export or in the alternative for other domestic ancillary industries.

Negotiations are now in progress with certain Asian countries and it is expected that before long some arrangements for long-term supply would be made.

Mineral Sands and Oils and Fats

THE fortunes of the Mineral Sands Corporation are dependent entirely upon export prospects. Investigations are now being made with a view to enabling the Corporation to enter into long-term contracts for the supply of ilmenite to users in other parts of the world.

The Oils and Fats Corporation had been operating at a loss during the last few years. The working of this industry has undergone considerable changes and a scheme of re-organisation is now being implemented. The scale of operation possible in this industry is far wider than its present level. It is now concerned with oil milling, expelling poonac and manufacture of provender. Plants for fat splitting, sweet water concentration and fatty acid distillation have not been commissioned since they were installed, and steps are being taken to examine both market prospects for the products of these units as well as the possibilities of commissioning the plants.

In order to ensure that the Corporations will adhere to these programmes, schemes for monthly and quarterly reviews have been introduced. This pertains to both industries under construction as well as those in production.

Work has commenced on two of the most important of the public sector activities, namely the Iron and Steel and Rubber Tyre and Tube factories. Contracts were finalised and signed in 1961 and site work has already commenced. Building work in steel will commence immediately. Construction work on the Rubber Tyre Factory is due to commence in February, 1963. Both projects will be ready for production in December, 1965.

The Hardboard Corporation was set up in November, 1959, to produce 1,500 tons of hardboard per annum, using coir dust as the raw material. Further examination, by a techno-economic team in 1961 and 1962, has shown that the original scheme was uneconomic; the team has now recommended

a plant for the manufacture of 7,500 tons of hardboard per annum utilising rubber wood as raw material. Comprehensive investigations were made into the technical feasibility of rubber wood utilisation and also economics of supply. A 7,500-ton capacity plant requires 9,488 tons of rubber wood in an oven dry basis. It has been estimated that this amount could be made available from 64 acres every year. Complete investigations relating to availability and suitability of rubber wood were made and the Ministry has accepted the new scheme. In view of the versatility of hardboard, it is estimated that the demand for it would increase rapidly. It is also a substitute for a variety of boards now imported—particularly packing chests could be substituted by hardboard cases.

The Development Division is also responsible for investigating new projects for the public sector. This relates to market research as well as project evaluation.

The following projects have been evaluated:

- (1) Hardware (complete evaluation of project report).
- (2) Silicate Bricks (evaluation of feasibility report).

In regard to the latter, further investigations are being conducted to ascertain particulars of raw material supply.

- (3) Flour Mill—a preliminary investigation was completed early this year. At present the project is being further examined in consultation with a team of Soviet Engineers.

Two other project reports prepared in 1960—(1) Ship-building and Repairing Yard and (2) Hide and Bone Glue Factory—are under investigation.

Two projects which have received considerable attention are:

- (1) Petroleum refinery,
- (2) Fertiliser plant,

Investigations into the fertiliser manufacture commenced during the early fifties but no action was taken until 1961 when the Battelle Institute of Germany, with the assistance of the Development Division, prepared a feasibility study on a Nitrogenous Fertilizer Plant for Ceylon.

Government has accepted the report and steps are being taken to prepare the details for initiation of investment.

Petroleum Refinery

PROPOSALS for setting up a petroleum refinery were examined in the mid-fifties but change of Government policy subsequent to 1956 resulted in the alteration of original plans. There were also other factors such as world supply position of petroleum products and in particular supply and prices of crude oils which contributed to the weakening of the power of oil monopolies on which sources our supplies were dependent.

In 1958 the Government received four proposals, one from Shell-Stanvac and Caltex, two from independent American petroleum refinery financiers and yet another sponsored by a group of Joint Indian-French financiers. Since private ownership of the refinery was ruled out, the Shell group proposal was not considered. Of the others the only proposal which was seriously studied was the New Asia Petroleum Refinery proposal. In 1959 negotiations on this proposal too broke down.

In 1961 the Development Division examined the projects anew and decided to consider the refinery and fertilizer as joint projects in view of the technical and economic advantages particularly relating to power supplies for the fertilizer plant. The construction programmes of these two projects are therefore to be co-ordinated.

All important technical and economic data relative to petroleum refining have not been gathered and the Government has invited the French Petroleum Institute to assist in the preparation of the detailed

specifications and tender forms. It is expected to finalise these before the end of this year. Both these projects are important from the national economic point of view. Apart from creating new employment to over 1,000 persons there would be almost a Rs. 100 million saved by way of foreign exchange. They would also effect substantial savings to the consumers, particularly in the field of fertilizer, the prices of which at present have no reasonable relation to manufacturing costs.

The project report on hardware was received in September, 1961, from Cekop. The report was comprehensively evaluated by this division and a recommendation was made to the Government. Work will commence in the financial year 1962-63.

The capital cost of the project is Rs. 11.4 million. It will have various service units such as smithy, foundry, machine shop, etc. Its products will be mainly agricultural implements, hardware and allied items such as mammoties, alavangoes, axeheads, spanners and other small hand tools. The output will be in the region of 40 per cent. of present demand.

The scheme is to be financed on the basis of long-term credit facilities to be provided by the Government of the People's Republic of Poland. The agreement contains provision for performance guarantees.

The project is to be sited at Gampaha and will be completed in 18 months. It would provide employment for over 550 persons and effect a saving of Rs. 4.7 millions in foreign exchange.

Flour Mill

THE project report for the establishment of the flour mill was received late in 1961. The scheme is for milling 70,000 tons of wheat per annum to produce 50,000 tons of flour and 18,000 tons of by-products mainly bran.

Imports of wheat flour have been increasing during the last few years and now stand in the region of 200,000 tons per annum. The mill will therefore meet 25 per cent. of the present domestic requirements. The total capital is to be Rs. 18.3 millions of which Rs. 10 million is to be financed in terms of the aid agreement between the USSR and Ceylon.

At present the project is being revised. It is expected that there would be a downward revision in the capital cost of the project, thus improving the economics. One major problem is that pertaining to the disposal of the bran, a by-product of wheat milling. Bran is used in very large quantities in the production of provender. This aspect is being carefully examined in relation to the Oils and Fats Corporation's programme of provender manufacture expansion. There is also a possibility that bran could be exported; this too is to be studied.

In 1960 Cekop submitted a feasibility report on the manufacture of silicate bricks. The recommendations are for the manufacture of 35 million bricks of standard size used in Ceylon.

This project will require an investment of Rs. 3.043 millions. A site has been tentatively selected near the sand-bearing area close to the Industrial Estate at Ekala. Besides silica sand, manufacture of silicate bricks requires lime. The plant we have in mind requires about 8,000 tons of lime. Investigations are now being carried out in regard to availability and supply of lime.

A project report was also received from Cekop for a factory to produce gelatine and glue from bones and skins, based on utilization of by-products such as fleshings from tanneries, hide and skin wastes from slaughter-houses and animal bones.

The scheme envisages an investment of Rs. 4.7 millions to produce nearly Rs. 4 million worth of the following items: bone glue 450 tons, hide glue 264 tons, technical gelatine 66 tons, bone meal 30 per cent. P₂O₅

1,050 tons, bone fat 300 tons and hide fat 90 tons per annum respectively, from 3,000 tons of hides and skins and 3,000 tons of bones.

The present investigations are related to :

- (a) supply of the above-mentioned quantities of raw materials,
- (b) marketing of products in excess of present domestic demand.

Ship building

A PROJECT report was also received in 1960 from a team of Polish experts on ship building and repairing. The recommendation related to the setting up repair facilities for various types of boats including overhaul of trawlers, tuna boats, engines and the production of transport equipment such as bracket winches, hand carts, belt conveyers and hand cranes.

The scheme envisages a total capital investment of Rs. 22.67 millions. This project is being studied in relation to the demand for facilities at such a service yard.

The following projects are in their initial stages of investigations :—

- (a) Petro-chemicals—(i) Plastic moulding powder
(ii) Synthetic fibres
(iii) Carbon black
- (b) By-products of the fish industry—
(i) canning
(ii) manufacture of fish oils
- (c) Utilization of existing capacity at the Oils and Fats Corporation for the manufacture of glycerine and fatty acids.
- (d) Manufacture of lauryl alcohol—consideration of the utilization of plant now at Paranthan Chemical Corporation.
- (e) Manufacture of organic fertilizer—compost jointly with the Local Government authorities.

- (f) Assembly and manufacture of Agricultural Tractors.
- (g) Glassware—in particular specialised items of glassware.
- (h) Manufacture of porcelain—A pilot plant is already in the process of being set up for this purpose.
- (i) Graphite and domestic utilization of graphite.
- (j) By-products of sugar.

There can be no definite evidence that all these are to be undertaken now. However, in respect of the fertilizer, petroleum refinery, hardware, hardboard, silicate bricks, and flour mill the investigations have reached a stage when the investment in broad outlines can be reflected ; but until the project reports are finalised we cannot show the details of investment. In regard to these projects total investment and other economic data are shown. This does not mean that when the investigations are complete action could not be taken to include provision for those projects which are not in the programme.

Flexible Scheme

THE programme which we have drawn up is not a rigid inflexible scheme, it will always be subject to change. New projects will be included, existing ones would also be subject to alteration depending on priorities and other considerations. It serves as a guide and as an indicator of the magnitude of the tasks ahead of us and shows our own objectives in the field of industry.

In a socialist economy the public sector assumes a position of supreme importance. The State must have control over the 'commanding heights' of the economy. In sectors which it does not propose to own, its control must be definitely established. In pursuance of this policy this Ministry has taken adequate steps to register existing industries and control and regulate investments in the future. Legislation is being introduced for regulation and control of industry.

During the period of the preparation of legislation for this purpose steps were taken to control investment and approve new industrialists. This has been done mainly for three reasons: (1) avoidance of competitive waste both of skills and materials and to avoid the creation of excess of capacities, (2) rationing of foreign exchange on a basis of priorities, (3) enable planning in both public and private sectors.

The Ministry has also amended the C.I.S.I.R. Act so as to make it possible for the Government to have control over the policies of applied and fundamental research and to bring the work of this institute into alignment with State policy. Steps are also being taken to set up a Science Advisory Council. This Council will be manned by specialists representing the various technical and scientific fields.

One of the chief obstacles to the preparation of a rational scheme of economic development has been the absence of what may be termed "a national approach", e.g., adequate assessment of indigenous potentialities. It will be the first task of this Advisory Council to draw up a scheme for such surveys. They will also be required to ascertain ways and methods by which indigenous processes of manufacture could be improved and advanced.

It has now become a matter of urgency that standardization be introduced into fields of manufacture so that both the consumer and the producer could be adequately safeguarded. It is proposed to introduce the necessary legislation for this during the course of the next financial year.

A Standards Council and a Standards Bureau will be set up by law. The Council will be vested with the necessary legal powers to administer all matters pertaining to the imposition of standards in respect of locally manufactured products.

Bureau of Standards

THE objects of the Bureau of Standards will be as follows:—

- (a) Promotion of standardization in industry and commerce by preparation of specifications and codes of practice.
- (b) Promotion of facilities for testing and calibration of precision instruments, gauges and scientific apparatus and issue of certificates.
- (c) Examination and testing of commodities and other materials and also forms of manufacture, treatment and processes.

Quality control and standardization are important as industry advances, and this bureau will have as one of its functions the dissemination of knowledge on these aspects.

One of our chief problems is the inadequacy of constructional facilities. The constructional work envisaged, both in the public and private sectors, during the forthcoming years will strain the existing facilities to the utmost. Unless therefore steps are taken to assess the work potential and the means of achievement, some of the planned work will be held up. This shortage was envisaged by the Ministry and an Engineering Corporation was set up early this year.

This Corporation will be responsible for the designing and construction activities of the public sector industrial works. Hitherto almost all the work was either handled by foreign firms or local private firms. This increased the total costs and also the foreign exchange commitments.

Apart from this and the delays involved, there were also no opportunities for the training of local engineering skills. The Engineering Corporation will therefore be able to meet this demand progressively.

(Continued on page 27)

The Insurance Corporation of Ceylon

M. RAFEEK

(Chairman, Board of Directors)

THE Insurance Corporation of Ceylon is a State-sponsored institution established by the Insurance Corporation Act of 1961. It commenced its career of service to the nation on the 1st of January this year, the "Appointed date" under the Act.



M. Rafeek

The Corporation transacts all classes of insurance business. In Life Insurance, it has a monopoly. In General Insurance, such as in Fire, Motor, Marine, &c., it transacts business in competition with privately owned insurance companies, both Ceylonese and foreign.

For an appreciation of the objectives of the Corporation with reference to its Life Insurance business, it is necessary to recapitulate briefly the conditions that prevailed in the country immediately before nationalization,

which pointed to nationalization as the only remedy for the various ills that afflicted the industry.

There were several disquieting features which caused the thinking elements in the country serious concern. The first was that, although there were a few Ceylonese companies in the field, the bulk of the business was in foreign hands. For instance in 1958, which is the latest year for which published statistics are available, the share of the local companies in the new Life Insurance business was only 46.8 per cent. Of the business in force, the share was even lower, being only 25.1 per cent. Apart from being a drain on our foreign exchange resources, this meant that savings through Life Insurance could not be made an instrument of National Planning.

The second cause for concern was the manner in which control over Life Assurance funds was exploited by the Managements of some of the local companies. Loans were given freely, to themselves and to concerns under allied management, with inadequate security and often with no security at all. Even in the case of those companies where there was nothing "mala fide", there was no consciousness of the role Life Assurance funds had to play in the economic development of the country.

Another disturbing factor was that the rural areas were more or less neglected. Companies tended to concentrate on the cities where business was easier to get and the small policy was not encouraged. This meant that an important sector of the population went without insurance protection and also that the savings potential of a large sector of the country went untapped.

The last and certainly not the least cause for concern was the parlous condition of many of the local companies. This was the inevitable result of extravagance and bad investment. I know of a case where even for payment of current expenses like staff salaries, the Management had to wait till enough collections from premiums came in. The plight of the policy-holders of such companies could well be imagined.

The objectives, for the fulfilment of which the Corporation was established, therefore were :—

Firstly —to provide absolute security to policy-holders in addition to efficient service ;

Secondly—to popularize insurance more widely, particularly in the rural areas ; and

Thirdly —to ensure that the investments of the funds are made in the best interests of the policy-holder and the community.

Security and Service

THE first objective, namely, security to policy-holders, is ensured by the very constitution of the Corporation. The Insurance Corporation Act provides for a paid-up capital of Rs. 10,000,000 to be wholly contributed by Government, with provision for an increase if necessity arises. This amply demonstrates that the Government is behind every policy of insurance issued by the Corporation. Every person taking out a policy with the Corporation can do so with the assurance that the provision he so thoughtfully makes will never fail him in his hour of need.

Security is but a part of our obligation to the policy-holder. The other is service. It was therefore our earnest desire that every policy-holder of the Corporation should receive, from the time he sends in a proposal until the policy finally emerges as a claim, a service comparable with the best in the

world ; and this level of efficiency we strove to achieve from the very commencement of business.

Setting up from scratch an organization which is capable of developing and serving the large volume of business for which we were confidently planning was a task of some magnitude. This called for careful planning with meticulous attention to every detail. The number of matters which had to be carefully and painstakingly attended to was legion. Premium rates had to be calculated after analysing whatever material that was available which reflected local experience ; Policy conditions had to be formulated and the Prospectus prepared ; branch and agency organizations had to be planned and the method of remunerating the field force determined ; detailed office procedures had to be drawn and the manuals prepared ; where the work was to be mechanized, the necessary equipment had to be acquired and installed ; books of accounts and various forms had to be designed and printed ; the personnel recruited and trained ; and many more. In fact, no one who had not gone through those arduous months could really appreciate the amount of preliminary work that had to be done before the Appointed date. I do not propose to dilate further on this subject except for one aspect of the preliminary work, namely, training.

In recruiting personnel, preference was given to employees of Insurance companies who were likely to face retrenchment as a result of nationalization. Our staff therefore was drawn almost entirely from the employees of Insurance companies. Since foreign companies accounted for a major share of the business in the Island, there was a dearth of persons with experience of Head Office work, particularly underwriting and policy-holders' servicing. Paradoxical though it may sound, the previous experience in insurance was of no advantage to the Corporation, as the office procedures they were accustomed to were unsuitable for an organization like the Corporation.

It was therefore considered necessary that all of them should be given a thorough training before being put on their jobs. We obtained on loan the services of two officers from the Life Insurance Corporation of India, who had specialized in this work. The training, which commenced in the middle of September, and continued till the Appointed date, was comprehensive. It began with the theoretical side of Insurance. This gave the trainees a bird's eye view of the entire business and enabled them to appreciate how the working of the different departments dovetailed into each other.

Then followed the training in office practice and departmental procedure, with the help of the detailed manuals which had been prepared and kept ready. Mastery over the manuals within the short time into which the training was compressed called for some very hard work from the trainees, but such was the enthusiasm of the new recruits that they cheerfully put in long hours of study and acquitted themselves very creditably in the tests that followed.

A short course of training was instituted for the Officers too, with equally satisfactory results. Thus the staff, both executive and clerical, entered upon their duties on the 1st of January with calm confidence.

There were many in the country who tried to stampede us into starting business in October or even earlier. As I said before, no one who had not gone through the arduous months that preceded the appointed date, could have assessed the immensity of the preliminary work, and the suggestion for an early appointed date was due to a lack of appreciation of the magnitude of the task. But certain others—those who clamoured loudest for an early appointed date—were, as a weekly journal pointed out, prompted by less laudable motives. I shudder to think of the confusion that would inevitably have resulted, if contrary to the advice given us and against our better judgement we had

commenced business before we were prepared. We are grateful to the Honourable the Minister of Commerce for appreciating our point of view and fixing the 1st of January as the appointed date. Our thanks are due to the general public for bearing with us in the face of the propaganda for an earlier appointed date.

I can claim with pardonable pride that the detailed preparatory planning has paid dividends and enabled us to fulfil the second part of the first objective, namely, providing an efficient service. Of course, it is really for the public to say how good our service is and how it compares with the standards of private companies, but the following facts might help in forming a judgment.

Service begins at the proposal stage and in handling proposals we can claim to have achieved a standard never even thought of as possible in this country. A proposal received at the Head Office normally takes not more than seventy-two hours for scrutiny, acceptance and issue of the policy.

The Policy Contract

The nature of the policy contract itself is all important. Such of you as might have had occasion to go through our Prospectus would have found that we have adopted in this matter a progressive and liberal outlook, in keeping with our role as a national institution. The premium rates under the large number of plans designed to suit every need are, on the whole, lower than those of the private insurers. Our automatic non-forfeiture conditions—conditions which come into operation when a policyholder is unable to continue premium payments—are liberal and conceived in the best interests of the policy-holders. There are other attractive features but I do not wish to enumerate all of them here. Suffice to say, that our approach in this as well as other matters is: the Corporation has been brought into existence to serve the people and our administration should keep this aspect in the forefront.

Time was, when Life Insurance was by no means a necessity in the case of the vast majority of the population. Land, or other types of property, constituted practically the only source of livelihood and death did not mean any serious diminution of income. In any case, the kith and kin took upon themselves to look after the bereaved family. Times have changed and, in Ceylon as elsewhere, the individual and the family are thrown more and more on their own, and only Insurance can protect the family in case anything happens to the breadwinner. In fact, in these days, Insurance is the only answer to the many financial problems in life and in death.

From the national point of view this objective has an even greater importance. In a rapidly developing economy like ours, the danger of inflation is ever present. This danger could be warded off only if people could be induced to save and the funds for new schemes of development come from the genuine savings of the people. In the drive for savings, Insurance can play a great part. In fact, there could be no better method of saving than through Life Insurance.

Thus every policy of Life Insurance taken out with the Corporation is both a demonstration of the individual's love and concern for his near and dear ones and an expression of faith in the future of the country.

In view of the importance of this objective, a good deal of thought was given to the planning of the development side of the organization. One aspect to which we attached considerable importance was that the organization should cover all areas so that the benefits of Insurance are brought to all parts of the country. Branches have been opened at Colombo, Kandy, Jaffna, Galle, Negombo and Badulla. Unlike the Branches of Insurance companies in the past, our Branches are equipped to serve the policyholders. No longer will the policyholder have to write to Colombo even for elementary information.

Development Centres

In addition to these Branches, we have opened what we call "Development Centres" at Kalutara, Ratnapura, Matara, Kegalla, Kurunegala, Batticaloa and one is shortly to be opened at Anuradhapura. These are Branches in the making, the only difference between the "Development Centres" and the Branches being that for the present, their duties on the Life side would be confined to development of new business. As business improves, and the "Development Centres" become viable they would be converted into full-fledged Branches and the remaining administrative functions transferred to them. This flexible arrangement has a good deal to commend itself from the point of view of economy, which is an important consideration for any Life Insurance institution.

The Branches and "Development Centres" have been divided into several "Areas of operation" as we call them, each one comprising one or more electoral districts. Every area of operation will have organizers resident in that area, the number depending on the potentiality of the area concerned. It is an essential part of our plan that the organizer must reside in that area and develop it intensively. Only then will there be a uniform development of all areas.

There were quite a few who did not view this departure from tradition with favour. But the experience of the last few months has only served to confirm that a planned "sector wise" development was essential for progress. The proportion of the total new business coming from the rural areas and smaller towns is much higher than in the past. In fact, the business from these areas has largely been responsible for our new business figures being better than at any time in the past. It is perhaps symbolic that the organizer who has done the highest business is one attached to the Badulla Branch, who was till the other day only an Agent doing a very small amount of business.

Our pattern of organization is in sharp contrast with the practice of Insurance companies in the past. Their organizers had no defined territories. The inevitable result was that the organizers crowded into Colombo and a few other big towns. The smaller towns and the rural areas, which in theory were everybody's business, proved in practice to be nobody's business.

The lagacy left by the lop-sided development of the past created a few problems in our planning. It had been decided, as a matter of policy, to absorb such of those organizers of Insurance companies as were desirous of joining the Corporation. Practically everyone wanted to join, but very few were agreeable to be posted outside Colombo and the bigger towns. Since we were averse to transferring an organizer against his will, from a place where he feels he has valuable contacts, we were faced with a shortage of development men willing to be posted to the rural areas. This difficulty was surmounted by recruiting suitable men from the ranks of successful Agents and giving them an intensive training before posting them to their new duties.

Training Scheme

The training was given by an Officer from the Life Insurance Corporation of India, who was deputed for this purpose. The initial reaction was one of scepticism. Most of them had been working as Agents for years and they felt that they had little to learn. But as disciplined officers they agreed to attend the classes and before long all of them became enthusiastic converts to training. The idea became so infectious that other organizers, for whom no training had been planned, asked that the training be extended to them as well. A brief but intensive training was given to these also with equally gratifying results.

This systematic planning and training has paid good dividends. A very good and

objective way of judging the performance of the Corporation in regard to new business is to compare the new business done by the Corporation with the new business done in a comparable period by all the companies put together. In 1957, all the Companies, Ceylonese and Foreign, wrote a New Business of Rs. 111 million. In 1958, the last year for which published statistics are available, the new business was lower, being only 107 million. Thus 111 million was the highest ever touched by the private sector. As against this, the new business done by the Corporation till the end of February was Rs. 40 million which corresponds to an annual figure of Rs. 120 million. Actually, the performance of the Corporation is much better than what a mere comparison of the present figures suggest (for two reasons) firstly, because any machinery however well oiled takes time to gather full speed, and secondly, the earlier months in a year are less productive than the latter months. This is the experience in Insurance in Ceylon as elsewhere. At the rate new business is coming in I am confident that the business done in the very first year of the Corporation will be much higher than the highest business ever done in a year by the private sector.

This happy result is certainly not fortuitous. Not many realize this. I have heard people remark "Since you have a monopoly all business is bound to come to you". The suggestion is that Insurance is a necessity and therefore people will queue up at the gates of the Corporation waiting to take out policies. Nothing can be more off the mark. Insurance may be a necessity, but that is one necessity the individual is quite willing to do without. A car, a bicycle, a radio—almost anything—looks to him more urgent than a Life Insurance policy and unless there is an Agency force well trained and well directed new business will dry up. The well known saying that "Insurance has to be sold and is never bought" is as true in Ceylon as elsewhere; in fact, more so.

From the time nationalization was first mooted right up to the "Appointed date", one argument that used to be trotted out by the opponents of nationalization was that since Life Insurance had to be actively sold a Government Corporation could never hope to acquire the necessary technique. Nationalization, they confidently predicted, would mean a precipitate fall in new business. Now that that has proved to be wrong, it is said "why—Life Insurance is a necessity and people will buy it". Public memory is not so short that it would have forgotten their dire forebodings. In any case, even if we grant the premise that people recognize Insurance as a necessity and will buy it without any promptings, how do they explain that from the very commencement the Corporation is doing much better than all the companies put together? Surely, they do not suggest that the need for insurance has gone up since January 1, 1962!

I have digressed on this aspect more than I intended, but I was anxious that nothing should be done to whittle down an achievement the credit for which should go to those who had worked for it, including the fine body or men who comprise our field force.

Investments

I now turn to the third objective, namely, investment of Life assurance funds in the best interests of the policyholder and the community.

A sound and active investment policy is vital for the success of any Life Insurance

institution. In determining the rates of premium that should be charged the Actuary assumes that the funds will earn a minimum rate of interest. For this reason and for the reason that an interest yield higher than the rate assumed is an important source of the surplus distributable to the policyholders, a wise investment policy is a matter of paramount importance.

The Corporation is a national institution and its investment policy should be calculated to promote the economic well being of the country. Within a very short time, the net annual accretions to the Life fund will reach impressive proportions. In fact, if I am not mistaken, the Corporation will be the most important institutional investor, and its investment policy will have far reaching effects on the country's economy.

The Corporation's investment policy has thus to take into account two factors (i) obligation to earn the maximum rate of interest consistent with security; and (ii) directing the investments into channels which will promote the economic progress of the country.

Framing of the policy is therefore a matter of importance. It is therefore meet that Parliament has provided that the policy should be framed by the Board and have the approval of the Honourable Minister of Commerce with the concurrence of the Honourable Minister of Finance. We can therefore rest assured that the investment policy would subserve the two interests which I have mentioned earlier.

(To be continued)

The Three Year Plan

(Continued from the August issue of Ceylon Today)

II. AGRICULTURE

A. Export Crops

(1) Replanting of tea lands should not take place on a progressive scale as earlier envisaged, but should be encouraged up to a fixed limit of 4,000 acres annually. New plantings in tea should, on the other hand, be encouraged within limits.

(2) Greater preference should be given to the allocation of lands and funds to the State Plantations Corporation in preference to Highland Colonization Schemes for new plantation of export crops.

(3) Crown Land should be alienated (subject to limits) to the private sector for development in tea and other export crops (excluding rubber).

(4) New planting of rubber should not be encouraged.

(5) It is necessary to broaden the base of our export earnings by diversification, through development of our existing minor export crops, and of new crops for export.

(6) An institution needs to be established for the study of problems pertaining to our minor export crops—such as cinnamon, citronella, nutmeg, cloves, etc. This study should be devoted mainly to:

- (a) the technical aspects connected with their cultivation ;
- (b) the technical aspects connected with their processing ;
- (c) the technical and administrative aspects connected with the enforcement of quality control ;
- (d) the possibility of expanding existing export markets, and entering new ones.

(7) Cashew cultivation should be undertaken on an extensive scale on the sandy

coastal belts where no other crops can now be profitably grown. It is recommended that its plantation be done on the lines of the present "co-operative reforestation scheme" by which forests are planted on chenas.

(8) New crops such as the oil palm should be tried out on the basis of pilot projects.

B. Irrigation and Land Development

I.—General

(1) The preponderance of a high proportion of highly capital consuming and long yielding projects to others in the agriculture sector should be reduced by the reduction of investment on the former, and an increase of investment on less capital consuming and quicker yield projects.

(2) The disadvantage of the former type of investment should be reduced by reducing costs, increasing benefits, and better planning and execution of projects.

(3) Early action should be taken for the completion of the land use survey with additional staff being provided so that it will be completed as soon as possible.

(4) Studies of water resources should be undertaken—especially a scientific exploration of ground water resources.

(5) A Natural Resources Planning Unit should be established to plan all future land development and colonisation schemes.

(6) A Water Resources Board should be established to plan and co-ordinate the use of water resources.

(7) A Bureau of Agricultural Economics should be established to study the economics of various types of land use and cropping programmes, as well as to undertake

economic studies in the field of agriculture. If possible, agricultural economics should be introduced as a special subject in the curriculum for the Economics Degree in one or more of our Universities.

II—Irrigation Programme

(1) Advance planning of all irrigation schemes is necessary before construction work is commenced. This involves:

- (a) Investigation of irrigation aspects.
- (b) Agricultural aspects.
- (c) Economic aspects by the Department of National Planning.

(2) No new irrigation works to be taken up until part of the existing backlog is cleared—

(a) Works which have been approved but on which construction has not been commenced should be postponed.

(b) Works which are in the early stages of construction and which could be delayed without much loss, should be suspended, and men and materials diverted for the completion of projects in a more advanced stage of construction.

(c) The postponed works should be considered along with any new works for construction at a later stage having due regard to the need to make an increasing irrigable acreage available annually.

(3) Work on head-works and channel systems should proceed simultaneously so as to enable earlier completion of the entire project.

(4) Beneficiaries should be made to construct, or contribute to the cost of construction of field channels up to a reasonable length. The present practice of providing pipe-outlets to individual paddy lots should be stopped, and water should be provided to blocks of 100 acres or more.

(5) More irrigation construction works should be given out to private contractors so as to accelerate the pace of construction.

(6) The cadre of permanent unskilled labour in the Irrigation Department should be reduced so as to reduce costs and increase the rate of construction of irrigation works.

(7) The Irrigation Department (and possibly other construction departments) should be released from the compulsory requirement of having to give works to Co-operative Societies for construction in all cases where Societies are willing to take up work.

(8) Committees should be appointed in each district to decide on reduction of rates for earth work, concrete work, &c.

(9) Preference should usually be given to augmentation of existing works rather than construction of new works where the former result in additional crop acres being rendered cultivable.

(10) More attention to be paid to minor irrigation works by the Irrigation Department.

(11) More staff and money should be provided to the Department of Agrarian Services for construction of minor irrigation works (1 Engineer and 30 Technical Assistants to be provided).

(12) Greater attention needs to be paid to lift irrigation from available surface water and from tube-wells. The possibility of introducing windmill irrigation in the dry zone needs to be pursued.

(13) Measures need to be introduced to achieve economy in the use of water by cultivators. This is to be achieved by:

- (a) Intensive propaganda drives.
- (b) Necessary amendments to the Irrigation Ordinance and Paddy Lands Act.
- (c) Strengthening of administration and enforcement of Irrigation rules.
- (d) Extension of tractor ploughing, so as to enable dry sowing.
- (e) Use of weedicide if possible, to control weeds instead of wasting water for weed-control.

(14) Under future irrigation schemes more economic crops than paddy should be cultivated. Lands under future colonisation schemes shall be alienated specifically for cultivation of these more economic crops.

(15) An economic irrigation rate should be charged under all existing and future schemes.

(16) Maintenance obligations of cultivators under village works should be strictly enforced.

III.—Land Development Programme

(1) A review of land policy and an evaluation of its results is necessary. This may be undertaken by the Department of National Planning.

(2) The proposed Natural Resources Planning Unit should be entrusted with the task of planning land use and all new colonization schemes.

(3) The social service investment in colonisation schemes should be reduced—mainly by reduction in the cost of colonists' houses.

(4) A reduction in the cost of land development should be brought about by a reduction of subsidies to colonists for land development.

(5) The policy of 'advanced alienation' should be continued—but on a more planned and co-ordinated basis.

(6) As much as possible of the Department of Land Development work should be given out on contract—so as to increase the rate of construction and lower costs.

(7) Returns to the national economy from Colonisation schemes should be increased by diversification of cultivation. This is to be achieved by:

- (a) Lift irrigation to existing highland allotments.
- (b) Laying out future colonisation schemes with irrigated highland allotments.

(8) The output of paddy lands under land development schemes should be increased by intensification of cultivation. Greater attention should be paid to Agricultural Extension Services on colonisation schemes by diversion of more extension staff to these schemes.

(9) A reform of tenure under the Land Development Ordinance should be introduced in line with the Commission's recommendations.

(10) Financial returns to Government should be ensured from village expansion and colonisation schemes by insisting on repayment of the costs incurred by Government in the development of allotments.

(11) There is a need to find means other than irrigated colonisation for quicker and cheaper land development, with better use of various land classes. A pilot project for capitalist farming on a mechanized basis in the Dry Zone is suggested.

NON-EXPORT AGRICULTURE SECTOR

C. Institutional Arrangements

(1) A break-through to increased production is intended to be achieved not so much through increased investment as through institutional changes.

(2) Land Tenure

- (a) Amendments to the Paddy Lands Act will be introduced very early. The Act will be made applicable to all districts by February 1963.
- (b) An evaluation of the working of the Paddy Lands Act will be undertaken with U. N. assistance.
- (c) The introduction of legislation for registration of title, and introduction of legislation, and the utilization of existing legislation (under Paddy Lands Act), for bringing about the consolidation of holdings.

(d) Allottees under L. D. O. are to be given an outright grant of the land on payment to Government of the cost of development of the allotment, in instalments.

(3) *Crop Insurance*

- (a) The Scheme should be expanded.
- (b) Premia due will be recovered from cultivators through the G. P. S.
- (c) The present government subsidy of Rs. 6 per acre will be reduced progressively as more acreages are brought under the scheme.

(4) *Agricultural Credit*

- (a) All dues from cultivators either by way of share capital or overdue loans should be recovered through the G. P. S.
- (b) Suitable action will be taken to provide Co-operative Societies with a line on the crop of defaulting cultivators. A usufructuary mortgage of the cultivator's land in favour of the Co-operative Society will also be provided for.
- (c) A certain sum will be set off against the overdue account of each Society out of the commission payable to it for its purchases under the G. P. S.
- (d) The maximum credit limit of members will be increased to ten times their share capital contribution in areas where double-cropping is possible.
- (e) To encourage savings, a scheme of saving deposits in Co-operative Societies will be introduced.
- (f) Changes in organization will be undertaken to achieve greater co-ordination between the Agriculture and Agrarian Services Departments, and the Co-operative Department.

(g) A survey will be made to investigate the reasons why cultivators are reluctant to join Co-operative Societies.

(h) The People's Bank will be encouraged to enter the field of Agricultural credit without further delay.

(i) The Managers, or Treasurers of Co-operative Societies will be made responsible for the recovery of loans.

(5) *Agricultural Extension*

- (a) A committee will inquire into the working and organization of the Agricultural Extension Services.
- (b) The Extension Service will pay greater attention to extension in colonization schemes.
- (c) Extension officers and overseers should work more closely with cultivators. They should be accepted as practical farmers. Their efforts should be diverted, not so much to demonstration, as to getting the cultivators to try the new practices on their fields.
- (d) Attempts will be made to persuade cultivators to adopt common agricultural practices over an entire tract, through the agency of Cultivation Committees.
- (e) The Extension Services in the field of subsidiary crops and animal husbandry will be strengthened.

(6) *Government Farms*

The functions and activities of all farms will be investigated with a view to closing down uneconomic or inefficient farms, and uneconomic or inefficient activities of all Farms.

D. Crops

I.—Paddy

(1) *Increase of crop Acreage*

The extent of new lands to be opened out by Government for paddy cultivation will be

limited. Cultivated and harvested acreages however will be increased by :

- (a) Cultivating existing asweddumised lands which are now not cultivated. A committee should be appointed in each district to investigate the causes of the present non-cultivation.
- (b) Reclaiming lands which have gone out of production.
- (c) Reducing the extent of salvinia infestation.
- (d) Increasing the acreage double cropped.
- (e) Reducing the extent of crop failure.

(2) Increase in Yields

- (a) The process of multiplying and distributing improved seed varieties will be accelerated. This will be done by undertaking a survey regarding the present use of improved and certified seed, by providing separate storage facilities for seed paddy, and by providing improved seed to farmers in exchange for consumption paddy.
- (b) The present fertiliser subsidy of 50 per cent. will be extended to cultivators either through Co-operative Societies or through Cultivation Committees. If the progress made in the extension of fertiliser use under this scheme is not such as to make a decisive impact on production, it will be necessary to adopt more radical measures to achieve this end.
- (c) The importation and using of fertilizer will be undertaken by a State Corporation, so as to ensure steady supplies and cheaper prices.
- (d) The use of insecticides and weedicides will be encouraged.

(3) Prices and Marketing

- (i) All future subsidies will be specific, i.e., contingent on the performance of some specific improvement or practice.

- (ii) The operation of the Guaranteed Price Scheme will be improved so as to ensure for the cultivator a more effective guaranteed price.
- (iii) Storage accommodation for paddy in the public sector will be increased, so as to enable quicker purchase of cultivator's paddy under the G. P. S.
- (iv) Rice Milling—
 - (a) All new rice-mills will have to conform to certain improved standards.
 - (b) No quotas will be given to millers having obsolete machinery unless they install new machinery in a deficit area.
 - (c) New mills will be allowed only in deficit areas. Encouragement will be given to millers to set up new mills by guaranteeing adequate quotas and by granting loans to millers.
 - (d) Construction of new mills by government will cease and the co-operative and private sector will be encouraged to invest in this field.

II.—Subsidiary Food Crops

(1) Future alienation of land under Government's land development schemes will be mainly for subsidiary crops. Irrigation will be provided for these crops.

(2) Agricultural credit should be provided more effectively through Co-operative Societies for the cultivation of these crops.

(3) Attractive prices need to be ensured for these crops by :

- (a) Increasing the guaranteed price for certain crops, e.g., chillies, maize, turmeric, green gram, &c., and introducing a guaranteed price for bombay onions.
- (b) Import restrictions.

(4) Marketing arrangements for these crops should be improved by concentration of production in well defined areas to enable

proper organization of marketing facilities. Loans should be given to Co-operative Societies for marketing. The commission payable to Co-operative for purchasing these crops should be increased in particular cases, and the commission payable for paddy reduced.

(5) An intensification of effort and a concentration of extension services in defined areas for the production of these crops is required.

(6) The Agriculture Department should provide seed material and pest control services in well defined areas for their production.

(7) Import restrictions have been recommended in certain cases with a view to restraining increases in per capita consumption, e.g., potatoes, dried chillies, &c. In these and other cases certain restrictions have been recommended with a view to stimulating local production.

(8) In certain cases import duties have been recommended in preference to import restrictions. In certain cases these duties are to be in the form of a cess, which will be channelled back to producers by way of increased guaranteed prices in practicable cases.

III.—Subsidiary Commercial Crops

Sugar Cane

(1) A Sugar Cane Research Institute should be established.

(2) The implementation of Stage II of the original sugar cane cultivation programme shall be deferred until available acreages under existing plantations are successfully planted up, and other problems (such as harvesting) fully solved.

E. Animal Husbandry

(1) Tax rebates and exemptions should be given under the Land Tax Act to estates which maintain animals for meat or milk.

(2) Imports of pork products should be restricted with a view to encouraging local production and processing.

(3) The Milk Board should be allowed to purchase milk (even at a loss) for a period of three years or more. This loss should be eliminated by:

(a) Disposal of milk through Milk Feeding Centres.

(b) Establishment of a plant for condensed milk and powdered milk production.

(4) A Meat Board should be established for marketing of animals and meat products.

(5) The provisions of the Animals Act should be enforced immediately.

(a) To permit castration of scrub animals.

(b) To prevent slaughter of buffaloes.

(c) To prevent damage to cattle hides.

(6) A cess (or duty) should be imposed on imported eggs. The proceeds of the cess should be used to subsidize poultry food.

(6) Attempts should be made to overcome the present shortage of animal feed by:

(a) Large scale cultivation of grains in the Dry Zone.

(b) Enforcement of standards of good rice milling so as to ensure adequate supplies of rice bran.

(c) Making arrangements for import of required quantity of coarse grains for the next three years only.

(7) Establish a buffalo breeding farm, and prevent slaughter of buffaloes for meat.

F. Forestry

(1) It is necessary to conduct a pre-investment survey of Ceylon's forest resources. This should be done, if possible, with U. N. Special Fund assistance.

(2) A shift of emphasis is required from routine for the administration to commercial extraction, conversion and processing of available timber.

(3) In view of our present dependence on salvage areas to meet our timber requirements, adequate provision should be made for reforestation, so as to meet the country's long-term requirements of timber. This should be done as far as possible through the 'Co-operative reforestation scheme'.

(4) It is necessary to increase the supply of Wet Zone softwoods by the Forest Department. This must be accompanied by a corresponding increase in processing capacity for the production of plywood in the public or private sector, with a view to eliminating imports of tea chests, which now constitute more than half our imports of forest products.

G. Fisheries

(1) A comprehensive survey of the operation of mechanised boats would be undertaken immediately with a view to ascertaining the daily catch, methods of fishing, operational costs and net returns.

(2) The staff of the Loans Branch of the Fisheries Department should be increased in order to effect recoveries and to successfully administer this scheme.

(3) A more rigorous system should be introduced for seizure and sale of boats due to non-payment of loans instalments.

(4) A higher down-payment should be insisted upon on boats given out under this scheme.

(5) The loan scheme should be opened to all classes of persons who are genuinely willing to undertake production. A higher down-payment will however be insisted upon in respect of middle-class persons.

(6) The People's Bank should be encouraged to give loans against sufficient security for the purchase of these boats by the latter class of persons. The possibility of transferring the function of issue and recovery of loans from the Fisheries

Department to the People's Bank will be investigated, in respect of all boats to be issued after 1st October, 1962.

(7) A scheme for standardisation of marine engines under the loan scheme should be introduced in order to facilitate repairs, maintenance, importation of spare parts, &c.

(8) Better repair facilities should be provided for these boats.

(9) Training classes should be conducted for fishermen in the method of operation repairs and maintenance of these boats and engines. This is already being done.

(10) Improvements should be made to natural fisheries shelters, and construction of new harbours and shelters should be undertaken.

(11) An engineer should be recruited to organise the machine shop to handle repairs and maintenance of trawlers.

(12) Priority should be given for docking and slipping facilities for trawlers.

(13) Provision needs to be included in the Merchant Shipping Act for the issue of certificates for Masters, Mates and Engineers of the fishing boats, to enable the recruitment of necessary staff.

(14) The introduction of a change in the system of payment to trawler crews is required so as to provide an incentive for longer hours of operation. An incentive scheme combining a lower daily wage but with a proportionately higher bonus for increased catches, is necessary.

(15) Foreign technical assistance needs to be sought to hasten completion of designs and construction of fisheries harbours and shelters.

(16) Long-term biological and hydrological surveys of our fisheries resources and short-term population and migratory studies must be put in hand immediately. The necessary vessels and equipment should be provided to the Research Division of the Fisheries Department for this purpose.

(17) The organization and procedure for the collection of fisheries statistics must be improved. Adequate statistics must be made available not only of our fisheries resources, but also of daily catches of various types of craft, prices, marketing, etc.

III.—Industry, Power, Transport and Construction

PLANNED SECTOR

Investment Pattern

1. The selection of industries for investment should be determined by criteria relevant to development. This method should be applied more strictly than hitherto.

2. An organization should be set up under the Prime Minister to direct and co-ordinate all-Island surveys of natural, mineralogical and other resources.

3. A Council for applied scientific research should be set up to undertake continuous study of materials utilisation.

4. Priority should be given to projects for which materials are available or could be produced locally.

5. Over capitalisation in both Public and Private Sectors should be avoided by timely planning.

6. Before a particular project is decided upon, the possibility of starting it on a small scale should be thoroughly investigated.

7. As a general principle investment in new projects should not be undertaken at the expense of further investment in existing projects whose potential has not yet been fully realized.

Investment Performance

8. The machinery for programming and supervising of implementation should be activated to ensure co-ordination of all measures necessary for timely acceptance and completion of projects.

9. (a) Requests for funds should be based upon proper appraisal of projects covering their technical, financial and economic aspects.

(b) In the case of especially large projects (of which there is inadequate experience in the country) evaluation by foreign consultants should be obtained.

(c) Projects should not be tied up in advance under Aid programmes without sufficient appraisal.

10. The Development Division of the Ministry of Industries should have competent technical staff including Industrial Economists to enable it to discharge its responsibility effectively. Action has already been initiated by the Government in this regard.

Performance on Output

11. The Planning Division of the Ministry of Industries should pay particular attention to the scope for utilising by-products and developing complementary industries.

12. The programme of management training should be improved and expanded for the benefit of all managerial cadres in industry.

13. It is absolutely essential that corporations adopt a cost accounting approach, which is so basic to efficient operation.

14. Industrial corporations should pay attention to the marketability of their products.

15. (a) There is strong need for a Special Committee of Parliament to exercise legitimate Parliamentary control over Industrial Corporations.

(b) It is recommended that, within a broad frame of Central Control, greater responsibility be devolved to the managerial levels.

16. Participation by foreign firms in the financing and management of enterprises in the country is welcome in appropriate cases.

17. Programmes for training workers, including inservice training should be improved and expanded.

18. (a) The book value of the capital of over capitalized corporations should be written down and their costs revised correspondingly.

(b) A clear distinction should be made between fixed and working capital.

PRIVATE SECTOR

Industry

19. Steps that would be further necessary to improve the nature and value of promotional assistance rendered to the private sector may usefully be reviewed on the basis of the Development Division's experience so far.

20. Private sector investments should seek to achieve national objectives implied in import substitution.

21. The Development Division of the Ministry of Industries, the Small Industries Service Institute, the C. I. S. I. R., and the Development Finance Corporation should work in close co-operation to promote small industries and improve their credit worthiness.

22. The number of holidays, leave and other facilities should be reviewed.

23. The training programmes mentioned under item 17, could be supplemented by the use of large firms in the private sector for undertaking such training schemes.

24. Since the prices of industrial products benefit by protection and concessions and also should fall gradually with increasing efficiency, it is necessary that their general level be subject to periodical review.

25. The government should gear in trade policy to the needs of our export trade and assist in the exploration of foreign markets.

Small-scale and Cottage Industries

26. The Rural Development and Small-scale and Cottage Industries Department should investigate the prospects and possibilities and the problems and requirements of Small-scale and rural industries. The proposed Small-Industries Service Institute should be established at the earliest possible date.

27. The scope for Small industries to manufacture the goods needed by large and medium industries should be actively investigated.

28. In view of the significance of cheap power to the small-scale industries programme the scope for utilising the existing grids and generating power locally should be studied.

29. The decision implied in the general programme, to switch over from standard handloom production to art lines should be maintained.

Power

30. In view of a likely shortage of Power by 1965, steps should be taken to remove constructional and other bottle-necks in time. A high level Committee should be set up for this purpose, such as referred to in the chapter on construction.

31. In view of the basic importance of power to development, every effort should be made to reduce its cost and ensure continuous supply.

32. A Water Resources Board should be set up.

Transport

33. A Central Authority to co-ordinate all forms of transport in accordance with the needs of the developing economy should be

established. It should see that rates and fares charged by different forms of transport reflect, as far as possible, the costs of the Services rendered.

34. A traffic costing unit should be established in the Railway Department.

35. A Road Planning Authority to ensure a uniform policy by various authorities who construct and maintain roads should be established.

Construction

36. The various steps in specific departments, such as the improvement in brick industry by the Cottage Industries Department, setting up a Standards Bureau by the Ministry of Industries, and the Reforestation Programme by the Forest Department are all jointly necessary for the fulfilment of the Construction Programme.

37. The Government Stores should be reorganised, so that the procurement and delivery of construction materials could be carried out more quickly.

38. The policy of centralisation of building votes should be completed.

39. Foreign Companies undertaking large-scale construction to be given encouragement to set up Rupee Companies by themselves or in association with local firms.

40. Security Bonds through approved financial institutions to be considered for acceptance and security deposits for larger contracts to be fixed amounts instead of percentages of contracted figures.

41. Local contractors to be given adequate safeguards against the increase in prices and wages.

42. Early payments to be made possible for locally produced materials brought to

site in the same way as is done for imported materials.

43. The technical officers should, as far as possible, be relieved of administrative and all odd jobs so that they could devote more time to jobs of a technical nature.

45. Adequate high level machinery should be set up as focal point for receiving information on shortage of materials anticipated or experienced in the course of construction on large works, and for taking decisions to solve them.

46. Measures should be taken to avoid waste of space through unrealistic designing and waste of funds by inadequate attention to cost norms earlier worked out.

47. A system of preparing a check list of the various stages and components of the construction work, as an annexure to estimate and tender documents, should be made compulsory so that unnecessary tying up of funds and rising costs created by bottlenecks after commencement of work could be avoided.

48. More research should be done on aspects of construction where special problems crop up and cost reductions appear possible.

49. The departments in charge of constructional works should do detailed cost analysis of works completed in order to isolate points responsible for cost increases and render the managerial task of keeping future costs down more effective.

50. Every effort should be made to increase the supply of technical personnel by training engineers, architects, &c., by offering scholarships, sending students abroad for training and securing foreign assistance wherever local expertise is not available.



Distant view of Galle Fort and Harbour

The Charms of Galle

WILLIAM PEIRIS

THE tourists who miss Galle miss some of the most charming spots rich in legend.

Galle lies 72 miles from Colombo on the south coast of Ceylon, and is the capital of the southern part of the country.

From Colombo to Galle it is but two hours' journey by car along a picturesque coast fringed with coconut palms. The breeze that blows from the sea as you drive along invigorates you. But if you need eats and drinks mid-way between Colombo and Galle, you may have all that you desire at Bentota resthouse, a spacious inn famous for the fresh oysters it serves.

Legend identifies Galle with the Tarshish of the Old Testament, the great eastern emporium, with which the ships of Tyre and Phoenicia carried on trade. King Solomon

is said to have obtained his supplies of apes, peacocks, ivory and curios from Galle.

In his Census of Ceylon, 1946, Sir Arthur Ranasingha says: "If, on the ground of affinity which the corresponding Sanskrit and Tamil words bear to the Hebrew words for 'the ivory, apes and peacocks' that King Solomon received through the voyages of 'the navy of Tarshish' once in three years, it is justifiable that the land of Ophir, with which presumably this intercourse was carried on, should be identified with the region in the south of India, it is not perhaps unreasonable to believe that, situated as Ceylon was, its inhabitants helped, some five centuries before the landing of Vijaya, in the supply of these rare commodities to adorn and astonish the capital city of the King of

Israel. It may not then be mere fancy to assert that the Tyrian pennant waved on the shores of Ceylon".

However, it is an established fact that for well over a thousand years Galle had been known to the eastern world as a great emporium. Israel, Arabia, Egypt and Persia from the Middle East and Java, Indonesia and China from the Far East traded with the port of Galle, bartering goods from these countries for precious stones, peacock feathers, tortoise-shell ware, porcupine-quill boxes, ivory and ebony curios, jewellery stoneware, spices and other commodities for which Galle has been famous through the ages. There is still a locality in the town called "*China Garden*", a remnant of Galle's ancient commercial link with China.

In 1505, a Portuguese fleet, caught in a storm, sought shelter in Galle's natural harbour. Thereafter for 135 years the Portuguese ruled Galle and the maritime areas of Ceylon. They built a wall, three bastions and a "*Fortalesa*" to guard the harbour.

The Dutch captured Galle in 1640 after a battle lasting a month in which the Portuguese valiantly defended the town. "We may say that the capture of Galle saw the beginning of real Dutch rule in Ceylon", states Miss M. W. Juriense, the Dutch archivist. "It became the most important eastern outpost of the Dutch colonial empire". During the administration of the Dutch Governor, Petrus Vuyst (1726-1729), the Galle fortifications were greatly strengthened. Historians Baldaeus (1672) and Valentyn (1726) praise "the tidiness of the town, its lovely gardens and good-looking houses". In the Dutch period Galle was a moated town.

The British ousted the Dutch in 1796.

The town still retains its old-time look, the fort forming the chief feature and adding much to the landscape. There are two gateways to and from the fort, the old one built by the Dutch on the side of the harbour and the other by the British. Over the former

there is carved in stone a shield with a monogram formed of the letters V. O. C. (*Vereenigde Oost Indische Compagnie*—Dutch East India Company) and two lions as supporters and a cock as a crest, with the date 1669.

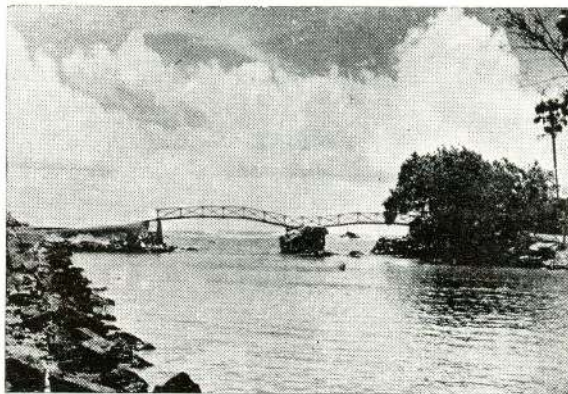
Pleasant Rendezvous

THE ramparts provide a pleasant promenade and rendezvous in the evenings. Here scenic beauty from all directions meets your eyes. While you watch the waves break in delightful foam against the massive walls, the cool breeze revives your tired spirits. The bastions, magazines and embrasures remind you of a bygone age, and, on all of them, time has cast its magic spell.

Most of the public and private buildings in the fort are Dutch in origin. Solidly built, they are spacious with deep shady verandahs supported on massive pillars. A British firm now occupies the old Governor's House. One of its entrances has, over the doorway, a large stone slab with the date 1683 surmounted by the figure of a cock.

On the Portuguese fortification now stands the Police Station. Built against the fort walls are the former stores of the Dutch East India Company, now occupied by some government departments. These bear the dates 1671, 1672 and 1676. The higher law

The Butterfly Bridge



courts sat in one of these buildings until a courthouse was built some 30 years ago. The magistrate still sits in an old Dutch building.

Another edifice hoary with age is the Dutch church in the fort. It is paved with tombstones and hung with mural monuments of the 17th and 18th centuries.

Streets in the fort still bear old names like Leyn Baan, Chando, Parawa and Modarabaay.

A picturesque little Buddhist temple, built early in the present century, faces the ramparts in the fort.

Another landmark is the giant clock-tower on the ramparts. Built in early British times by a philanthropist, it perpetuates the memory of a distinguished physician who had rendered great service to the people.

The most powerful lighthouse in Ceylon stands on the Galle ramparts. Its height is 87 feet which brings the light to a height of 93 feet above sea-level. Its light is of 700,000 candle power. This provides a range of 15 miles for the direct rays of the light, but its glare is seen over the horizon double that distance. This lighthouse was built in 1939 to replace the old one which stood not far away from it for 92 years, surviving the Board of Trade's guarantee-period by 10 years.

Closenberg Bay

ONE of the beauty spots of Galle is the Closenberg Bay—the bathers' paradise. Here the sea of turquoise blue is calm and breaks in wavelets on the shore. Perils are unknown. Tourists from all over the world indulge in surf-riding here, and praise the glories of Closenberg. One finds conditions very favourable for riding on the top of the waves for 200 yards at a speed of 40 miles an hour.

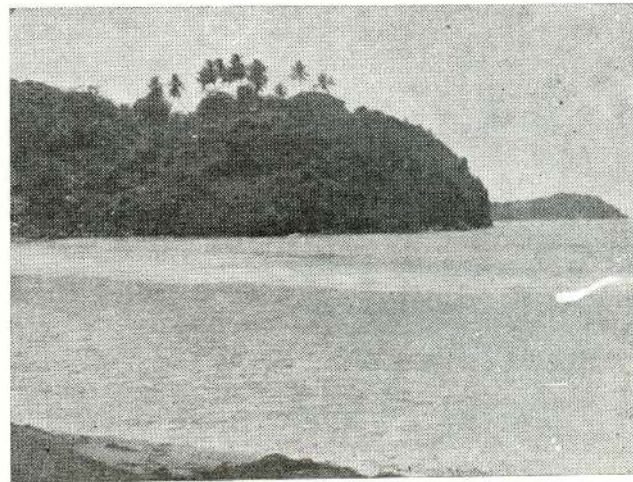
The magnificent house called "Closen-berg" stands on an island spanned by a causeway. Built by Captain Bayley, head of

the P. & O. Company when Galle was the chief port of call, it was then known as "Villa Marina". The German scientist Hoeckel, who visited it in the last century, describes it in his travel book as "the most enchanting spot in the neighbourhood of Galle".

Not far away from Closenberg is Buona Vista with the Watering Point, another beauty spot. This is a rugged promontory where palms and massive trees and patches of green paddy-fields combine to make a delightful picture. The Watering Point is so called because in days gone by ships obtained their supplies of water from it. There is a big rock called Naigalpotta which is believed to be guarded by a king cobra because a great treasure lies hidden in it. The garden of deity Saman is close by. Here, delicious fruits are said to be found in plenty. You may eat them to your heart's content, but you cannot take them away! A legendary herb called *Kalunika* which rejuvenates the old is said to be found there. The sea water here is said to be a sure remedy for skin diseases.

The biggest of the legends is that Buona Vista originally formed a part of the Himalayas. Hanuman, the divine monkey of the

Coast scene near Galle



Ramayana, the Indian epic, who was fighting in Ceylon for Rama in the war between Rama and Ravana, the king of Ceylon, for the rescue of Rama's wife, Sita, who had been abducted by Ravana, rushed to the Himalayas to fetch a herb which was an antidote to poison of the arrows. To save time, instead of searching for the herb, he snatched an area of the Himalayas where the herb grew, brought it to Galle, and dropped it in the sea.

Laid out on Italian lines, Galle's only park has walks lined with neatly clipped shrubs, trim lawns and colourful beds of flowers, besides a delightful lotus-pond with a fountain which throws cool, refreshing showers.

On the eastern side of the park is a canal spanned by a beautiful wooden bridge popularly known as the butterfly bridge. On its south and west is the sea studded with black islets of rock.

The town hall, built of granite, stands in the park.

The curios, ornaments and small articles of utility displayed in Colombo and Kandy shops are mainly the handiwork of Galle's craftsmen. They are masters of these handicrafts. Galle lace, the handiwork of craftswomen, stands in a class by itself and never fails to capture the feminine fancy. On your visit to Galle you may go to the cottages of these craftsmen and see how their nimble hands and fingers work.

PROSPECTS FOR INDUSTRIALISATION

(Continued from page 7)

Finally, we come to an important aspect of programming, namely, what we might call the "administrative infra-structure". No undertaking, and in particular no task of overall planning, could be successfully undertaken or even appreciated without a smooth functioning of the administrative infra-structure. There must be at all times the highest degree of co-ordination and co-operation between the diverse agencies responsible for the specific tasks pertaining to developmental work.

In order therefore to make this possible, steps are being taken to demarcate clearly the spheres of responsibility. The need for considering this aspect was clearly demonstrated by the undue delays in project evaluation. These delays arose out of a confusion of responsibilities which led to a

wasteful duplication of work time. This also largely prevented the fullest utilisation of our technical manpower potential, e.g., in respect of the Hardware Project the evaluation was in the first instance done at the Development Division. All aspects of the proposal were carefully examined by a techno-economic team in association with the Polish Engineers and certain changes were introduced. At a subsequent stage when relevant factors pertaining to the overall investment criteria should have been applied a re-evaluation of the project was called for and after considerable delay the project has been accepted for implementation.

(Adapted from the introduction to "Industrial Programme" published by the Development Division, Ministry of Industries.)

The Hippopotamus of Ceylon

P. DERANIYAGALA

Hony. D.Sc. (Vidyodaya), M.A. Cantab.; A.M. (Harvard)

Director, National Museums of Ceylon, Dean of the Faculty of Arts, Vidyodaya University of Ceylon

(With one plate)

THE hippopotamus had once spread over many parts of Europe and Asia but today it inhabits only Africa. It was first known to have existed in Ceylon when a solitary fossil molar was secured from a gem pit at Kuruvita in 1934. This specimen was figured and described by the present writer in the *Geological Magazine* (England), Volume LXXIII, No. 865, pp. 316-318 (1936). Thereafter further teeth and two thigh bones of this animal were obtained from various gem pits throughout Sabaragamuva Province, and sufficient material gradually accumulated at the Colombō Museum to indicate that the animal was a new species peculiar to Ceylon. It was suspected that, as is the case with the extinct hippos of the other Asian countries, this animal belonged to the extinct genus *Hexaprotodon* which possesses six incisor teeth instead of four as in the living genus *Hippopotamus*. The extinct Ceylon animal was named *Hexaprotodon sinhaleyus* and it was realized that its nearest relative is *Hexaprotodon namadicus*, the extinct hippo of the old lake deposits traversed by the Nerbudda river in India.

The fact that the Ceylon animal does actually possess six incisor teeth was only proved recently when the left half of a lower jaw (Plate I) was dug up from a river bank at Ellavala.

This specimen which is 356 mm. long and 210 mm. deep posteriorly, possesses three incisor teeth on each side which confirms the view that the animal is a species of *Hexaprotodon*.

The third incisor is 139 mm. long, the left canine measures 450 mm. along its external

curve and is 51 mm. by 36 mm. in thickness, while the last molar tooth is 55 mm. long and 35 mm. wide.

The extinction of this large water-loving mammal might have occurred about the same time as that of its Indian relative which is known to have died out in middle Pleistocene times, i.e., 500,000 years ago. It is however quite possible that the Ceylon animal had persisted until the termination of Ceylon's lake phase when this Island's natural lakes all disappeared, which phenomenon is probably of comparatively recent occurrence, for the memory of this animal appears to be perpetuated by modern man in the "Makara", a decorative motif which occurs throughout Southern Asia in every country possessing hippopotamus fossils, e.g., India, Burma and Java.

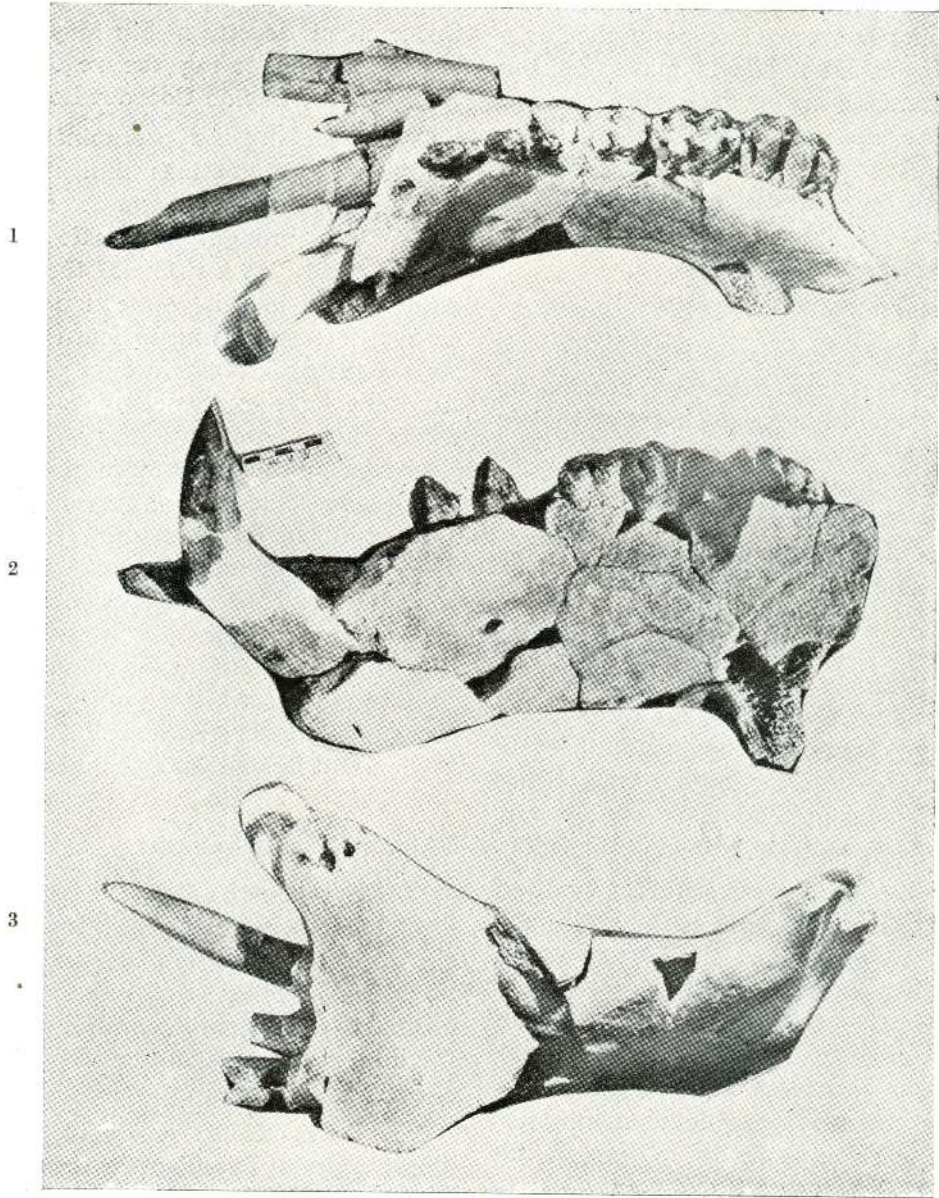
This surmise is based upon the following facts:—

The "Makara" is associated with water, and possesses hippo-like eyes, ears, molar teeth, and lower jaw.

Explanation of Plate

The left half of the lower jaw of the Ceylon hippopotamus *Hexaprotodon sinhaleyus* Deraniyagala. A five centimetre scale is attached.

1. Top view of the half of the jaw.
2. Side view of the half of the jaw.
3. Under surface of the half of the jaw.



The left half of the lower jaw of the extinct hippopotamus of Ceylon

Foreign Affairs

THE Ministry of Commerce, Trade, Food and Shipping announced recently that as a result of systematic efforts made for the hygienic manufacture of desiccated coconut, health authorities in certain foreign countries, like Australia, had expressed their appreciation of the distinct improvement now found in the quality of desiccated coconut exported from Ceylon.

The following communique was issued:—

“The desiccated coconut industry in Ceylon was managed from its inception by private millers without any control by the Government. About two years ago complaints were made by the Health Authorities in the importing countries that the presence of pathogenic germs was detected in certain shipments of desiccated coconut from Ceylon. Representations in this regard had also been made by importers in London to the Honourable the Prime Minister on her visit to that country. Steps were immediately taken thereupon by the Ministry of Commerce and the Ceylon Coconut Board to enact suitable regulations so as to ensure the hygienic production of this commodity.

“Before the regulations could be finalized, discussions were held with both millers and shippers, in order to arrive at agreed decisions. Apart from these steps, careful research has been conducted into the various stages of manufacture, in consultation with the Scientific Institutes, so as to ensure the elimination of all possible contamination with the least expense to millers in the way of altering the existing equipment or installing new equipment.

“Eventually, the Honourable T. B. Ilangaratne, Minister of Commerce, Trade, Food and Shipping, was able in April 1961 to introduce in Parliament a set of regulations governing the manufacture of desiccated coconut and these were duly passed into law

and notified for public information in *Government Gazette* of 5th May, 1961. The task of administering the regulations was vested in the Ceylon Coconut Board.

“After making the preliminary arrangements, these regulations which were considered *essential* for hygienic manufacture have been brought into effect from 1st August, 1961. As a result of the systematic efforts made in this connection by all concerned, it is gratifying to learn that Health Authorities in certain foreign countries like Australia have expressed in complimentary terms their appreciation of the distinct improvement now found in the quality of the desiccated coconut exported from Ceylon and examined by them in recent months. The improvements effected so far have been the result of co-operation between the authorities and the millers and shippers. When the mills are improved as required by the Coconut Board, the quality of desiccated coconut manufactured in and exported from Ceylon will be still further improved.”

China's New Ambassador

THE Government of the People's Republic of China has, with the concurrence of the Government of Ceylon, decided to appoint Mr. Hsieh Ke-hsi as Ambassador Extraordinary and Plenipotentiary of China in Ceylon in succession to His Excellency Mr. Chang Tsan-ming.

Mr. Hsieh Ke-hsi has held, at different times, posts of President of the All-Kiangsu Province Federation of Trade Unions and as Deputy Director of the Kiangsu Provincial Commission of Sciences.

Loan Agreement Extended

AN agreement was signed on August 1 by the Minister of Finance and the Chinese

Ambassador in Ceylon extending the Flood Relief Loan Agreement between Ceylon and China for a further period of three years.

A communique issued by the Ministry of Finance stated:—

“The Government of the People’s Republic of China by an Exchange of Notes in September 1958, granted a loan not exceeding a total sum of 50 million Ceylon rupees to the Government of Ceylon in connection with the Flood Relief and Rehabilitation Programme. The loan was to be paid by the Government of the People’s Republic of China in four annual instalments by supplying complete set equipment or other goods required by Ceylon.

“Of this loan, it has been possible to utilise only a sum of Rs. 10,260,380.69. As the agreement has expired, extension of its terms for a period of three years was sought. This has been agreed to by the Government of the People’s Republic of China, enabling the Government of Ceylon to utilise the balance amount during the extended period.

“An Exchange of Notes took place today (1.8.62) between the Minister of Finance, the Hon. Felix R. D. Bandaranaike, and the Ambassador of the People’s Republic of China, His Excellency Mr. Chang Tsan-ming, to give effect to the extension.”

Loan Agreement with U. S. S. R. Extended

AN Agreement was signed on August 9 by the Minister of Finance and the U. S. S. R. Ambassador in Ceylon, extending the period of use of the credit granted by the U. S. S. R. under the Agreement signed in February, 1958.

The following communique was issued by the Ministry of Finance:—

“The Agreement concluded between the Government of the Union of Soviet Socialist Republics and the Government of Ceylon in February 1958 for a line of credit of 120

million roubles (approximately Rs. 142 million) to the Government of Ceylon is due to expire in May 1963.

“As the projects which have been or are to be undertaken in terms of the Agreement cannot be completed within the currency of the present agreement a Supplementary Protocol was signed today (9.8.62) extending the period of use of the credit for a further 5 years.

“The Hon. Felix R. D. Bandaranaike, Minister of Finance, signed the Protocol on behalf of the Government of Ceylon and His Excellency Mr. N. Y. Tarakanov, the Ambassador for U. S. S. R. in Ceylon, signed on behalf of the Union of Soviet Socialist Republics.”

Prime Minister Congratulates Soviet Union

THE Prime Minister, Mrs. Sirima Bandaranaike, in a statement to the Tass News Agency on the successful launching by the Soviet Union of the Space Ships “Vostok 3” and “Vostok 4” has stated:—

“I congratulate the Soviet Union on their latest achievement in the conquest of space in simultaneously launching two Cosmonauts into space. This is but a further testimony of the astonishing level of Soviet technology and scientific research and I have no doubt that we can expect many more such achievements from them in the future. I wish them all success.

“I trust that the exploits of the two Cosmonauts, apart from bringing well deserved glory to the motherland, will also open new vistas for the advancement and benefit of all mankind who will be full of admiration for their achievements and heroism.”

“ARGO” in Colombo

THE U. S. research ship “Argo”, which is taking part in the international Indian

Ocean expedition, arrived in Colombo harbour during August. Dr. John A. Knauss, senior scientist in charge of the ship, held a press conference on board ship last Saturday.

The "Argo" is among 40 oceanographic vessels carrying scientists with highly specialised equipment on board on a full-scale investigation of the Indian Ocean. About 20 nations, including Ceylon, India, Pakistan, Australia, Indonesia, Japan, U. S. A., U. S. S. R. and U. K., are engaged in the expedition which will continue till 1965.

UNESCO is playing a major role in enabling scientists and students from the countries bordering on the Indian Ocean to take an active part in the Expedition.

The scientists from "Argo", whilst in Ceylon, participated in a symposium convened by the Ceylon Association for the Advancement of Science.

Czechoslovakia's New Ambassador

THE Government of the Czechoslovak Socialist Republic has, with the concurrence of the Government of Ceylon, decided to appoint Dr. Ivan Rohal-Ilkiv, Ambassador-designate of Czechoslovakia to India, concurrently as Ambassador Extraordinary and Plenipotentiary of Czechoslovakia to Ceylon, with residence in New Delhi, in succession to Dr. Ladislav Simovic.

Dr. Rohal-Ilkiv was a member of the National Assembly from 1945 to 1951 and a member and the Vice-President of the Slovak National Council from 1948 to 1954. During the years 1957 and 1960, he was the Ambassador of the Czechoslovak Socialist Republic to the People's Republic of Rumania. In 1960, he was a member of the Czechoslovak Delegation to the General Assembly of the U. N. O. Currently, he is the Chief of the Political Section of the Ministry of Foreign Affairs of the Government of the Czechoslovak Socialist Republic.

Correction

THE series of three articles entitled *Ceylon Today* were written by Mr. N. S. "Our Banking System" which appeared in the June, July and August issues of Karunatileke of the Economic Research Department of the Central Bank of Ceylon.

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