

# THE ECONOMIC TIMES

Vol. 2 No. 10

Monday 16th August 1971

## Govt. Revenue Down

By Our Financial Cor.

Government revenue from Customs duty in the first eight months of the current financial year was Rs. 376 million as compared with Rs. 443 million in the corresponding period of the previous financial year, according to latest Central Bank Statistics.

The lower receipts were mainly due to decreases of Rs. 24 million and Rs. 38 million in import duties and export duties (including tea tax) respectively.

Receipts from the Sale of FEECs at Rs. 217 million showed a substantial decrease of Rs. 74 million when compared with the corresponding period last year. This was mainly due to the suspension of the OGL Scheme from the end of May 1970.

The receipts from Income tax, Estate duty, etc showed an increase—rising from Rs. 258 million during the first 8 months of the previous financial year to Rs. 307 million during the

corresponding period this year. The higher receipts were mainly the result of the increased collection of arrears in the current financial year.

Revenue from the Tobacco tax increased by Rs. 17 million and revenue from the Turnover tax showed an increase of Rs. 58 million when compared with the same period in 1969-70.

The major items of Government revenue which records about 4 of government revenue are shown in the Table below:

## Banking system needs restructuring

Says People's Bank Chairman

Mr. Hector Abhayawardhana, Chairman of the People's Bank, has made a strong plea for the restructuring of the existing banking system in Ceylon, in a paper read out at a recent seminar outlining a State banking policy on development finance.

He stressed the need to bring the entire banking network under State ownership and management and to introduce a functional specialisation of the various State banks.

In this regard, Mr. Abhayawardhana said that considerable modification is also needed in the functions of the Central Bank as the definition of the main objectives, laid down for the Central Bank by the Monetary Law Act of 1949 is only appropriate to a competitive capitalist economy in which the monetary system functions as the prime regulatory mechanism of the entire economy.

### MAJOR ITEMS OF GOVERNMENT REVENUE

Sources	Rs. Million	
	Oct. '69 to May '70	Oct. '70 to May '71
1. Customs duties .. ..	442.9	376.0
(a) Import duties .. ..	204.0	179.9
(b) Licence fees on imports* .. ..	6.6	1.2
Export duties (including tea tax) .. ..	231.6	193.9
of which .. ..	25.4	22.7
Tea tax .. ..	0.7	1.2
(d) Sundries .. ..	290.8	216.5
2. Receipts from sale of FEECs .. ..	278.3	307.2
3. Income tax, estate duty etc,** of which .. ..	240.6	266.2
(a) Income tax .. ..	7.0	6.8
(b) Estate duty .. ..	18.8	17.2
(c) Stamps .. ..	7.1	10.3
(d) Wealth tax .. ..	88.0	100.0
4. Profit from sale of Arrack .. ..	138.9	156.3
5. Tobacco tax .. ..	173.0	231.3
6. Turnover tax .. ..		

\*These figures have been revised to take into account the licence fees collected by the Ministry of Industries and Scientific Affairs.

\*\*A revenue head appearing in the Government Accounts which includes income tax, estate duty, stamps, personal tax, rice subsidy tax, wealth tax, gifts tax and collection of arrears from certain taxes which are now abolished.

### MODIFICATION

He added that: "In an economy in which the State sector steadily expands and the economy is subject to planning most of its functions belong in the area of planning. It seems more appropriate, therefore, to define the objectives of the Central Bank in terms of its principal functions which may be listed as follows:

- To serve as the Bank of Issue of currency,
- To carry the accounts of the other banks, provide refinancing and regulate their operation,
- To act as the agency of Financial Planning of the economy, paralleling the agency of economic Planning,
- To carry the accounts of all government budgetary units, and,
- To control all foreign currency operations.

Such a modification of objectives will call for corresponding modifications in the internal structure of the Central Bank. In like manner, the altered role envisaged by us for the Commercial banks will also demand considerable alterations in their internal organisation."

## LESS STRIKES IN APRIL

There were altogether 9 strikes in April 1971, involving 2,968 workers and a loss of 14,655 man-days as against 28 strikes in March 1971, involving 11,542 workers and a loss of 55,699 man-days, according to Labour Department Statistics.

Four of these strikes were in tea estates involving 2,257 workers and a loss of 7,055

man-days, two in rubber estates involving 123 workers and a loss of 1,425 man-days, one in Tea-cum-Rubber estate involving 530 workers and a loss of 5,300 man-days, one in Local Government Service involving 43 workers and a loss of 215 man-days and one in Miscellaneous involving 15 workers and a loss of 660 man-days.

## CEYLON'S FORTNIGHTLY FINANCIAL REVIEW

## Joint Sino - Ceylon Liner Service to be set up?

A liner service to be jointly owned and operated by Ceylon and the Peoples Republic of China is likely to be set up shortly, according to official sources.

The proposed liner service will be operated essentially for the transportation of cargo between Ceylon and China. Initially the liner service will have four vessels, two to be owned by Ceylon and two by China.

### Loan

In view of Ceylon's foreign exchange difficulties involved in purchasing the boats China has indicated its willingness to loan two ships for the start.

It is understood that preliminary discussions have been completed and that the matter is now under consideration by the Ministry of Defence and External Affairs.

### In this Issue

	Page
Export Intelligence :	3
Chamber News :	4
Science & Technology :	4
Management :	12
Global News :	13
National Day of the Socialist Republic of Romania-A special Supplement :	5-9
Ceylon State Corporations-A special Supplement :	14-23



# MARKET PRICES

## COLOMBO

### CLOSING PRICES 10-8-71

TEA (Rs. Cts Per lb.)

Approximate range of prices (including teas sold Ex-Estat)

B. O. Ps

B. O. Ps

Uva Teas : Rs.1.75—8.00 Rs.1.75—  
1 at 8.45 1 at 10.00 2 at 8.00  
2 at 9.75 1 at 12.50

S/West High Grown : Rs. 1.72 3.60 Rs. 1

Medium-Grown :

Small Leaf Low-

Grown : Rs. 1.75 — 1.90 R

Leafy Low-Grown : Rs. 2.00 — 2.30

Tea For P : Rs. 1.35 — 1.63

F. B. O. Ps

B. O. P.

Tippy Teas : Rs. 2.05 — 2.32 Rs. 1.86 — 7.50  
1 at 10.70 1 at 12.00

## RUBBER

### PRICES FOR THE WEEK ENDED 8.8.71

(Rs. cts.—per lb.)

Closing Avg. to date Avg. Same  
Quotations 1971 Period 1970

RSS No. 1 71 1/2 82 1/4 94 1/4  
RSS No. 2 64 74 3/4 90  
RSS No. 3 62 1/2 73 1/4 88 1/4

## COPRA

Opening Price

(Rs. per candy

Clos. Price

Estate copra No 1 208.75 214.75

## COCONUT OIL (Rs per ton

August 1,425 1,425

Sept. 1,425 1,425

## DESSICATED COCONUT

(per lb)

Opening price

Closing Price

August .65 .68

Sept. .64 .70

### PRICES OF THE WEEK ENDING 14.8.71

Commodity	Buyers Quotations (Per lb)	Expiry DUTY
Cardamoms	13.00 — 13.50	40%
Cardamom Seeds	16.00 — 16.50	on true
Cloves	35.00 — 37.00	F.O.B.
Cloves Stems	3.00 — 5.00	value
Mace	9.50	
Nutmeg (Shelled)	4.00 — 4.50	
Nutmeg (Unshelled)	2.25 — 2.50	
Pepper (Black)	7.00 — 7.50	
Papain (White)	15.00 — 15.50	
Papain (Brown)	13.00 — 14.00	
Cinnamom H/1	3.30	40% on
Cinnamom H/2	3.20	ture f.o.b.
Cinnamom Quilings No 1	2.50	value
Cocoa	Unquoted	40% on
Coffee	395.00	true f.o.b.
Kapok (Clean)	130.00	value.
Kapok (Unclean)	36.00	
Croton Seeds	100.00 — 125.00	
Essential Oils	Per 25 on. lb.	
Cinnamom Leaf Oil	19.00	
Cinnamom Bark Oil	Per oz 23.00	
Citronella Oil Estate Quality	Per lb. 6.00	10% on
Citronella Oil Ordinary	Per lb 5.85	true f.o.b.

### SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA ENDING 8.8.71

The undernoted quotations are the Wholesale Buyers Prices paid in Colombo and is maintained as a guide to the trade Every effort has been made to be as accurate as possible.

Cereals	(Per Bag 154/158 lbs)
Paddy	(Per bushel) 13.00—14.00
Other varieties	12.00—
Rice Par Boiled	70.00—

## TEA REPORT

No. 28 held on the  
10th August 1971.

Quantity offered  
comprising  
Grades,  
10,202,  
lbs.

the  
after  
ough  
regu-  
generally a

is: The bet-  
met more  
30 cents

generally  
at week's rates.  
demand for  
best kinds de-  
30 cents and others  
cents. OP's were firm but  
Pekoes easier.

Uvas Teas : There was a restricted demand for the flavoury Uvas on offer with very few Buyers competing for the best available quantity. Top prices moved up however with the highest BOP selling at Rs. 12/35 and BOPF at Rs. 11/50. Planer kinds met a little more support than last week and prices were generally 5/10 cents dearer. Pekoes were dearer with improving quality and OP's steady. Medium - Grown Teas : There was a good demand for all

Medium Broken which remained firm. BOPF's however were easier particularly in the higher price range. Leaf Grades remained firm.

Low-Grown Teas : There was again a strong demand for all Low-Grown sorts. Small Leaf BOP's and BOPF's as well as leafy BOP1's suitable for the Middle East Market could be quoted fully firm to slightly dearer. OP's sold exceptionally well and moved up a further 10/15 cents.

Tippy Teas : FBOP's advanced 10/15 cents per pound. Small Leaf Flowery Fannings were irregularly easier often declining up to 20 cents per pound. The lesser Long Leaf showy sorts were fully firm but the best were slightly easier.

Off Grades : Liquoring Fannings were 5/10 cents dearer with the best Uvas substantially so following quality. All clean leaf BP's BM's and Low-Grown Fannings moved up by 3/5 cents whilst the stalky types were discounted.

Dusts : Good, black grainy Westerns and Mediums were 3/10 cents dearer but Secondary sorts were 5/10 cents easier. Uva Dusts were irregularly dearer with quality, and Low-Grown sorts remained firm.

again made at Rs. 12/- to Rs. 13/- per lb. Sales in grades next to best remained between Rs. 10/50 and Rs. 11/- per lb. while off-grades and inferior quality cardamoms eased some what when transactions were done at Rs. 7/50 to Rs. 10/- per lb. There were no seeds nor superior quality cardamoms on offer. The lowest price realized for one lot of inferior

### Week ending 14th August 71.

Cardamoms : There were 37 lots totalling 2,214 lbs. on offer at this week's sale as against 2,502 lbs. during the previous week, which was a decrease of 288 lbs. Buying in the better grades was maintained throughout the sale and quotation for No. 1 quality was

Country Rice No. 1	82.00— 84.00
—Country Rice No. 2	75.00— 76.00
—Samba Rice	95.00—100.00
—Kora Rice	100.00—110.00
—Maize	Per Cwt 29.00

## Pulses

—Red Gram (Toor Dhal)	40.00	45.00
—Black Gram (Undu)	61.00	
—Bengal Gram	46.00	
—Green Gram	53.50	
—Bombay Cowpea	40.00	

## Milletts

—Finger Millet (Kurakkao)	10.50— 11.00
—Sorgum	440.00 (per ton)
—Soya Beans	850.00 (per cwt)

## Spices Condiment

—Mustard	6.00— 7.00
—Chillies	
—Dired Long	315.00— 320.00
—Dired Round	Unquoted
—Off Grade	"
—Goraka	78.00 — 85.00
—Vanilla	18.00 — 20.00
—Tamarind	Per cwt 115.00 — 120.00
—Ground Nuts	Per 80 lb 65.00 — 70.00
—Cashew	Per lb. 5.50

# Commodity Commentary

## RUBBER REPORT

Week-ending 8th August 1971.

RSS NO : 1 opened 1/4 cent easier at 78 1/2 cents per lb. and continued to decline fairly rapidly thereafter in line with overseas advices to close at 71 1/2 cents per lb.

Approximately 335 Tons of LATEX CREPES were offered at the One Sale held during the period under review, a substantial decrease of 119 tons compared to the previous week's total. Best latex crepes were marked up by 1/2 cent per lb, but the F.A.Q. Offerings declined by 1/2 cent per lb. Duller sorts were irregularly easier whilst the inferior types improve by 1 cent per lb.

Approximately 74 Tons of SCRAP CREPES were offered a slight decrease of 2 Tons compared to the previous weeks total. Light and Dark brown Scrap Crepes eased by 1/2 cent and 1 cent per lb. respectively. Darker offerings however were 1 to 2 cents better. Flat Bark was irregular.

There was no SOLE CREPE Sale held during the week under review as the sale scheduled for Saturday the 7th instant was cancelled owing to the commencement of the International Week.

FROTH & CUTTINGS opened dearer at 58 and 59 cents per lb. but declined thereafter to close at 57 and 58 1/2 cents per lb. respectively.

CURLY AND SHELL SCRAP NO1 opened easier at 40 cents per lb. but held steady thereafter at this level throughout the week.

quality was Rs. 2/- per lb London futures price remained at 75 pence per lb.

Cocoa : There were 15 lots, totalling 143 cwt, on offer as against the previous week's quantity of 77 cwt (18 lots) which was an increase of 66 cwt. In the absence of competition among buyers, the market again remained inactive and consequently No. 1 quality was unquoted. Grades next to best charged hands at Rs. 220/- to Rs. 225/- per cwt. while off-grade and dark quality cocoa moved down further and were disposed of between Rs. 150/- and Rs. 175/- per cwt. There were no garblings nor shall cocoa on offer. At the close of the week the London futures price was quoted at \$ 246 Sterling per ton and Ghana at \$ 253 per 1,000 kilos.

Coffee : 1 lot of 1 cwt. 3 qrs. was on offer and was withdrawn due to the lack of suitable bids.

Mace : 1 lot of 14 1/2 lbs. was on offer which realized Rs. 9/50 per lb. at which price quotation was made.

Nutmeg : 1 lot of 68 1/2 lbs. of shelled nutmeg was on offer and remained unsold due to the lack of suitable bids.

Pepper : 1 lot of 1,607 lbs. was on offer and was withdrawn due to the lack of suitable bids.

# Produce Report



# New Industrial Export Board set up

An industrial Export Board has been set up by Government for the purpose of co-ordinating and boosting the country's export products.

The new Board will assist industrialists to find overseas markets for their goods and help them to produce quality products for export.

## WIDE POWERS

The Board has been vested with wide powers including the function of approving new industries that should be established.

Foreign exchange allocations for machinery ancillary equipment and spares and the issue of import export exchange and quality control permits will be subject to the approval of the Board.

Among its other functions are the following:-

## BUSINESS OPPORTUNITIES

The following German firms seek business connections in Ceylon. The goods offered for export are indicated below:-

Guenther Papenmeier KG  
493 Detmold 18  
Postfach 8026  
West Germany.

Mixers for Plastics and other Industries..

Hedderheimer Metallwaren-fabrik AG  
7239 Flouorn  
Postfach 13  
West Germany.

Short-time Clocks "Mini-timer" "Memorcron"

August Thiele  
5841 Kalthof/Krs. Iserlohn  
Postfach 40  
West Germany.

Chains Accessories, Anchor Chains

Deutscher Spinnereimaschinenbau Ingolstadt  
807 Ingolstadt/Donau  
Postfach 260  
West Germany.

Domestic Water Valves cocks & Fittings

Kuehlturn-and Luftkuehler-Gmb H Lindau  
899 Lindau/Bodensee  
Webergasse 3  
West Germany.

Licence for Manufacture of Cooling Towers for Air-Conditioning & Refrigeration

Hoesch Chemie Gmb H  
516 Dueren  
Postfach 175  
West Germany.

Surfactants, Chemicals for the Detergent and Cosmetic Industry

Ortopedia Gmb H  
2300 Kiel 14  
Salzredder 3  
West Germany

Surgical Instruments, Fracture Equipments, Orthopaedic Appliances, Wheel chairs Rehabilitation Aids.

\* Assisting industrialists to obtain finance including bank overdrafts export guarantees.

\* Determining targets for the export of industrial goods ;

## Export Opportunities

The following foreign firms are interested in importing from Ceylon the products indicated below:-

M/s World - Wide Trading Co.  
P.O.Box 936, Khartoum,  
Sudan. (Cable TWTO)

Instant tea desiccated coconut,  
Ladies and gents sandles, Ladies

\* Publicising Ceylon traditional products in overseas markets.

\* Studying Government policies on the export of industrial goods ;

\* Assisting industrialists to obtain finance including bank overdrafts export guarantees.

\* Determining targets for the export of industrial goods ;

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## EXPORT INTELLIGENCE

### BRIGHT EXPORT PROSPECTS FOR PETROLEUM PRODUCTS

Ceylon Petroleum Corporation is now exploring overseas markets for its decorative products and bitumen.

These products can be made in Ceylon.

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of Colombo and Trincomalee. The total foreign exchange earnings from bunkers at the time the take over was recommended was Rs. 13.8 million. Total tanker tonnage estimated on the basis of 1970 figures was 175,000 metric tons per annum.

However, during the last six months alone the Corporation has sold over 339,000 tons. Total anticipated sales for 1971 is 678,344 metric tons reflecting an increase of 168,344 metric tons. On this basis the total foreign exchange earnings on bunkers would be Rs. 86,220,646.

## OTHER PRODUCTS

The Petroleum Corporation would also earn Rs. 12 million in foreign exchange by exporting 150,000 tons of naphtha. Anticipated foreign exchange earnings from the sale of aviation turbine fuel to international airlines is estimated at Rs. 10 million.

## SHARE MARKET REPORT

The Share Market continued to be active for Teas, Tea-cum-Rubbers and Commercials, according to the Report of the Colombo Brokers' Association for the week ended 13.8.71

	Previous Price	August 13th	+ or -
	Rs. cts	Rs. cts	Rs. cts
<b>Teas</b>			
Gamawellas ...	2.50	2.50	
Kanapediwatties ...	7.75	1.00**	-6.75
Mochas ...	10.00	9.50	-.50
Poonagalla Valleys ...	4.75	4.75**	
Stratheden ...	7.00	7.00	
Uplands ...	5.00	5.00	
Uva Ketawellas ...	5.00	4.50	-.50
<b>Tea-cum-Rubbers</b>			
Opatas ...	6.00	6.00	
Rayigams ...	7.50	7.50	
Talangawellas ...	4.00	4.00	
Vogans ...	.60	.60	
<b>Rubbers</b>			
Mahagamas ...	12.00	10.50**	-1.50
<b>Commercials</b>			
Ceylon Nutritional Foods ...	6.25	8.50*	+2.25
B. C. C. ...	7.00	7.00	
Ceylon Silks ...	5.00	5.00	
Chemical Industries ...	10.75	10.75	
Colletts ...	9.00	7.25	-1.75
Richard Pieries ...	21.00	24.00	+2.50
Hotel International ...	30.00	37.50	+7.50
Carsons ...	8.50	8.25	-.25
E. B. Creasy ...	8.75	9.00	+.25
Whittals ...	14.00	10.00	-4.00

There were no changes in Preference Shares and no business in Government loans.

Investment Trusts : Ceylon Guardians Rs. 4.75

The following were quoted ex-dividend:- Attampettia Estate Ltd-7 1/2 % Final on 11.8.71

## Coconut Development Authority to be set up

A statutory organisation called the Coconut Development Authority is to be set up shortly to take charge of the development and regulation of the coconut industry.

This has been proposed by the Minister of Plantation Industries Dr. Colvin R. de Silva to undertake the overall responsibility of implementing a coconut development programme designed to revitalize the industry....

The development programme will provide for the following:-

(a) The acquisition of about 10,000 acres of coconut plantations which are presently unproductive, and the sub-division of this land into allotments for replanting. These plantations, however, will continue to be treated as single production units.

(b) The acquisition of about 25,000 acres of uneconomic plantations to be organised as co-operative units also for replanting.

(c) The demarcation of 50,000 acres for development through the diversified use of the land for intercropping and the establishment of pastures for dairy production.

(d) The organisation of a programme for the distribution and application of fertilizer to small holdings.

(e) An employment target of 10,000.

The total development programme is estimated to cost Rs. 52,500,000. Rs. 20,000,000 has already been set apart in the 1970-71 budget to be expended this year.

While the Coconut Development Authority will be responsible for directing the entire operation and ensuring its successful completion a number of small scale statutory boards will also be established at an operational level under broad functional classification such as cultivation, processing, marketing and research.

## NEW HIGH YIELDING PADDY

The new varieties of paddy B.P. 11-11 and MI 273 have become acceptable to farmers, according to Agriculture Ministry sources.

The Paddy Research Division of the Ministry have found out that these new varieties are highly productive under local conditions, and also they do not require much fertilizer application.



## Company Meeting Reports

## Hayleys Ltd. shows good results

The Annual Report and Accounts of Hayleys Ltd. in respect of the financial year ended 31st March, 1970, was tabled recently.

Excerpts of the Chairman's statement are given below:—

During the year under review, conditions in the field of export in which the Company is engaged were not as favourable as in the previous year and this resulted in a decrease in our return on our very substantial investment in the coir fibre trade. It is however pleasing to note that this reduction in earnings was offset by corresponding increases in other departments.

The results from the import and Sales Department were better than in the preceding year and this can be attributed almost entirely to a considerably larger volume of business having been transacted due to many of the items in which the Company is interested being available under Open General Licence. Due to the improvement in output in the Colombo Harbour, ship owners whose agencies the Company holds were able to make use of the facilities available in the Port and consequently our Steamship Agency Department enjoyed a successful year, with a substantial increase in earnings as compared with that for the previous year. Whilst our Agricultural Spraying Equipment Division was able to increase its turnover during the year, profits were reduced owing to rising cost of raw materials, wages and other expenses. The tax-exempt period of five years, to which this manufacturing operation was entitled, ended on the 30th September, 1969 and, in consequence, only profits of the first half of the financial year will qualify for distribution free of income tax.

## Subsidiaries

Trading conditions for our subsidiary in Galle, Chas. P. H. Yey & Co. Ltd., were difficult during the second half of the financial year and it is gratifying to be able to report that the result achieved is not unsatisfactory. Although the Company and its subsidiaries, Hayleys Engineering Co. Ltd. and Chas. P. Hayley & Co. (Lighters) Ltd., operated at a profit during the period covered by these accounts no dividend is being recommended as the Directors are of the view that the finances of Chas. P. Hayley & Co. Ltd. should be further strengthened.

The results achieved in the first year of operation by Haychem Limited, our subsidiary which formulates crop protection, household and public health chemicals can be considered reasonably satisfactory, although the accounts for the year ended 31st March 1970 reveal a small loss. I am sure shareholders will appreciate that such losses are virtually inevitable in the early stages of operation in a nascent industry of this type which, in this instance, was further handicapped by a levy of 55% on Foreign Exchange Entitlement Certificates required for the purchase of raw materials, as against a preferential rate of

4% on the import of certain finished products.

## Taxation

Provision has been made for the payment of income tax, dividend tax, totalling 1,496,401/- which amounts to 63% of the net profits after taxes.

## Dividend

The Directors recommend a dividend of 7% on the ordinary shares, paid, making a total dividend of 14% on the ordinary shares for the year. 2% of the dividend is being paid to the profits of a tax-exempt undertaking of the Company and consequently will be free of income tax in the hands of shareholders. The tax exempt portion of this year's dividend is less than that of the previous year and the reason for this reduction has already been explained in my observations.

## Prospects

My task of forecasting results for the current year would be a simple one if it depended solely on the energy and efficiency of the staff at all levels, but this, unfortunately is not the case as everything today hinges on the extent of restrictions imposed by the government on normal trading.

As explained in my memorandum to shareholders dated 25th May 1970, it is becoming increasingly difficult to hold out hopes of satisfactory results in the immediate future from our Export Dept. The imposition of an export duty of 30% on coir fibre calculated on an ad valorem basis combined with a floor price for Bristle Fibre above current world market values has unquestionably, had adverse repercussions throughout the coir fibre industry. It is hoped that a more rational approach to the whole question of floor prices and export duties will be adopted without delay. Due to the suspension of the Open General Licence scheme, the earnings from our import business will, to a large extent, be dependent on the availability of import licences. A significant reduction in the level of the country's imports would result in fewer discharging vessels calling under our agency and this regrettably could affect the profits of the Steamship Agency Department. In so far as the manufacture of agricultural spraying equipment is concerned, estimated results for the first five months of our current financial year indicate that the turnover of this department will continue at a satisfactory level and it would appear that the present rate of return, though meagre, will be maintained throughout the financial year.

The profitability of our Galle subsidiary is likely to be adversely affected during the current year as a result of the handling charges paid to shippers of sheet rubber by the Commissioner of Commodity Purchase falling short of the actual expenditure which continues to increase for reasons outwith our control. Every effort is being made to ensure that the Haychem factory,

## Cold &amp; Silent!

Engineers have developed a refrigerator that works on gas or making a thermoelectric refrigerator. The refrigerator has no moving parts and no noise.

The position is that the refrigerator is a failure.

## Review

## THE SUN AND THE PLANETS

By ANURA C. PERERA  
Rs. 4.50

ASTRONOMY was long considered a way-out subject and few ever cared to take more than a casual glance at the heavens on a starlit night. But since lunarnauts began tripping over moon boulders space-enthusiasts have sprung up two-a-penny, which eventually would mean that you will be forced to pour out your space knowledge sooner or later.

To save you a lot of head scratching and to keep you from wishing you had a hat to hide your face at a gathering, Anura C. Perera has come up with this timely book of his —THE SUN AND THE PLANETS (Sooryaya saha Graha-yo).

A very fascinating book and probably the first of its kind in Swabasha, it takes the reader on a thrilling exploration on the nine planets that speed endlessly around the sun. Minutely dealt as it is with every aspect of the solar system, taking each planet in order, the book is a treasure-house of knowledge to the astronomer, both amateur and professional. The ready-reckners the author takes pains to produce at the end of each chapter are particularly helpful in that at a glance they give the reader various numerical facts and figures about each planet in a nutshell.

At the outset the author goes on to describe the Laplace hypothesis that the solar system originally had been a diffuse gaseous nebula, hot and rotating, which after considerable cooling shrank leaving in its wake a series of rings which later condensed into the planets and their satellites. He also gives in his book the second and the more recent theory—Planetsimal Hypothesis—that

which formulates locally agricultural chemicals, household pesticides, etc reaches a level of optimum production which combined with an aggressive sales campaign now in force, could increase the very marginal profits which have accrued thus far to the extent necessary to obtain a reasonable return on our investment.

## SCIENCE AND TECHNOLOGY

## Electricity from the atom

Soviet scientists recently achieved a breakthrough in the technology of power production by converting atomic energy directly into electric current.

Up to now, the sources of energy used to generate electricity

were used like simple fuels, the heat supplied by coal oil or atomic energy being transformed into mechanical energy used to operate turbines that in turn powered electric generators. Loss of heat at various stages of this process, however, can run as high as 60 per cent.

The only way to reduce these losses is to convert energy directly into electricity without any intermediary stage. Among the theoretically feasible methods of doing this, the Soviet scientist worked on the thermal emission, making use of the random movement of electrons.

This technique is similar to that employed in cathode tubes used in television sets. The source of heat, and atomic pile raises the temperature of a cathode, serving as a negative electrode, to the point where the electrons separate from it and pass through the vacuum tube to gather around the anode or positive electrode. The excess of negative charges thus formed generated the electric current which is fed into the power grid. Unused current returns from the anode to the cathode and is thus not lost.

The main problem in thermal emission generators of this kind, the Soviet scientists report, is to prevent the cathode from oxidizing. Their plant which produce several kilowatts of power, appears to be entirely satisfactory in this respect and plans for a second plant are being studied (UNESCO Features)



A welcome absence in the present work is the clumsy and stodgy terminology that often fogs many a good book on science. Written in easy to understand, everyday language and moderately priced, this book is sure to find its way into the satchels of school children as well as on to the shelves of all adult space-enthusiasts.

A special feature that far enhances its value is an account of the future—as predicted by the renowned space-prophet Arthur C. Clarke—which is given at the end of the book. It affords the reader a fascinating study and while giving meaning to the enormous space research presently being undertaken by advanced countries, outlines man's path of progress on a given future date. Some of the salient and weird-sounding future events as appearing in the above account are as follows: 2050 A.D. Man overcomes gravity 2060 A.D. Man produces life artificially 2090 A.D. Man's triumph over death.

The graphic illustrations help to straighten out many a knotty point which invariably cloud sciences of this nature. It is therefore a pity that the author did not include a glossary to this book, which if he would have made comprehension a good deal easier. But for this the present work is complete to the last minute detail.

A word about the author, Anura C. Perera, would not be out of place here. In making this commendable and singular contribution to the study of a little known subject he hopes to complement the dearth of knowledge about astronomy which he says is sadly evident even among the adult generation of to-day. Himself an ardent star-gazer, he also hopes to share with the reader the inner peace and quiet one experiences when one looks up into the heavens studded with its myriad stars.

The author is the General Secretary of the Ceylon Inter Planetary Society, a society he himself founded for the propagation of space science, and is a strong advocate for the teaching of science in Swabasha. A close friend of Mr. Arthur C. Clarke he has been a frequent contributor to popular Sinhala journals during the recent Gemini and Apollo programs. His books include THAT JOURNEY TO THE MOON and FUN WITH SCIENCE.

(Chandra S. Anthony.)



# NATIONAL DAY OF THE SOCIALIST REPUBLIC OF ROMANIA 23rd August, 1971-

Special Supplement

## Romanian industrial products on the world market

The main characteristic of the Romanian foreign trade which became a powerful stimulus of the dynamic development, modernization and diversification of the industrial and agricultural production, is the high rate of growth of the volume of goods exchanged which, in the last twenty years, achieved an average annual increase of over 11 per cent, topping that of the world trade, as a whole as shown by statistics.

Starting from the conviction that the commercial exchanges are a favourable condition for detente, an important factor of each country's progress, Romania expanded with every passing year the geographic area of her foreign trade; at present, Romania maintains business relations with over 100 countries and with 55 of these, the exchanges of goods are carried out under business agreements and conventions.

### Changes in exports

Concurrently, Romania has thought about radically changing the very structure of the launching of the national economy: tractors, cars and lorry, Diesel and electric locomotives for trunk railway lines, agricultural machine, oil equipment industries, shipbuilding, the petrochemical, electronics and electro-technical industries and so on. Thus, even those traditional goods which, prior to World War II, made up most of the Romanian exports - timber, crude oil, wool, agricultural produce and foodstuff - are now offered on the world market as highly processed goods, having a new structure. About four fifths of the Romanian exports are now made up of finished industrial products and, under those, of machines, equipment and chemical products the share of which in the total exports is the highest.

Among the products with technical and functional performances on par with those of the most prestigious firms abroad, one must mention the oil equipment; as a matter of fact, Romania ranks among the first countries in the world as regards manufacturing and exportation of drilling rigs, for depths ranging between 1200 and over 7000 meters. These rigs, some of which were awarded gold medals at various international fairs and exhibitions, for their high technical level, are equipped with powerful engines, have central control panels and can work in various ground and climate conditions; they are manufactured in several types and variants, according to the requirements of customers from over 30 countries all over the world.

Another product exported to 55 countries on nearly all continents, is the Romanian tractor manufactured by the Brasov works. As early as 1964, the Romanian universal "U-650" tractor (manufactured afterwards in a range of improved variants: "U-651-M" and and crawler "S-650" tractors) has been favourably welcomed on the world market, after having first been a homologated by the Anthony institution France, tested under very difficult soil conditions in

## COMMERCIAL COUNSELLOR'S MESSAGE



This is the 27th Anniversary of the National Day of the Socialist Republic of Romania, signifying the liberation of Romania from the Nazi yoke.

Romanian industry and economy have been built with much hardwork on a war ravaged country. Today, we witness a prosperous and progressive nation, which is able to impart economic assistance and technical know-how to many developing nations throughout the world.

I am indeed very happy to note the continuous and steady development of trade and commerce between Ceylon and Romania, culminating in volunuous business including the signing of contracts for the establishment

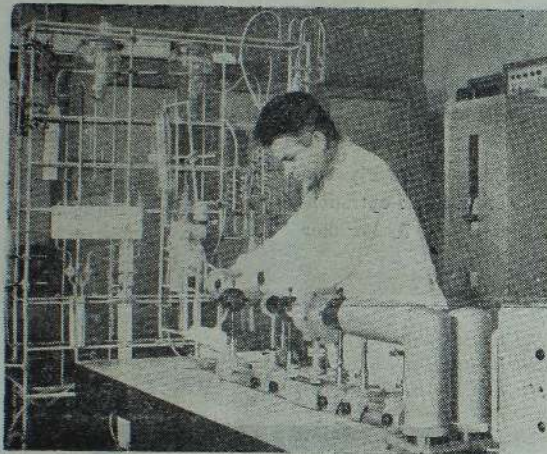
of a Woodworking Complex at Avissawella for the Ceylon Plywoods Corporation and the plantation of timber in the Ratnapura and Galle areas.

The woodworking complex at Avissawella when completed, will help Ceylon to bolster the much-needed foreign exchange, which is now being spent in importing tea chests and allied products.

Ceylon-Romania friendship continues to flourish and it is the earnest desire of Romania to extend to friendly Ceylon our whole-hearted cooperation in achieving tangible results industrially and economically with expedition for the Ceylonese nation.

May the Ceylonese-Romanian Friendship thrive on mutual understanding, co-operation, and sincerity.

**GEORGE COJOCARU**  
Head of Romanian Embassy-  
Office of the Commercial  
Counsellor in Ceylon.



Picture shows a Romanian technician carrying out tests in the laboratory of an industrial complex.

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Greece and after having won, in Syria, the competitions in which there participated the most prestigious foreign made tractors.

In the last few years, there were mass-produced for exportation purposes other types of tractors designed for the mechanization of works in vegetable and wine-growing, crawler tractors for building sites etc. Equipped with 65-80, and 130 and 150-HP engines tractors are much more comfortable for the driver.

From the same town of Brasov, there are exported to a large number of countries all over the world 3-5 and 7-ton lorries and "Eletroputere" Works, in Craiova, export Diesel electric and electric locomotives for truck lines. The Craiova works also deliver for exportation power transformers with powers up to 250 MVA. This year, Craiova exports have turned out the biggest Romanian-designed power transformer, with a power of 190 MVA and

a 250-ton weight, a genuine mammoth aggregate having the size of a two-storied house.

### Foreign Contracts

Several enterprises in Bucharest-Romania's capital have already signed contracts with foreign firms, for the delivery of a good part of their output. One of those, the Machine-tool and Aggregate Works, although only seven years old, has already achieved a good fame in a large number of countries, among which: Great Britain, Switzerland, France, Federal Germany, the United States etc. It turns out the whole family of vertical lathes, with diameters ranging between 1,000 and 3,200 mm, file sharpening machines, boring and milling machines, grinding machines etc all of them on the par with the requirements of the world technique. Likewise, the Arad workturn out various types of parallel and turret lathes, with diameters between 250 and 800 mm; characterized by rapid feeds.

(Contd on Page 6)



# Romanian Industrial Products . . .

Contd from Page 5

a high rigidity, electromagnetic couplings etc. Among these, particular mention must be made of the "SN-400" lathe, with programmed control, recorded on magnetic tape.

Another factory in Arad exports thousands of freight cars and tankwagons. Other towns in Romania are known for the manufacturing of machine-tools complex plants, aggregates for the chemical industry, large self-propelled, two boats for port transportation, river barges bearings, electric motors etc.

Patented by various international offices under the symbolic names of "ALRO", "CAROM", "TERMO" etc, the respective Romanian products are better known and growingly required on the world market. "ALRO" stands for "Romanian aluminium" which has started being turned out a few years ago, in the town of Slatina reaching, by 1975, an annual output of 180,000 - 200,000 tons. Romania will have higher export availabilities. The "CA-

ROM" Romanian synthetic rubber, manufactured at Buzesti, is being exported to over 20 countries. The product of the Romanian chemical and petrochemical industry, "TEROM" is a synthetic fibre, highly competitive on the world market and successfully be placed in the "terylene" tergal "len" fibres and successfully re-

The annual synthetic yarns of Romania is equaled from over 10 sheep. Exports of synthetic yarn and fibres will record a higher rate of growth in coming years: by 1975, the output will be 150,000 tons. Also owing to the putting into operation of new chemical and petrochemical works, the Romanian industry will expand its export possibilities by turning out new assortments of plastics, mineral fertilizers, catalyzers, anticorrosive and electrically-insulated materials, synthetic resins, pulp, caustic soda, varnishes and paints, dyes, detergents, drugs, phar-

indicating their respective speciality.

A short time ago, there were set up new Romanian foreign trade enterprises among "Mecanoexport" (motor and electric compressors, pumps, crushers, road-rollers, excavators, travelling cranes, weighing machines, cranes, measuring and checking apparatus, optical apparatus etc.); "Uzinexport" (whole factories and plants, technological lines and equipment for the mechanical engineering industry, for the chemical petrochemical, metallurgical in-

dustry, for the electrical engineering etc.); "ICECOOP" (exporting over 7,500 products of the co-operative handicraft network: furniture made of indigenous and exotic wood, handicraft articles, musical instruments, ready-made clothes, knitted goods, footwear, carpets household articles, food-stuffs and others).

Under the State Plan for 1970-1975, Romanian foreign trade will achieve a 40-45% increase of its volume as against 1970, the list of industrial goods offered for exportation being permanently enriched and diversified.

## Construction projects abroad

Among the projects undertaken there figures: the setting of an oil refinery at Gauhati, India; of wood industrialization complexes in Ceylon; the building of a tractor factory and an industrial-type agro-zootechnical complex in Iran; deliveries of equipment and complex plants for a number of economic targets in Algeria, a soda factory in the U.A.R., a sulphuric acid and a chemical fertilizer work in Turkey; participation with experts and equipment to the prospection and exploiting of hydrocarbon deposits in Algeria, Burma, Cuba, Ghana etc.



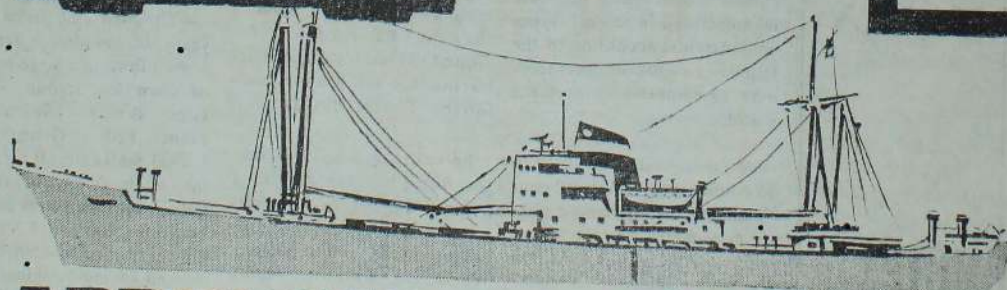
Picture shows a general view of the building of the Plywood Integrated Wood Complex built with Romanian co-operation. The total extent of Romanian aid in this project was Rs.30million



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# ROMANIAN AGRICULTURE

To a certain extent, Romania may be compared to a large natural amphitheatre of relative circular shape in which the highest, central tier is represented by mountains and the middle one, by the wide belt of Carpathian foothills while the lowest peripheral one is constituted by a collar of wide, fertile plains.

Even this summary presentation of the country can give a certain image of the size and diversity of the agricultural areas, the comparatively wide possibilities of the Romanian agriculture to meet the requirements of the market for a wide range of products: from wheat and maize grown on most of the about 15 million hectares of agricultural land, to sunflower, sugar-beet, flax potatoes and vegetables, grapes, wine and fruits

milk meat and other animal products.

How are these wide natural areas being taken account of? Which are the factors of development of agriculture - we must understand which - represents, both owing to natural factors as well as to the comparatively high gravity of the

rank importance of the national economy. The aim of special agricultural production is intensive character, ensure an important increase of the yield as well as a raise in labour productivity appears wholly explicable and justified.

The fruits of this orientation. In 1965 - as against 1938, the gross agricultural production

times higher, in 1968-1969 and it is anticipated that it will be two-fold. In 1938, looked at the favourable pre-war

which results, the principle of agricultural units - of co-operatives (there are more agricultural units covering the area - respectively 75 per cent), or (State farms).

## Modern techniques

The setting up of large units created favourable premises for the introduction of modern

techniques for the application of scientific working methods, for the high degree turning to account of natural, economic and social conditions. The most telling example in this respect, is the rate of penetration and extension of the mechanization of field jobs. In 1969 agriculture had at its disposal about 100,000 tractors (one tractor per 107 hectares of agricultural land), over 55,000 sowing machines, 30,000 grain harvester combines and other agricultural machines, Romania made.

Owing to a more accentuated concentration of production, a more advanced degree of specialization, the swifter progress achieved in mechanization, and irrigation, the share of the State enterprise and farms in the agricultural cooperatives. This was also due, among

others, to a massive concentration of production-particularly of the animal and vegetable ones-into large and complex combines. At present, the State agricultural enterprises dispose of numerous combines in which there are fattened 100,000 pigs per annum-in each of them, as an average, modern complexes where there are bred some 1,000 - 1,300 milch cows, huge blocks of hot-houses, covering tens of hectares each.

It goes without saying that the achievement of this ample programme of modernization agriculture required an important volume of capital investment both by the State and the agricultural units themselves. In 1969 alone, the State allotted to agriculture, for investments, 7.5 thousand million Lei, a sum representing 12.3% of the total capital investment allotted to economy as a whole.

## Intensified Production

The same as in the past years, the respective funds were directed towards targets and actions of front-rank importance ensuring the intensification of production, the achieving of a higher volume of agricultural products: the further application, an even higher rate, of mechanization and chemicalization of agriculture, the extension of irrigation, development of animal husbandry, of vegetable-growing fruit and wine growing; intensification of research in the numerous institutes and experimental stations in agronomy, so that more than 8,000 experts working in these units should be able to place, in a short time, at the disposal of agriculture, better working technologies or species of plants and breed cattle with higher productive qualities.

Beginning with 1971, the irrigated area will increase year by year, by 250,000-300,000 hectares so that, by the end of the next Five-Year Plan, the irrigated land will cover 2.2-2.5 million hectares. As for chemicalization, by 1975 agriculture will use 1,342,000 more tons of chemical fertilizers (in active substance) as against 1969. In the field of animal husbandry the specialization of units will be more actively continued and the production will be further concentrated into large, industrial-type complexes, with a high-degree of mechanization of the operations.

The final result of the capital investments in agriculture, of its modernization, will be the increase of the gross agricultural production by 28-31% in 1971-1975, as against the average obtained in 1968-70. On achieving this rate of growth, agriculture will make a large contribution to the development of the national economy, the rise in the incomes of the rural population; the achieving of larger availabilities for export and the raising of the standard of living of the people as a whole.

*Greetings & Best Wishes*

to the

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on their

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# HIGHER TURNING TO ACCOUNT OF NATURAL RESOURCES IN ROMANIA

The process of socialist industrialization of Romania gains an ever more intense rhythm with every passing year. Proving this is the ever larger and higher turning to account of the country's natural resources, as well as, generally, of all the raw auxiliary materials, either autohthonous, or imported. What is aimed at, is that, by a successive processing, in several phases, of a certain quantity of raw material, a bigger volume of products be obtained, with as greater as possible use value and total value, that is a higher economic efficiency.

The base of raw materials has always been a premise for developing or reducing output in a certain economic domain (we mean here not only the own basis of raw materials, but also that which can be formed by import; since a country can assimilate certain products even if it has no raw material resources of its own, as it can bring them from elsewhere). Because of the scope gained along the years by some compartments of production, as well as following the scientific and technical revolution, the

following state of affairs has been created in our days: some natural resources have disappeared or are going to disappear, on one hand, and new raw materials appear, on the other hand, be they substitutes, or quite unknown in the past. These tendencies in the "move" of raw materials naturally influence the way in which a production branch or another can be structured in order to meet the demands of the country, to be efficient and to keep step with the progress of science and technique.

## Home Resources

The Romanian state has made big efforts in order to extend the base of raw materials, this being an expression of the principle of general policy in keeping with which the country's development may and must take place first of all by the use of the home resources. But, concomitantly with the economic growth, new needs arise, whose meeting pose new problems. Thus, for instance, the huge expansion of iron and steel industry has led to the considerable

increase of iron ore. The modern structure of the economy as a whole, in Romania especially, of a great importance is among others the establishment of the most advanced correlations between the different branches, that

The inter-branch efforts to be made in the five-year plan, to expand the production of raw materials, to ensure an efficient use of the resources of the country, even if their processing are not as easy as in the case of the imported one. Thus, for instance, augmented were, and will be henceforth too, the depths for the oil extraction, using to this end Romanian equipment which prove high qualities and technical standards and are very efficient. Or, another example in order to save the resources of liquid and gas fuels, as well as the good coals, expanded is the use in thermo-power stations of lignite, concomitantly with a larger utilization of the hydro-power resources.

advantageous correlations

17 per cent more products were obtained from one ton of cotton, and by 21 per cent more from one ton of wool.

## Rapid growth

This orientation will be maintained and accentuated under the current five-year plan taking account of the fact that a substantial contribution is being thus made not only to enhancing the economic efficiency of production, but also to modernizing the economy, to better fructifying the productive potential on foreign markets, to better capitalizing the country's resources. Finally, the national income is growing rapidly, and implicitly growing are the possibilities of realizing the large-scale reproduction and of improving the people's living standards.

Efforts are being made for the higher turning to good use of the natural resources and in general of the material resources of Romania also in other domains than those mentioned before. The creative energies of the working people were and are steadily directed ever more consistently towards the observance of the consumption norms of raw and auxiliary materials, electric power and fuel, towards cutting down the percentage of rejects, towards the reduction up to elimination of the percentage of wastes and their turning into useful goods, when their production is inevitable. The entrenching everywhere of a good manager's spirit becomes thus a common cause, in the common interest and in the interest of each and everyone.

This question focussed and continues to focus much attention in Romania. For instance, electric and thermal power, the metallurgy, the machine building and chemistry accounted together in 1970 for some 52.4 per cent of the overall industrial output, as against only 25.8 per cent in 1950. In keeping with the provisions, the same branches will carry in 1975 a weight of about 50 per cent in the country's industrial output.

Thoroughly analysing the industrial branches, one will note that in the goods list the products with a higher processing degree start having an ever bigger share: in machine building - the products of fine mechanics, electronics and electrical engineering; in chemistry - chemical yarns and fibres, plastics, chemical fertilizers; in timber industry - furniture, wood-particle boards and fibre boards; in metallurgy - alloy and high alloy steels, etc. This way, the value of the output obtained out of a ton of metal or of oil, out of a cubic metre of exploited wood stock rises, and the products gain a higher level of technicity.

Let us use several figures. In 1970 the value of the products obtained out of one ton of metal was by nearly 40 per cent bigger than in 1965, of the chemical products obtained out of one ton of hydrocarbon by 50.5 per cent bigger than those turned out of from one cubic meter of wood stock exploited by 36 per cent; by

The preoccupations existing in the Socialist Republic of Romania for a higher turning to good use of the natural resources are part of the general process of modernization of the national economy, of placing the country on the road of many-sided progress, favoured and also demanded by the present-day scientific and technological revolution.

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# THE I. M. F. AT WORK —

The transactions of the International Monetary Fund have grown both in complexity and size. Ten years ago turnover in gold and about 20 currencies was little more than \$1.3 billion. By last year this had grown to almost \$8 billion in gold Special Drawing Rights and more than 40 currencies.

The Fund is commonly described as an international pool of currencies, gold and SDRs but a closer analogy is with that of a store, which tries to keep adequate supplies of items while avoiding excessive stocks of those that are not. Countries contribute to the Fund in gold and their national currencies to the Fund. When in temporary deficit on their international payments they may draw on the Fund by paying additional amounts of their own currency for foreign exchange from the Fund's holding of other currencies. As their payments return to surplus, they reconstitute their position in the Fund by paying foreign exchange to repurchase their own currencies. The crux of the operation from the point of the Fund is to anticipate supply and demand.

## Currency Budget

The man in charge of the mechanics is the Fund treasurer Walter O. Habermeier, who prepares a currency budget each quarter anticipating the drawings likely to be made and the currencies the Fund will have for sale. The forecasts for this are made by the Fund staff on the basis of their missions to countries and other regular contacts with members.

The budget, indicating the currencies the Fund proposes to sell over the quarter and the currency holdings it will need to replenish, is circulated to all member countries so that those who are going to draw will know what they are likely to get, while those due to make repayments will have some general warning of the currencies they will be asked to supply. On this point, Fund practice differs in an important respect from that of a storekeeper. It is the Fund which decides on the package of currencies which it sells to a country drawing foreign exchange while members reconstituting a drawing have to supply the currencies the Fund asks for. Any conversions this requires are done outside of the Fund, though normally between central banks rather than through the market, and sometimes with the Fund helping to make the arrangements, though merely as an agent.

## Drawings procedure

Describing how drawings are made in practice is like describing the rules of football: the whole thing looks infinitely more complicated when put down on paper.

In an imaginary case, Italy draws \$500 million. Conveniently for this illustration, Italy's quota happens to be \$1 billion, giving it automatic access to its gold tranche of \$250 million. For drawings up to that amount, Italy would not need to make formal arrangements in advance, though the

Fund staff would certainly know about the prospective drawings because of their regular contacts with the country. A drawing of \$500 million going beyond Italy's tranche to the first credit tranche would be readily granted, but would almost certainly have been preceded by the arrangement of a stand-by

In the case of drawings of foreseeable size, the Fund's transaction in the number of currencies has used in sales has gradually increased. credit an additional \$500 million of lire to the Fund's account at the Bank of Italy, bringing the Fund's total lire holdings to 125% of Italy's quota (that is, the Fund will now hold Italy's initial subscription of \$250 million in gold and \$750 million in lire, plus an additional \$500 million in lire).

In return, the Fund will sell Italy a package of, say \$100 million each of U.S. dollars, Deutsche mark, French francs and Japanese yen; and \$50 million each of Canadian dollars and Brazilian cruzeiros.

This involves a simple transfer of \$100 million from the Fund's account to the Bank of Italy at the New York Federal Reserve Bank and in other reserve centres. But it is unlikely Italy would actually want to use cruzeiros, for example. In that case, the Fund's holdings of cruzeiros at the Bank of Brazil are run down by \$50 million, while the Brazilian bank arranges with the New York Fed for a credit from its account there to that of the Italian central bank. The cost of conversion, based in some cases on market rates and in others on parity, is borne by the drawing country.

## Result

The result of this transaction is that the Fund's increased holdings of lire measure the extent to which Italy has gone into debt, while the Fund's diminished holdings of cruzeiros indicate the extent to which Brazil has gone into credit. The total of Brazil's reserves remains unaltered, but their composition has been changed; the reduction in their foreign exchange content has been offset exactly by the increase in Brazil's reserve position in the Fund.

To go on with this example to the point of laboring, if the Fund's holdings of cruzeiros will have been run down from a normal quota level of \$330 million to \$280 million, but with a corresponding increase in the Fund resources to which Brazil has automatic and unconditional access. This is the "reserve position" in the Fund consisting of Brazil's \$110 million gold tranche plus the \$50 million super gold tranche by which the Fund's holdings of cruzeiros have been run down below quota level. Brazil would be entitled to include this \$160 million in its total reserves, alongside its holdings of gold foreign exchange and SDRs.

## Currency

explain the Fund's position. Thus the Fund's reserve position in the currencies it sells, to increase Brazil's reserve position in the Fund and hence the ration of that position to Brazil's total reserves.

In practice, this means the Fund is normally selling strong currencies while trying to avoid the excessive use of any. But some sales can take place in other circumstances. For instance, Britain drew heavily on the Fund in the 1960s but later moved into surplus on its balance of payments. From that point there were several occasions when the Fund, with the agreement of the British authorities, included sterling in the currencies sold to other members. This reduction in the Fund's holdings of sterling had the same effect in reducing Britain's liabilities as a direct repurchase of sterling for foreign exchange on the part of Britain itself.

To continue with the hypothetical example, when the time comes for Italy to repay a first instalment of, say \$100 million, the Fund will indicate a few days in advance what currencies it wants, and countries are legally obliged to supply this, bearing the cost any conversion themselves.

In this case the Fund may ask for Deutsche mark because its holding of that currency have been run down. The Italian authorities would transfer lire to the Deutsche Bundesbank account in Rome and the German central bank would then credit DM to the Fund's account in Frankfurt.

The effect of this increase in the Fund's holdings of DM would be to reduce Germany's reserve position in the Fund, but this would be exactly offset by the increased Germany's reserves will thus have changed only in composition, not size. The Fund meanwhile, would have run down its excessive holdings of lire while replenishing its depleted holdings of DM. To revert to the analogy with the store, this is how the Fund tries to keep stock moving and a full range of merchandise on its shelves.

## S D R s

The mechanics of the management of Special Drawing

Rights—of which just over \$6 billion have been issued to Fund members since the start of 1970—is similarly concentrated on the Fund treasurer, and likewise involves the preparation of a quarterly budget. This tries to anticipate which members will want SDRs and which countries will have sufficient surplus to be designated by the Fund to supply foreign exchange in

## Dealings in currencies gold

return. SDRs have been described by the Fund's counsel, Joseph Gold, as "the distillation of a chemistry—some might say an alchemy". They are deliberately created reserve assets allocated in proportion to quota to almost all Fund members that want them—in fact, to all except eight small countries. Holders of SDRs cannot be forced to surrender them except in a few special circumstances, among them withdrawal from the SDRs plan. On the other hand, members are free to use their SDRs at any time without any conditions about the policies they are following, provided only they need foreign exchange for their balance of payments or their reserves—as distinct from merely wishing to change the composition of their reserves.

A country that wants SDRs simply informs the Fund, and the Fund then designates another member to supply foreign exchange in return. There is a legal obligation on the country designated not only to supply foreign exchange for SDRs but to supply one of eight currencies classified by the Fund as "convertible in fact": the U. S. dollar, sterling and the French franc in the first category—being convertible into each other—and the Belgian franc, Deutsche mark, Italian lire, Netherlands guilder and Mexican peso in the second category—being convertible directly into U. S. dollars only. Conversions are not common, however. Normally the country designated to supply currency will supply the one wanted.

The essence of SDRs is that their use should be speedy and simple. The rules provide that a country transferring SDRs should receive the currency it has asked for two business days after the Fund receives a request.

## Main Characteristic

The most important characteristic of SDRs is that they allow countries to build up reserves without doing so at the expense of someone else's deficit. This happens, first when the Fund creates SDRs to allocate to members. When they are actually used in transactions, there is no diminution of any one's reserves and there may be an increase. For instance, if Britain wants to use \$50 million of SDRs to get dollars, and the Fund designates France to supply them, the only change in the reserves of the two countries will be in composition, not total: the French reserves will have a

larger SDR component while Britain will have larger foreign exchange component, the point of the transaction for Britain being that it can use foreign exchange directly for international payments in a way in which it cannot use SDRs.

However, in the earlier part of last year, when the U.S. was still in surplus on the official settlements account of

its balance of payments, the Fund a times designated America to supply dollar for SDRs. In those cases, there was a net addition to the total of world reserves. Britain, as

drawer, would get dollars in exchange for SDRs and would have been a change in the composition but not size of Britain's reserves. However, there would have been a net increase in America's reserves—and the total of the world's—through the acquisition of SDRs, an asset, in exchange for—these are a reserve only in the hands of countries other than the U. S. but not a national currency in itself.

Only one more point to be made here about the

mechanics of SDR transactions is that they are handled on a wholly separate account on the books of the Fund, representing the exchange

## E. E. C. AIMS AND MONEY

At a recent meeting of the Presidency Committee of UNICE (Association of the European Community's Industries) a document was approved which expresses agreement on a Community policy aimed at the creation of a European economic and monetary union—an objective to be pursued rapidly and actively, as an essential step in the European integration process.

The Government of the six countries of the EEC, at the Hague held in December 1969, had already expressed their political intent to introduce by steps an economic and monetary union. In March 1970 the EEC Council and Ministers established the Werner Committee (so called from the name of the Luxembourg Minister who chaired it), charged with drafting, within the framework of the resolution adopted at the Hague Conference, a report analysing the various proposals made and outlining "the basic options of an introduction by steps of the Community's Economic and Monetary Union".

The final text of the report (the first draft of which was rewritten on the suggestion of the European Council of Ministers, incorporating the conclusions of the Committee of Experts charged by the Committee of Governors of the Central Banks of the EEC with reviewing the document) was published at the end of October 1970. The text of the Report is divided into seven points (introduction; the point of departure; the point of arrival; the principles for the implementation of the plan by stages; the first stage; the transition towards the point arrival, conclusion).

## Italy stresses key points

For its part, the Italian Government attributes decisive and overriding importance to three points:

1) the need for a firm political intent to bring about

economic and monetary union conceived as a combination of elements that require gradually, a transfer of economic powers from the national to the Community.

2) a "guaranteed" balance between the program of monetary integration and achieved in the area of convergence of economic policies;

3) a development of the monetary union designed to eliminate regional and structural imbalances.

## Salient Economic

According to the document of the EEC planned European economic union summed up as follows:

● Total and irreversible fluctuations and imbalances of the Six, which community currency;

● Centralisation of the therefore the creation

● Community authorities non-member countries

● unification of the to the capital market

● Community-level budgets as a whole volume the size of deficits or for utilisation

● Assumption by the in the areas of regional

● Systematic and level between the social

The Werner Plan program and goods will circulate no legal, tax or customs in which businessmen lives at a Community



wer, would get dollars in change for SDRs and there would have been a change in composition but not the of Britain's reserves. However, there would have been net increase in American reserves—and the total of the world's—through America's position of SDRs, a reserve in exchange for dollars or these are a reserve asset in the hands of countries other than the U.S. but merely national currency in the U.S.

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## gold and SDRs

of SDR transactions and is that they are handled wholly separate account the books of the Fund, sending the exchange of

*We continue the series IMF at work.*

*Here the author describes the fundamental transactions of the Organisation and the procedure adopted in these dealings. The mechanics of the management of SDR's is analysed in detail.*

reserve assets between member countries as distinct from currency drawings and repur-

chases, which involve the use of Fund resources. However, SDRs can be used to settle debts to the Fund.

### Gold transactions

The Fund's transactions are by no means confined to currencies. Last year saw the biggest gold turnover in Fund history. "I stated to feel I had become a bullion dealer", said one official.

First, the Fund acquired about \$1.8 billion of gold subscriptions as part of last year's increase in the quotas of all members. Then it bought about \$650 million of newly mined and other gold from South Africa under the agreement of December, 1969. Besides that, the Fund reacquired \$400 million of the \$800 million gold investment it had built up in US government securities. With the addition of some smaller transactions, this brought the Fund's total bullion acquisitions in

1970 to more than \$2.9 billion of which it then sold \$920 million to member countries for currency. This was partly a revolving operation to replenish the reserves of countries like the U.S. provided their gold reserves were low. But although the gold investment was no longer needed, income, it was continued and indeed built up to \$800 million to provide a special reserve for any future deficits. And it was reduced last year because the Fund had become indisputably the largest of just recently. Thus, the Fund's gold of April 1970, which figures the Fund earned \$57.6 million plus another \$100 million that date its general reserve of retained profits stood at \$350 million while its special reserve of ac-

when Britain and France made the first large use of the Fund resources after the invasion of Suez at the end of 1956. Ever since, the Fund's income has increased by leaps and bounds.

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cumulated income on the U.S. gold investment amounted to another \$366 million. Probably feeling mildly embarrassed by such riches, the Fund had started to run them down by a modest amount even before it shed half its gold investment last year: since 1968 it has been distributing something over \$20 million a year from its net income by paying 1 1/2% a year on super gold tranche positions.

The Fund gets a small part of its income from service charges of 1/4% percentage point on unused stand-bys and 1/2 percentage point on drawings of gold tranche. The bulk of its income is derived from interest charged on drawings above gold tranche, varying from 2 to 5% a year depending on the size of a drawing and its duration.

(Courtesy American Banker)

# IMMS AT GRADUAL ECONOMIC MONETARY UNION

omic and monetary union viewed as a combination elements that require, albeit gradually, a transfer of economic powers from the nation to the Community level:

a "guaranteed parallelism" between the progress of monetary integration and that achieved in the area of the convergence of economic poli-

a development of the Community designed to eliminate national and structural imbalances.

These basic points are contained in the Werner Report, which stresses that "the basic elements of an economic and monetary union involve the coordination of the economic, monetary and budget policies, the liberalisation of capital movements within the Community the irreversible determination of the relative parities of the European currencies and an integrated system of central banks".

The Werner Report also recognises that, in order to

achieve the intended objectives, certain responsibility will have to be transferred from the national to the Community level; this will imply for sound reasons, the establishment of a democratic control on a parliamentary basis.

UNICE approves the essential elements of the Werner Report and stresses the importance of parallelism between the harmonisation of economic policy and the adoption of a closer monetary cooperation, since the progress made in both areas will necessarily strengthen each other. During the first step, it will be necessary to adopt effective methods for the control of economic cycles, watching the repercussions of the measures adopted by each country on economic developments in the other partner countries. In this connection, UNICE feels that a formal commitment by mutual agreement on the objectives of economic policies is even more important than a degree of concert on the use of the instruments for the control of economic cycles.

A compatible evolution of the economies of the member countries will prevent divergencies in price levels and, consequently, external economic imbalances which necessarily lead to protectionist measures or changes in parities. To achieve this compatibility, it will be necessary to coordinate the policies for the control of overall demand and to pursue a Community policy of structural and regional adjustments. These actions will involve:

- the joint definition of the basic guidelines concerning liquidity, credit to the public and private sectors and the interest-rate policy;
- the establishment of a European monetary and capital market, as well as;
- the concerted definition and regional policies.

Among these measures, UNICE regards as particularly desirable a more advanced integration of capital markets

It refers to the position that it has adopted with respect to the liberalisation of capital markets and to the Third Directive for the implementation of Art. 67 of the Treaty of Rome.

### European Monetary Cooperation Fund

According to the Werner Report, the establishment of a European Monetary Cooperation Fund may take place during the first stage or at the beginning of the second. UNICE is of the opinion that a European Monetary Cooperation Fund should be established as soon as possible, for two reasons: on the one hand, the creation of this Fund may be regarded as the base for an institution to implement a common monetary and financial policy towards other countries, within the

framework of international monetary cooperation; on the other hand, this Fund may constitute the base for Community policy of mutual intervention.

UNICE suggests that the mechanisms of short-term monetary support and medium term financial support, once adopted, should be put into effect by the proposed Reserve Fund. By thus quantitatively determining the Fund's scope of intervention, the adoption of a common policy towards non-member countries becomes of essential importance.

The Werner Report recommends that, during the first stage, the fluctuation of exchange rates between the currencies of the member countries be kept within a narrower range than that resulting from the application of the existing dollar margins, through a concerted action towards the dollar. UNICE doubts that such a "concerted action"

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affords adequate guarantees for an effective common monetary policy, as it is feared that the influence which the Community's institutions will be able to exert on such concertation will be limited. UNICE's thinking in this respect is expressed as follows: "to succeed with a policy aimed at establishing an economic and monetary union, it will help to show prudence and flexibility in the area of the exchange Community; rigid measures rapidly adopted may prove injurious".

The study prepared and attached to the Werner Report by the Committee of Governors of the EEC's Central Banks shows how little is known about the possible reactions of the currency markets to a reduction of parity fluctuation ranges. It is therefore logical to seek in the first place experience with the technical aspects of a Community intervention policy.

## Salient features of EEC Economic & Monetary Union

According to the Werner Plan, and even more to the document of the EEC Commission, the salient features of the planned European economic and monetary union can be summed up as follows:

- Total and irreversible convertibility, without exchange fluctuations and with unchangeable parity rates of the currencies of the Six, which would be replaced by a single Community currency;

- Centralisation of the monetary and credit policy, and therefore the creation of money supply;

- Community authority over monetary policy vis-a-vis non-member countries;

- unification of the member countries policies with respect to the capital market;

- Community-level decisions the essential features of public budgets as a whole, and in particular the changes in their volume the size of balance and the methods for financing deficits or for utilisation of surpluses;

- Assumption by the Community of the responsibility in the areas of regional and structural policies;

- Systematic and continuing consultation at Community level between the social "parties" (employers and workers).

The Werner Plan projects a situation in which men, capital and goods will circulate freely from country to country with no legal, tax or customs obstacles; in other words, a situation in which businessmen will be able fully to achieve their objectives at a Community rather than a national level.

## Soviet Economic Contacts Abroad

Cooperation with the socialist countries was the determining factor in the development of Soviet foreign economic contacts in 1970.

According to a Moscow-published statistical handbook on the foreign trade of the USSR, 14.4 thousand million roubles of the total trade turnover of 22.1 thousand million roubles fell to the share of the socialist countries. Increase of trade with them totalled almost one and a half thousand million roubles while the rise in trade with the rest of the countries was some 0.9 thousand million roubles.

More than 70 per cent of this country's requirements in imported machinery, equipment and consumer goods were satisfied by imports from the socialist countries. Almost 25 per cent of the Soviet export was machines and equipment. There were considerable deliveries of coal, oil products, natural gas, iron and manganese ore, electricity and timber.

Trade with the developing

countries totalled three thousand million roubles against 2.5 million roubles in 1969. These countries held first place in Soviet imports of certain items (citrus and dried fruit, spices, tea, coffee and natural rubber). The most important items of Soviet export were machines and equipment (2.4 thousand million roubles worth in the last five years).

According to the handbook no significant changes have occurred in trade with the developed capitalist countries. Raw materials continue to dominate exports machines and equipment (some 40 per cent) dominate imports. Trade turnover totalled 4.7 thousand million against 4.3 thousand million roubles in 1969. Japan (652.3 thousand million roubles) was the leading Soviet trader among the capitalist countries. It was followed by Britain, the FRG, Finland, Italy, France and Sweden. 15 per cent of Soviet foreign trade and three-fourths of the trade turnover with the Western countries was trans-

acted with the seven countries.

According to plan, Soviet foreign trade turnover in 1975 is to total 30 thousand million roubles. The increase will be effected chiefly by stepping up trade with the socialist countries.

There will also be an intensification of trade with the developing countries on the basis of a division of labour for the sake of consolidating the economic independence of those countries.

There is no doubt that there will be a step-up in trade with the developed capitalist countries especially since opportunities for cooperation with them have not been exhausted by far. As Soviet Foreign Trade Minister Vladimir Alkhimov told pressmen recently, the growth of trade could be assisted by increasing exchanges of machines and equipment. He also emphasised that favourable conditions would be assisted if "our partners should give up still existing discriminatory restrictions against the USSR". (APN)



# MANAGEMENT

## Up the Organization (Part II)

### Promotion from within

Most managements complain about the lack of able people and go outside to fill key positions. Nonsense. Nobody inside an organization ever looked ready to move into a bigger job. I use the rule of 50 per cent. Try to find somebody inside the company with a record of success (in your area) and with an appetite for the job. If he looks like 50 percent of what you need, give him the job. In six months he'll have grown the other 50 percent and everybody will be satisfied. How to do it wrong: Go outside and get some expensive guy who looks like 110 percent of what you want and a year later, after having raised salaries all around him, you'll still be teaching him the business. The others will be frustrated and ineffective.

One of the keys is to pick someone within the company who has a well-deserved reputation as a winner. Not someone who looks to you like a potential winner but doesn't happen to be fitting in very well where he is.

The organization will rally around an accepted winner, even when he's temporarily over his head, because in their eyes he deserves the chance. The phony who conned you into giving him the job will go down for the third time and pull down everybody else he can reach.

### Freedom from a secretary

For years I had the standard executive equipment—a secretary. Most of them very good. Then I used the man from Mars approach. Then I didn't have a secretary. Here's my analysis:

### TELEPHONE

**BEFORE:** Jane answered my calls and made all my calls (it really has to be all the other). Two many games we played. "How long shall I wait before I decide?" Jane filed copies of my letters. Just to be sure. Time at the Xerox secretary. Finally I'd say

**AFTER:** The telephone operators took all my calls until 11 in the morning saying, "May I have Mr. Townsend call you back?" Then at 11, they'd send all the call messages in, start putting incoming calls through, and I would do the dialing myself. Results: Nobody mad. (Note, no offense because when she offers to have me call back, she hasn't asked who you are) My calls back, were concentrated in a 45-minute period. I'm on the phone first (one-up). Same thing from lunch until 4 o'clock when the afternoon call messages were sent in, and incoming calls were put through again.

### APPOINTMENTS

**BEFORE:** I'd come back from a one-day trip or even a long lunch to find my calendar cluttered with appointments with my own people.

**AFTER:** Since there was no one to make an appointment with, people would stick their heads in. If I wasn't there, they'd come back or change their minds. Interruptions? A few. But that's what I'm there for.

### MAIL

**BEFORE:** Jane would read it first. What with interruptions was generally the next morning before I got the replies back for signature.

**AFTER:** Had two sets of note pads. One with just my name. The other, for strangers wrote to the office, had name, title, address phone. Handwritten replies. Impressed the recipient. Can be done in the evening. Frequent letter was done in the morning. I'd say

Jane filed copies of my letters. Just to be sure. Time at the Xerox secretary. Finally I'd say

### TRIPS

**BEFORE:** One of my close associates had a great secretary. Whenever he called in from out of town to get or leave messages, she was "away from her desk." And when he came back, she would have all the mail and memos and appointments spread out so he couldn't find his desk for two days.

**AFTER:** When I called in, the telephone operator had my messages. The mailroom also had a rubber stamp: "a'm away. Please handle this in your style and don't tell what you did. Thanks R.C.T.". They'd open the mail stamp it, route it appropriately. When I got back—clean desk.

Morning coffee, in box, out box, Xeroxing, and other matters were handled by staff services. An important thing I learned was that my secretary had been acting like an assistant-to. Helping me where I didn't want help and couldn't be helped. Playing favourites with my associates I got much closer to the people who reported to me when I didn't have a buffer state outside my office.

Working without a secretary depends on a good staff services operation. And making friends with the telephone operators, which is a breeze when they find out you're going to fire your secretary. Telephone operators and executive secretaries are natural enemies.

Build a good staff services setup and then try to persuade your executives to give it a good fair try for a month every time somebody's secretary quits or for however long she's sick or having a baby or on vacation. In my case, unloading a secretary felt like finding an extra four hours a day.

### People Versus Personnel

Fire the whole personnel department.

Unless your company is too large (in which case break it up into autonomous parts), have a one-girl people department (not a personnel department). Records can be kept in the payroll section of the accounting department and your one-girl people department (she answers her own phone and does her own typing) acts as personnel sorry—people assistant to anybody who is recruiting. She lines up applicants, checks references, and keeps your pay ranges competitive by checking other companies.

On the subject of pay ranges, I've long held the conviction that it's much less expensive to recruit from the top of the barrel by paying top wages. Yet many big personnel departments in insurance companies, banks, and the like, consciously recruit from the lower half of the barrel to "save money." If they only realized what they were doing to themselves.

The trouble with personnel experts is that they use gimmicks borrowed from manufacturing: inventories, replacement charts, recruiting selecting, indoctrinating and training machinery, job rotation, and appraisal programs. And this manufacturing of men is about as effective as Dr. Frankenstein was. As has been pointed out, the sounder approach is agricultural. Provide the climate and proper nourishment and let the people grow themselves. They'll amaze you.

### Training

The only way I know to get somebody trained is on the job. The first time I learned this was by accident. I'd laboriously recruited an assistant (note: not an assistant-to) By the time I'd offered the job and he'd accepted I was pretty sure I had a good man. But the earliest he could come to work was the day I left for vacation. Turmoil! Should I go? For the wrong reasons I went.

Thrown in the deep end, he learned some plain and fancy swimming while I was away. And he developed some valuable relationships in those

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three weeks that might never have developed if I'd been there. He got in the habit of growing and has never stopped.

If you have more than one possible successor, never appoint a favorite. You'll stop the healthy competition for your job and paint a bull's-eye on your heir's shirtfront. I did it once, and the organization tore him to shreds. Better to keep an open-minded show-me attitude toward all contenders. Every time I left the office for more than a week, I'd write the following memo:

To: People who report to me  
cc: Mailroom  
Owner  
Telephone Operators

I've gone away. Until I get back Henry is chief executive officer. Please don't hold up decisions. Anything you do in my absence will have my complete support when I return.

Two things about this. Rotate the acting successor if you can. Otherwise you've named your heir. And don't say where you've gone or when you'll be back.

Remember, you really want them to make some important decisions and some mistakes. That's how they grow.

### Underpaid

Some good people become badly underpaid. If you're in this spot, but like your work, cheer up; all is not lost. Resign. Go to the personnel department. Fill in the forms. Apply for your old position. Under "salary objective" put down what you should be paid.

If your diagnosis is correct you'll be far and away the best-qualified applicant for your old job and cheap at the new price. When I bullied a griping friend into doing this, he ended up with a 30 percent pay raise, in a company that didn't believe in paying people.

(To be continued)

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TEAM



# I. D. A. CREDIT FOR INDIAN FERTILIZER PRODUCTION

Washington

The International Development Association (IDA), an affiliate of the World Bank, has approved a credit of twenty million dollars to help India to increase the production of fertilizers.

The project is an important element in the government of India's strategy to sustain the momentum of growth in the country's agricultural sector by increasing the supply of fertilizers and other modern farm inputs.

The credit the first from IDA in support of fertilizer manufacturing in India, will finance the second stage of an expansion program of the Fertilisers and Chemicals, Travancore Limited (FACT), a public sector company, located in Cochin, Kerala. The 47.9 million dollar program, when completed in mid-1974, will enable FACT to manufacture annually 485,000 tons of granulated NPK fertilizers and 7,500 tons of cryolite, and industrial chemical. It will help India save about 16 million dollars a year in foreign exchange and improve the supply of fertilizers in the four South India states of Andhra, Pradesh, Kerala, Mysore and Tamil Nadu.

The IDA credit will be extended to the government for a period of 50 years, including a 10 year period of

grace. It will be interest-free, but a service charge of 3/4 of one per cent will be made to IDA's administrative costs. The government will re-lend the proceeds of the credit to FACT at 8 1/2 per cent.

## VENEZUELA NATIONALISES GAS COMPANIES

The Venezuelan Government has approved a Bill on the nationalisation of natural gas companies. Foreign concerns have been placed fully under state control. By a majority vote the Senate made an amendment to the Bill, ruling against the exploitation of gas with the participation of foreign capital in the future and granting gas mining rights to the State Venezuelan Oil Corporation.

From the Senate the Bill was referred to the Chamber of Deputies for consideration. If approved by the Chamber, the Bill will go to the President of the Republic for endorsement.

## MARSHALL PLAN AID PAID BACK

Bonn

West Germany recently made the final instalment in repayment of the post-war Marshall Plan aid from the United States.

Up to 1951, West Germany received about 10 per cent of its economic aid from the Marshall Plan, which once again has been paid back.

KUWAIT ECONOMIC CORPORATION

Belgrade

The International Corporation for Investments in Yugoslavia (with headquarters in London) has announced that a Kuwaiti company is financing other projects in Yugoslavia.

## General agreement reached on a "CUSHION"

This was reached during a recent visit paid to Kuwait by Momcilo Cernovic, President of the Association of Banks of Yugoslavia, and Zoran Zagar, Vice-President of the International Corporation for Investments in Yugoslavia. Together with Vaso Veskovice, Charge d'Affaires of the Yugoslav Embassy in Kuwait, they visited Kuwait's Minister of Finance, Al-Eteky. On the occasion Minister Al-Eteky expressed support for the decision of the Kuwait Investment Company to become a shareholder in the International Corporation for Investments in Yugoslavia with a share of one million dollars. Thus the International



Corporation has affiliated with the Kuwaiti member.

Company is financing other projects in Yugoslavia.

## WORLD'S LONGEST CANAL

Turkmeniya The Kara-Kum canal—the world's longest—has reached 900 kilometers but its construction is still going on. The canal has made it possible to irrigate 100,000 hectares of land in Turkmenia, a Soviet Central Asian Republic which has become a major cotton producer due to the canal.

In 1970, some 900,000 metric tons of this valuable raw material was obtained there. All irrigation work was done by the state. Developed lands are being transferred to the peasant production cooperatives (collective farms) without compensation to the state (APN)

## BRITAIN'S RESERVES GROW AGAIN

London

Britain's Official reserves are now bigger than at any time since the last war. At the end of July they stood at £1, 613 million, following a £105 million rise in the course of last month.

In dollar terms, this end July figure topped the previous United Kingdom peak reserve level of \$3,867 million, held in June 1951, by some \$3 million.

## A SUCCESSFUL YEAR FOR EUROPE

Bonn

In a policy statement to the Bundestag (lower house of parliament) in Bonn last week Foreign Minister Walter Scheel said that the past year had been one of the most successful in the European Community's development. He stressed three points:

- \* The creation of the European financial system;
- \* The solution of the central problem of British entry to the European Community and
- \* The decision to set up a European economic and monetary union.

Scheel said the negotiations on relations to the EFTA states not applying for membership of the European Community would be important in the coming months. He thought that a free-trade zone for manufactured goods would best serve the interest of all concerned.

The Bonn Government would advocate prompt treatment of this question, keeping in mind the interests of other states whose trade would be affected by European expansion.

# First year of the decade.

The first year of the decade of the Seventies has been significant in the life of the nation. In the economic field it may well be that during the seventies, India may turn the corner and become more and more self-reliant. An unmistakable sign of it is the upswing in foodgrains production which in 1969-70 was 99.5 m. tonnes, the highest figure so far. What is more significant for the future; the per hectare yield has gone up to 805 kilograms, thanks to the introduction of scientific agriculture.

If the momentum of progress is maintained there is no reason why we should not be completely self-sufficient in food much before the decade bows out. This may turn into euphoria if we overlook the continuing defect in agriculture. For example modern agriculture is yet to spread to small holdings of less than 5 acres which account for as much as 62% of the holdings. Again in the land tenure system anomalies which militate against social justice and inhibit production have struck tenebrous roots. These have to be corrected before times run out and we become helpless witnesses to

remedies imposed forcibly by the discontent.

## Heavy Industries

Co-eval with the stride in agriculture, is the development of heavy industry. India can legitimately take pride in what she has been able to do in this sphere: steel, for instance, which is the backbone of all developments—industrial as well as agricultural. The total steel-making capacity in the country today is nearly 9 m. tonnes—a 6-fold increase since 1947. The combined capacity of Hindustan Steel plants accounts for two thirds of the country's total steel capacity. In addition, the Alloy Steel plant, at Durgapur, produces the bulk of alloy and tool steels required. The public sector steel industry has made vital contribution to the national economy such as aiding the growth of a self-reliant and self-generating economy, building up indigenous known-how and creating a cadre of highly trained technicians and strengthening defence production potential. But short-comings cannot be shrouded over. Hindustan Steel has not been performing as well as it could have been.

In 1969-70, however, it made some headway. Rourkela and Bhilai made profits during the year while the loss at Durgapur came down. The current national steel development programme provides for doubling the existing capacity from 9 m. tonnes to about 19 m. tonnes by the end of the Fifth Plan period.

The nationalisation of 14 commercial banks has undoubtedly given a new direction to credit policy. The picture of bank assistance to agriculture, which accounts for half of the national income, has altered significantly since nationalisation. Like wise, lending policies to the small scale industry are now based on viability of a project and end-use of bank loan. There has been a larger flow of bank assistance to small-scale industry which employ about 40 per cent of the total industrial workers. Other neglected sectors too have benefited.

In industry, the seventies perhaps see India qualify herself to be called an advanced nation. The list of new industrial products who has begun manufacturing is formidable: printing and rubber machinery, paper and pulp machinery,

## Indian Independence Day: 15-8-1971

mining machinery, commercial vehicles, sugar mill machinery and boilers, including mountings.

## Tangible benefits

The emphasis on heavy industry in the Second Plan, the subject of so much adverse criticism today, may after all prove to have been a wise decision. Certain intangible benefits have to be noted. To mention one, the creation of a hard core of technicians able and confident of making sophisticated industrial products. In the years to come, Indian technicians will be competent to set up a steel mill or an oil refinery without having to import technical know-how at heavy, cost both in money and self-respect.

In foreign trade, the major development in 1970 was the setting up of several new public sector agencies to take over large chunks of import trade in pursuance of the government policy of progressively nationalising the import trade.



# STATE CORPORATIONS

A

Supplement

## MINISTER'S MESSAGE

I am glad that the "Economic Times" decided to publish a Special Corporations supplement in collaboration with the Ministry of Industries & Scientific Affairs to review the performance of the State Corporations during the first year under the United Front Government.

Rapid economic development has now become one of the primary concerns of the Government. In accordance with the policy of the Government the public sector will obviously have to play the dominant role in this sphere. The increasing reliance on the public sector will necessarily mean that a greater degree of efficiency and financial responsibility will be needed from Government Corporations.

The performance of Public sector enterprises in general has come in for some degree of criticism, and concern has been expressed in regard to their financial viability. Also, in some cases, the returns on investment have been in-

adequate.

It is not all Corporations measured stick. While that a few have been wasteful in the past, Corporations have been able to show profits in recent years.

Financial profits or losses should normally be the criterion for evaluating the performance of any public enterprise, but this should not be the sole criterion as some public enterprises are not entirely free to fix prices, and also because they are often required to perform relatively uneconomic services which would not be undertaken by private commercial establishments.

Most public corporations now show improved performance due to better utilisation of installed capacity, expansion of existing capacity and better planning. Guidelines have

now been set to ensure considerable improvement in financial procedures, budgeting and project formulation.

The United Front Government will take necessary measures to ensure that public sector enterprises will run as efficiently as possible and achieve their targets and thus spearhead the economic development of the country.

Finally, I would like to thank the Economic Times for bringing out this supplement.

**T. B. SUBASINGHE**  
Hon. Minister of Industries & Scientific Affairs

## THE PUBLIC SECTOR IN CEYLON

By The Editor

The main object of the public sector is to ensure balanced economic development of the country and to lay a solid foundation for building an economic super-structure which would ensure economic justice for the community.

It is the policy of the Government to advocate a dynamic public sector in order to gain control of the commanding heights of the economy and to promote social gain rather than primarily on considerations of profit. Nevertheless, the aim is to obtain commercial surpluses which could be channelled towards further economic development. With these ends in view increasing reliance is being placed on the State Corporations to promote rapid economic development.

groups will necessarily retard the accumulation of capital in the private sector. Hence, Government policy on development finance will be a decisive factor.

### Foreign Exchange Savings and Earnings

A number of State Corporations today manufacture articles and other products which were earlier imported. These undertakings, therefore, have led to a significant saving in foreign exchange.

This saving is also achieved by reducing dependence on foreign experts and technical know-how. Gradually Ceylon is proceeding in a direction that could lead to self-sufficiency not only in respect of certain products but also in respect of technical skill.

### NOT NOVEL

Public sector participation in economic development is not a novel phenomenon. In other democratic countries of the world (be they socialist or otherwise), the role of the public sector has been appreciated and it has been given its due place. For example, the United Kingdom Labour Government undertook extensive nationalisation of a number of key industries. In France, the public sector is extensive and includes mixed enterprises with Government holding shares varying from 3 per cent to 99 per cent. And Italy has a much bigger public sector than Britain. In India the public enterprises have covered many critical gaps in the industrial pattern of the country. It is mainly through the public sector that India is now nearly self-sufficient in the production of heavy equipment for its hydro and thermal power projects.

### KEY SECTORS

Since the Government is committed to build a socialist pattern of society which envisages a "mixed economy" planned development and regulation of industries in the national interests becomes inevitable. It is in this sphere that the public sector will play a vital role.

While industries in the key sectors of the economy will be the exclusive domain of the public sector, the private sector will encompass the smaller industries where the capital investment would be within its reach, the gestation period relatively shorter, and reasonable returns on investment would be assured. The role of the State in development is also emphasised by the fact that measures such as Capital Levy, Compulsory Savings and taxation of the upper income

### EFFICIENCY

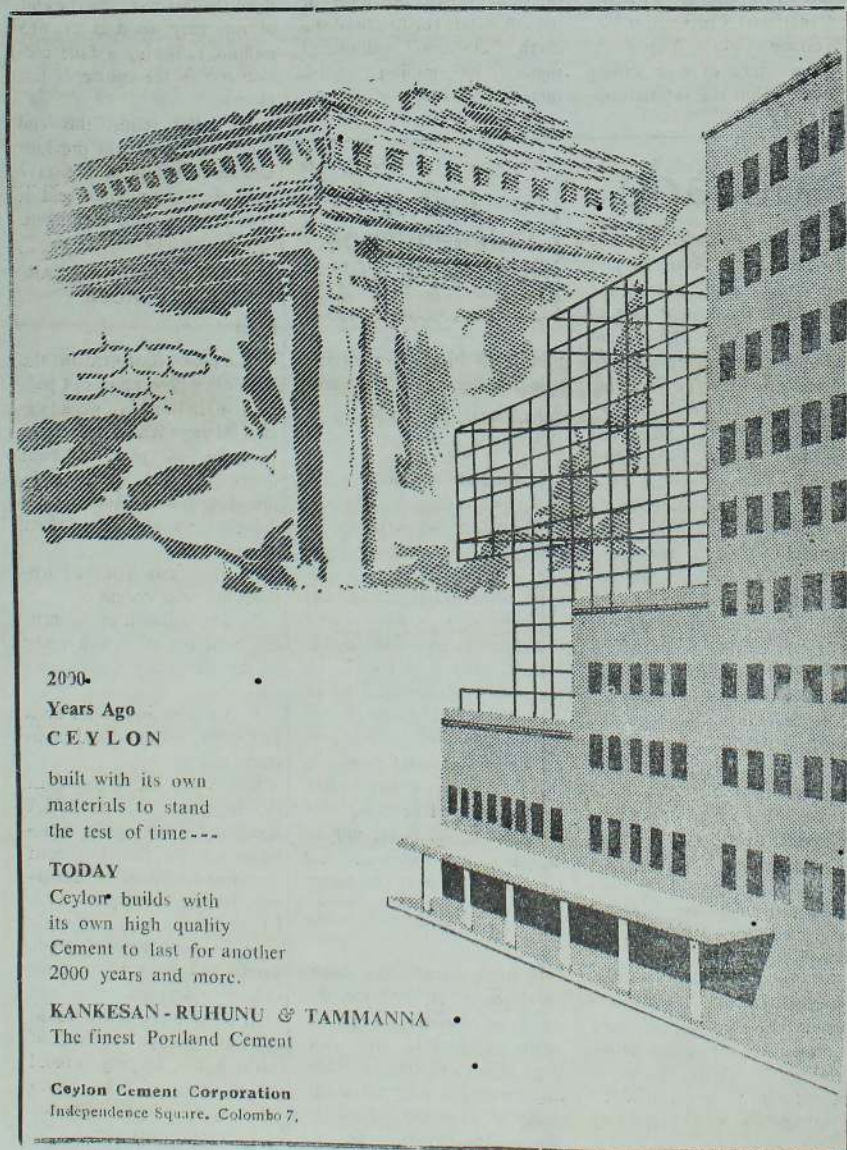
It might not be correct or even fair to compare, as is generally done, the entire public sector with the best enterprises in the private sector for various reasons. As much as there are ailing public sector enterprises there are also ailing private sector organisations not only in Ceylon but in other countries as well. There are many enterprises in the public sector that are doing really well and where the return on investment exceed 20 per cent, while others are not faring too badly.

Also, public enterprises are often called upon to perform relatively uneconomic services which would normally not be undertaken by private commercial establishments.

The history of the public sector in Ceylon is of recent origin which means that there is a long way more to go. It is still in the process of development. But the trial and error stage has been passed. In most cases the teething troubles are over.

The Corporations are now being geared to greater output. They are being made more management and cost conscious. Guidelines have been set to ensure improvements in financial procedures, budgeting and project formulation.

The performance has to be viewed in the context of inadequate managerial and technical skills available in the country. Nevertheless, public sector performance has generally been good in certain spheres, while in other spheres the performance is improving. It must however, be admitted that the Corporations on the whole are today playing a prominent role in the national development effort. And this should augur well for the future.



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# Industrial development and the role of the I.D.B.

By THE GENERAL MANAGER  
Industrial Development Board

The Government today is making a conscious effort to adopt a regional approach to industrial development and to develop and apply what may be called an 'intermediate' technology in our industry. In pursuance of these objectives definite steps are now being taken to give the highest possible priority to the development and promotion of small industries, particularly to those based on local raw materials, with a potential for generating employment, a comparatively low level of capital and on locations removed from urban areas. It is with this goal in view that the entire programme of the Industrial Development Board is now being fashioned.

The Industrial Development Board was originally set up in 1966, to service and assist the Industrial Sector. It was reconstituted in terms of the Industrial Development Act No. 36 of 1969 and vested with enlarged scope and functions. The objects of the Board were then to provide necessary facilities and assist in the encouragement, promotion and development of industries in Ceylon in the private and public sectors of the economy.

In June 1970, following the change of Government, the Minister of Industries and Scientific Affairs appointed a Special Committee to review the extent to which the provision of the Industrial Development Act No. 36 of 1969 should be revised taking into consideration—

- the role of the Ministry of Industries in the promotion and development of industries; and
- how an agency like the Industrial Development Board should assist in the regulated growth of industries in the private sector, the provision of credit facilities marketing and distribution, and managerial know-how and the provision of infrastructure for small scale industry.

## Radical change in policy

On the basis of the recommendations of this Special Review Committee, the Minister of Industries decided that the Industrial Development Board should concentrate on the development of small-scale industries. This decision resulted in a radical change in the policy of the I. D. B. C. In the past, this institution had been concerned with the development of all industries. Now emphasis was shifted to the small scale sector.

The I. D. B. C. was assigned a definite role in promotion and development of industries. As is evident, the Ministry of Industries and Scientific Affairs is engaged with the overall development of industries in Ceylon which is broadly divided into large and small scale sectors. The large scale sector is either publicly or privately owned and will be controlled and supervised by the proposed Sectoral Boards.

The small scale sector, with the exception of the Handloom Textile Industry and certain Cottage Industries and handicrafts, will be within the field of operation of the Industrial Development Board. In this area the I. D. B. C. has set as its objective the encouragement, assistance and development of small scale industries with particular emphasis on—

- the usage of increasing amounts of local raw materials;
- up-grading technology of small industries;

iii dispersal of industries on a regional basis and assisting the District Development Councils in the implementation of their programmes.

Towards the end of 1970, the Industrial Development Board was reorganised to carry out its new tasks. With a view to activating the industrial sector with immediate effect a start was made by identifying and formulating the industrial projects on which small entrepreneurs would be called upon to invest.

A comprehensive list of possible small scale candidate industries were selected for this purpose and a Planning Committee set up to prepare 'Prospect Reports' for these selected industries. More than half of this programme has been accomplished in the last seven months.

In recent months, the organization of the I. D. B. C. too has been strengthened and restructured with two of its important divisions - the Regional Development Division and the Technical Services Division to carry through its programme and a Documentation and Publications Division, a Finance Division and Secretariat to offer necessary supporting services.

The Board is now in the process of establishing its regional offices in seven districts and preparing to set up at least six more industrial estates to implement its policy of development of industries at the village level. The regional industrial

estates will also ensure —this function takes the form of dispersal of industries by a device for planned of taking up proposals of DDC's and prospective private small industrialists and general pre-investment guidance and assistance to small entrepreneurs.

The Board is now engaged in providing technological advice to small industrialists and the Government has also received the attention of the Board. Technical Services Centre is now proceeding with a definite

programme of technical and extension services for small industrialists. These will finally take the form of Consultancy services for selection of technology and equipment for plant layout, leading up to production testing, quality control ensuring uniformity of standards and on-the-job training of personnel.

The Board now intends providing an integrated programme of technical and economic assistance and extension services to small industry.



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Price per copy Rs. 1/- plus 10 cts. for postage. Remittances by Cheque or Money Order may be drawn in favour of the Industrial Development Board. V.P.P. orders will not be executed.

Copies of these publications may be obtained from:

The Documentation & Publications Division, Industrial Development Board of Ceylon,  
16, Gregory's Road, Colombo 7. Tel. 96641-45

**INDUSTRIAL DEVELOPMENT BOARD OF CEYLON**



The premium incomes for the period under review namely August '70 to July 1971 amounted to Rs. 9,339,283/- excluding the premium income for the month-

of July '71. The corresponding premium income for the previous period (August 1969 to July 1970) was Rs. 8,06, [redacted] This shows that there had been an increase of Rs. 1, [redacted] in the period August 1969 to June 71 when compared with the previous period. The [redacted] in the period under review

[redacted] 1,497,888/- (excluding [redacted] of July 1971) as compared to the previous period [redacted] amounted to Rs. [redacted]

[redacted] DEPARTMENT  
[redacted] (BUSINESS)  
[redacted] non-group  
[redacted] during  
[redacted] '70 to

May '71 has been 10,536 where as the corresponding figure for the previous period (ie August '69-May '70) was 14,284/- The respective sums assured were Rs. 107,328/- million and Rs. 112,535/- million indicating a marked drop in the number of non-group policies underwritten and decrease in the total sum assured.

The number of group policies underwritten during the period of August '70 to May has been 9,832 with a total sum assured Rs. 63.423 million where as for the previous period the corresponding figure were 9,354 policies and Rs. 73.959 million sum assured indicating an increase in the number of policies underwritten and a marked drop in the total sum assured.

It is the intention of the Insurance Corporation to provide for the National Savings Bank and its collecting agents to collect premium from policy holders on the behalf and for a scheme of premium payments to be made through Post Officers.

The fire premium Income for the period August 1970 to May 1971 amounted to Rs. 25,765,298. This shows an increase of Rs. 4,140,099 over the premium income for the corresponding period of the previous year (August 1969 to May 1970) which was Rs. 21,625,199. The claims made in the period under review was Rs. 3,630,968, whereas the claims made in the corresponding period of the previous year were 4,031,807. This shows that the claims have dropped by Rs. 400,839/-.

The premium income in Marine Cargo insurance for the period August 1970 to May 1971 amounted to Rs. 9,624,888. The premium income for the period August 1969 to July 1970 amounted to Rs. 10,671,829. The claims paid in the period August 1970 to May 1971 amounts to Rs. 2,472,892. The claims paid in the period August 1969 to July 1970 excluding the months of January 1970 to May amounts to Rs. 2,643,040.

The premium income for August 1970 to May 1971 amounted to Rs. 20,657,145. The premium income for the previous period August 1969 to July 1970 was Rs. 22,329,377, excluding the premium income for the month of December 1970.

The monthly average premium income for the period August 1970 to May 1971 amounted to Rs. 2,065,715 whereas the corresponding

figure for previous period was  
Rs. 2,029,944.

The claims paid during the period August 1970 to May 1971 amounted to Rs. 16,311, 148 and the claims paid during the period August 1969 to July 1970 was Rs. 18,720,758, excluding the claims paid for the months of December 1970.

The monthly average claims figures for both period were Rs. 1, 631, 115 and 1,701,888 respectively.

In view of the unfavourable claim experience, a Committee has been set up to revise the motor insurance premium rates

The premium income during the period August 1970 to June 1971 amounted to Rs. 3,869,465, whereas the premium income in the previous period August to June was Rs.2,636,443.

A review of claims experience cannot be done due to the non-availability of the claims figures for the period August 1969 to June 1971.

A Farmer's Insurance policy to provide a measure of social insurance is in the course of preparation.

The scheme provides for cover in respect of the following

- (1) Death, temporary or total disablement or permanent total disablement consequent to accidental bodily injury.  
Hospitalisation or permanent disablement consequent to illness or disease.
- (3) Loss by theft of household goods or farm produce.
- (4) Loss by fire or lightning of Dwelling house, household goods or farm produce.
- (5) Provision for dependants in event of death or measure of saving in event of survival.

The Title Insurance Scheme is intended to protect the owners of property or lenders against defects which ought to be found by a diligent search of the records but undiscovered on account of carelessness or inadvertence or misinterpretations of the law relating to the facts disclosed by the record relating to the facts disclosed by the records. It affords protection against losses arising from hidden defects such as forgeries and invalidity on account of minority. The Scheme has effected a major break-through and effected an extension of the basis of credit in Ceylon by making more titles acceptable as security. It also speeds up the granting of loans since new techniques are adopted in title investigation and so on.

and varied miscellaneous Lectures -

**Tel: 91715/91716**

### MARKETING DEPARTMENT RETAIL SALES POINTS



# SALT IN CEYLON

The National Salt Corporation was the first corporation to be established in December 1957, under the State Industrial Corporations Act, No. 49 of 1957, and was instituted for the development of six leways in the Hambantota region.

The Govt. Salt Dept. remained in control of the other salterns in the island. The Hambantota development scheme was abandoned in 1961 and the Corporation concentrated on the development of the Maha and Koholankala leways from 1962 onwards. This project has been almost completed. The rated capacity of this unit is now 25,000 tons per year as against an average of about 6,000 tons

## Expansion programme

In 1964 the Cabinet approved a programme of expansion and development of the Elephant Pass, Palavi and Puttalam Salterns. This project was commenced in late 1964 by the Salt Dept., but in 1966 the Corporation took over and carried on with the execution of the development work. The expansion of Elephant Pass saltern has led really to the construction of an entirely new saltern at Kurinchativu adjacent to Elephant Pass. Together these two salterns are expected to

have an annual capacity of 60,000 tons per year when in full production. Palavi saltern has been expanded to double its earlier acreage and is expected to give an output of 16,000 tons per year. Puttalam Saltern, which is owned privately, is expected to give an output of 10,000 tons per year. All these projects are expected to be completed this year itself although they are already in partial production during this year's season.

The Corporation is also planning the development of Bundala, Palatupana and Mannar Salterns. Meanwhile design plans have been finalised for the construction of a large mechanised saltern in the Jaffna Lagoon off Chavakachcheri, with a capacity of about 140,000 tons per year of washed salt.

The total production of salt is very variable being mainly dependent on the weather. Production during the last five years is shown in Table A.

## How Salt is made

To understand how weather is so all-important, it is necessary to describe briefly how salt is made in a solar saltern. The land chosen for a saltern is restricted generally to the clayey "tidal flats" near the

sea or around a lagoon. Sea water (Containing approx. 2.7% as common salt and 0.8% of other salts including magnesium salts) is admitted into large shallow reservoirs constructed on these "tidal flats" then into intermediate condensing areas and finally to the pans where being evaporated by the sun and wind, it is left to crystallise in the pans where the residual liquor is

## D. C.

Development  
Ceylon Salt

posit salt. Wherever the tidal flow of the sea is feasible, pumping is allowed to reach a sufficient thickness and is then harvested. The residual liquor in the pans is not allowed to rise in concentration beyond a certain density at which magnesium salts may also deposit and contaminate the salt. The bitters are drained off to waste.

Salt is harvested manually at present and then it is transported to storage on high ground where the heaps are covered with cadjans to protect the salt from rain.

To obtain 1000 tons of salt this way it is necessary to evaporate off nearly 12 million gallons of water. Thus, it is obvious that solar evapora-

tion is by far the cheapest method but is also highly vulnerable to the effects of rain. Any rain, during the crucial period when the salt is forming in the pans or when it is being gathered has disastrous results. Floods too interfere with their part. During peak periods protective bunds may be washed out and the entire process washed out. Even a light rain slows down the evaporation rate of the ponds. This may

it when we get a deposit of a very crude magnesium sulphate which is centrifuged off and which may be recrystallised into an acceptable grade of Epsom Salts. Refrigeration is an expensive process and Epsom Salts made by this process is going to be very expensive indeed unless we could make use of the magnesium chloride also. There is no substantial market for magnesium chloride in this country at present. Another process

## SALT PRODUCTION (THOUSAND TONS)

	1969	1970
Elephant Pass	33.8	37.9
Palavi	5.6	7.7
Puttalam	11.0	13.3
Maha	14.6	27.8
Koholankala	9.6	10.2
<b>TOTAL</b>	<b>63.5</b>	<b>74.6</b>
1969	112.3	63.3

to understand why salt production fluctuates so widely.

## BY-PRODUCTS

Since some gypsum deposits in the condensers, attempt are made to collect it. But the layer deposited is thin and spread over a wide area. Hence only a small quantity - 200 to 300 tons - is collected and it is of a crude nature as the gypsum crystals contain sand, etc. This material is exposed to the rain and sun, and after this natural purification sold to the Ceylon Cement Corporation.

Sea water contains quite a lot of salts other than common salt or sodium chloride. Most of these other salts are concentrated in the residual liquor or bitters discarded after salt harvesting. The question is asked very often why by-products are not recovered from these liquor. To answer this question let us examine the problem further. The bitters contain (at 28°Be° say):

Sodium chloride	16.0 %
Magnesium chloride	6.0 %
Magnesium sulphate	4.2 %
Potassium chloride	1.4 %
Sodium bromide	0.1 %

We could concentrate this liquor further and refrigerate

makes use of slaked lime to recover calcium sulphate, magnesia and magnesium chloride. Although calcium sulphate or gypsum is usable in the cement industry, still there is no market for the magnesia and magnesium chloride.

The capital investment for the process is also quite large involving storage, process vessels, settling vessels, thickeners, filters, driers, kilns, numerous pumps, etc. The net result, without going into detail here is that (going by expert opinion, viz UNIDO) unless a fairly large scale of operations is undertaken, say with a salt works of an output of 100,000 tons per annum, and also the marketing of all the products feasible, it may be uneconomical to undertake by-product recovery from bitters.

It is a matter of pride for the salt industry to be able to state that whereas in 1914 the sale price of salt was Rs. 3/- per cwt. (naked) the sale price of salt in 1970 is still only Rs. 5/- per cwt. naked at the salterns, an increase of only 67% after 56 years:

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# CERAMICS CORP: Review for 1970-71

When the present Board of Directors took over the Management of the activities of the Ceylon Ceramics Corporation almost half the financial year had gone by; only about six months of that year came actually under the management of the new Board.

When the new Board took over the management there was a situation in the Corporation of dropping production, sales and profits. For two years, the factory at Piliyandala, which is the biggest factory of the Corporation, had not been able to achieve the production targets. There was a down-ward trend in sales and consequently the actual profits for the 6 months were nowhere near the budgeted profit. Stocks valued at nearly Rs. 5 lakhs had accumulated in the ware house. Therefore, the first and urgent problem that the new Board faced was to arrest this down-ward trend in the activities of the Corporation.

## Basic ills

On an examination of the situation it was found that the Corporation was suffering from a few basic ills: Due to the ineffective and outdated system of industrial relations that prevailed workers at all levels were frustrated and did not pull their weight in the production lines. Communication between workers and the Management had broken down completely.

Worse was the fact that there was a total lack of dynamism among the Managerial Staff, a situation which called for urgent and effective remedial action was allowed to drag on resulting in lethargic confusion and frustration and an atmosphere of immobility had set in. This was tragic since the talents and abilities of the Technical and Managerial Staff were considerable.

There was no effective system of Quality Control in the factories and as a result the number of rejects had increased greatly thereby lowering production and raising the cost of production.

The distribution scheme was not effective and all parts of the country were not served fully by the existing scheme of distribution.

Immediate and urgent action had to be taken to shake this long standing Corporation out of the rut it had got into due to unimaginative and unscientific management.

## Measures adopted

This situation demanded urgent measures: Deadlines were set down for each assignment given to the Managerial Staff. Hampering red tape or meaningless procedures were disconnected. Accent was laid on results alone.

Firstly, attention was focused on frustration and restlessness of the workers. In consonance with the social thinking of the Sirimawo Bandaranaike Government, workers were taken to remove the cause that had created dissatisfaction among the workers. Long standing problems concerning the workers were quickly solved. Much greater attention was paid to the welfare of the workers. As a result of this, the quality of production was improved. The number of rejects had been reduced to a minimum. The production very much improved. The sales had dropped by about 50% during the first six months of this period. The distribution scheme had to be drastically revised and wholesalers, on a electoral basis, were appointed to cover every part of the Island. Sales activities were brought under the special attention of the Chairman during this period. These changes infused new life into the sales activities of the Corporation and record sales were registered during the last three months of the financial year.

As a result of this sales drive all the accumulated stocks moved out of the ware houses and today the daily production is not sufficient to meet the customer's daily demand, in spite of the fact that production had increased greatly during the last few years.

To bring down overheads and cut down waste, the Head Office of the Corporation which was at Rosmead Place

was shifted to the Piliyandala Factory. This proved to be very wise move since it has not only saved money, but also brought greater efficiencies to the factory.

## Good results

Though taken hurriedly, under the pressure of the need for urgent action, all these measures have been successful. The Corporation has got itself out of the rut which it had earlier got into though the period at the disposal of the new Board and Chairman was only about 6 months the results have been tremendous.

The Corporation has recorded the biggest profit in its history, last year. The Piliyandala Factory, after two years, is achieving its production target. The volume of sales has gone up very appreciably. Greater productivity has been recorded in the factories while much better ware is now being produced.

## PROFILES OF PROGRESS

PROSPECTING ●  
REFINING ●  
BLENDING ●



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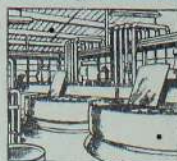
To the millions in our country, it signifies their hopes and aspirations for a better tomorrow. The Ceylon Petroleum Corporation, conscious of its obligation, dedicates itself to work tirelessly towards the fulfilment of the people's aspirations. The completion of the Rs. 200 million Refinery is only the first contribution. The Corporation will soon embark on other major projects for the development and expansion of Petroleum resources which are vital to the country's economic progress.

These will include Exploration - manufacture of Fertiliser, Agro Chemicals, Liquid Petroleum Gas, Sulphur, Greases... and Petro Chemicals.

ONLAND AND OFFSHORE EXPLORATION FOR OIL WILL BE UNDERTAKEN THIS YEAR.

### Refinery - Benefits to the Nation:

- Rs. 45,000,000 in Annual Foreign Exchange Savings.
- Rs. 38,000,000 in Annual Foreign Exchange earnings from Exports of Surplus products.
- Produces the country's entire requirements of vital fuel products for internal consumption as well as for export.



### Blending Plant - Benefits:-

- Rs. 9,000,000 in Foreign Exchange Savings.
- Produces almost entirely the country's requirements of Lubricating Oils.

**CEYLON PETROLEUM CORPORATION.**

113, Galle Road, Colombo 3.

CPC 4-70-MASTERS



# THE NEW IMAGE OF OIL - New dimensions:

In June 1970 the new Board of Directors of the Ceylon Petroleum Corporation took office after the return of the United Front government. The present article is intended to tabulate the contributions made by the Corporation during the first year of operations under the new Board.

The first task was to take steps to restore and resuscitate the objects for which the first Sirimavo Bandaranaike Government set up the Corporation in 1961. These objectives had been seriously emasculated during the period 1965 to 1970 with the willing and able assistance of the Oil Companies.

## Bunkering and Aviation

The most important step taken by the Government during this year by the Cabinet on the bold initiative of the Honourable T. B. Subasinghe who readily accepted the recommendation of the Board was the decision to take over the bunkering and aviation services completely and thereby remove the last vestiges of the unwholesome presence of the Oil Companies in Ceylon.

When this decision was taken in November 1970 authorising the Corporation to take over these services as early as possible, there were many prophets of gloom who declared that the Corporation was leading the Country to disaster since ships would stop bunkering activities in the Ceylon ports in order to oblige the Oil Companies and that the Corporation would be saddled with a large quantity of surplus fuel oil in its tanks.

It was this type of specious argument which had induced earlier Governments to refuse to take this decision and to permit the Oil Companies to continue to bleed the economy of this country while as they had done from the turn of this Century.

The Corporation however decided to take over the monopoly of bunkering operations from 1st January 1971. The results speak for the correctness of the decision. In 1970 the total tonnage of bunkers handled in the Ceylon ports was 500,000 tons on an average 42,000 tons a month. From January to July 1971 the Corporation has by sound tactics in attracting custom to our ports already handled 333,696 tons of bunkers which gives an average of about 55,000 tons per month. This will result in an anticipated earning of Rupees Eighty Six million in foreign exchange whereas the foreign exchange earnings in 1970 from bunkers was only Rupees thirty million. The additional profit to the Corporation on this account is Rupees Forty five million. These figures are an eloquent answer to the critics who sought to dissuade the Government and the Corporation from taking this step.

The take over of aviation refuelling was made possible by the fact that the Refinery at Sapugaskanda commenced production of Aviation Turbine Fuel in May 1971. In June the Corporation took over the business handled by Shell Company in this respect. Esso

has been informed that their part of the business would be taken over on 31st December 1971.

On that date the Petroleum Industry and the marketing of Petroleum would be completely nationalised and the work begun in 1961 would be completed. The estimated foreign exchange earnings from this trade is Rupees ten million and the additional profit is Rupees fifteen million in 1971.

## Crude Oil Contract

The Board also undertook a study of the Five-Year Crude Oil Supply Contract entered into by the Corporation with the Consolidated Petroleum Supply Company (Shell/British-Petroleum). The contract was found to contain several provisions which were inimical to the interests of the country. The contract was reviewed and all objectionable clauses and features have been removed. The Corporation is now in a position to sell bunkers at its discretion, to buy larger quantities of crude oil from other sources and to employ personnel other than Shell personnel as experts.

In pursuance of these steps the question of crude oil and the provision of technical assistance and management training which were earlier vested in the crude oil supplier have now been divorced from one another. The Corporation has also enabled itself to enter into new supply contracts at better prices with the Iraq National Oil Company and the U. A. R. National Company for the supply of about 800,000 tons of crude oil.

## Training of Ceylonese

All suitable Ceylonese have now been fitted into definite posts at the Refinery and training is being accelerated. A Ceylonese has now taken over as Engineering Manager and the former expatriate officer is now functioning in a consultative capacity for a limited period of 6 months.

## Liquefied Petroleum Gas

The production of L. P. G. was commenced in September 1970 in sufficient quantities to stop imports of this product resulting in the saving of valuable foreign exchange. A project report had been prepared and a Cabinet Paper has been submitted for the production of 14,000 tons of L.P.G. per annum. When this quantity is produced, L.P.G. would replace coal-gas and result in an immediate saving of Rupees five million per annum in foreign exchange.

## Marketing Sector

In addition to bunkering and aviation refuelling the Corporation has entered the fields of the manufacture and sale of candles, the marketing of Agro-Chemicals, Solvents and Chemicals.

The candle factory owned by Shell Company was taken over in January 1971 and the Corporation is now producing eighty per cent of the Island's requirements of candles with an estimated profit of half a million rupees per annum.

## Huge profits

Foreign Ministry concurrence of the Ministry of Agriculture and the Ministry of Commerce and Industries to produce solvents in the Refinery. This project will cost Rs. 200,000/- but will result in a foreign exchange saving of Rs. 1.1 million and an estimated profit of Rs. 3.2 million per annum.

In the Corporation's Chemicals Division, the E.R.S.R. has been set up.

E.R.S.R. Ceylon Petroleum Corporation

tion with the private sector about the market. The Corporation immediately issued a tender solicited a farmer, who had been less exploited upto that point, by a reduction in the prices of Agro-Chemicals. It is the intention of the Corporation to expand its activities in this field, although foreign interests through their local lackeys selected to exert influence in high places are making strenuous efforts to sabotage the Corporation's endeavours in this field.

The Corporation has become the monopoly importer of all petroleum based solvents from July this year. The Ministry of Industries has with the

Corporation's industrial production of household insecticides already commenced. The estimated profit is about 2 million per annum.

## Oil Exploration

When the Board took over, the Corporation had taken steps with a French firm to prepare draft legislation to amend the Ceylon Petroleum Corporation Act to provide for participation by the Corporation with foreign companies in exploration. Since the Honourable Minister of Industries very correctly took the view that participation in this matter was not in the best interests of this country, the Board suspended that agreement and steps were taken to enter into an agreement with Messrs Techno-Export of the Soviet

Union for a report to be made by a team of experts.

The experts have reported that there are very good prospects of oil and gas being found in the Jaffna and Mannar areas and the Corporation is now taking further steps for the carrying out of the work of exploration in stages consisting of a Refraction Seismic Survey and the drilling of three stratigraphic test wells, and thereafter if feasible, a Seismic Survey. It is expected to finalise the agreement with Messrs Techno-Export shortly.

## Ten Year Development Plan

Having consolidated its activities in the first few months of operation, the Corporation is now finalising plans for a more systematic and detailed plan of development of the petroleum sector in the country. This Ten Year Oil Development plan setting out clearly defined objectives and strategies and involving an investment of Rs. 966 million is now in its final stages of preparation. This plan is aimed at meeting the rapidly increasing demand of the country for petroleum products which is expected to double itself from 1.8 million tons to 3.7 million tons between 1971 and 1981.

Contd. on Page 22



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**Salawa Wood Complex****Towards efficient utilisation of timber**

Timber is a basic raw material in almost every industry. The impact of industrial expansion on timber consumption throughout the world has been so significant in the last decade that National Policy is being re-oriented to ensure a sustained supply of timber. This can be achieved by maximum utilisation of felled timber; scientific reforestation with specific

should form the basis of raw materials for another, obtained at site. This concept has led to the integration of the wood based industries and is the pattern in Russia, East Europe, Japan and even in most parts of Western Europe. Future activities of the Corporation will be in accordance with this concept.

**W. G. WEERARATNE**Chairman  
Ceylon Plywoods Corporation

timbers needed for individual industries, cultured under different management techniques; and the production of wood "panels" to supplement solid timber.

Wood "panels" are of various types, the more important being plywood, chipboard and hard board. Growth of panel products in the last decade has considerably improved efficiency of wood utilisation. In the manufacture of these products wood of any dimension can be used, including silvicultural thinnings and residue from logging and saw milling operations. Lignocellulose being the base. The finished product has a better dimensional stability, a more efficient strength-weight ratio and is available at a relatively cheaper price than solid timber. Technological advances in giving durability to panel products by chemical impregnation; rendering them fire resistant; have completely changed the pattern of wood usage throughout the world. Most developing countries today are conscious of this.

The rapidly dwindling forest resources of this country viewed in the context of expanding industrial activity, should compel us to give the highest priority in planning towards fostering such industries. Available raw material judiciously selected and properly harvested would keep these industries viable.

The pattern of establishment of wood based industries has significantly changed in the last few years. Individual and isolated Saw Mills, Plywood Factories, Furniture Establishments, transporting raw material in the form of logs over long distances without an economic outlet for waste recovery are uneconomical and anachronistic. To offer a finished product at a competitive price waste of one industry

**Self sufficiency**

The proposed Second plywood Factory with the existing one at Gintota will provide self sufficiency in plywood requirements, particularly tea chests, which are today imported at a cost of about Rs. 20 million annually. The Saw Mill in the Complex will utilise the less durable semi-hardwoods of the Tropical Wet Evergreen Forests in the manufacture of components for the Building Industry, after seasoning and chemical impregnation. Waste from the Plywood and Saw Mills will be utilised in the manufacture of chipboard and hardboard. Indigenous luxury timbers will be sliced to a thickness of 1/64" to be veneered over chipboard in the manufacture of high quality furniture, and will also be a substitute for sawn planks in the Building Industry. The finished products of this wood complex will meet the requirement of most wood based industries in this country, releasing to considerable extent the pressure on solid timber.

The industries that would directly benefit are the Tea Chest Industry, Building and Housing Industry, Furniture Industry, Fishing Industry and the Sports goods Industry. Plywood and Chipboard will need a synthetic resin glue to build the wood fibres together. Provision is being made to set up a glue manufacturing unit in the Complex.

The only waste that would not be utilised for a finished product will be crude bark and the finer particles of saw dust from the various operating units, which will be used in the generation of thermal power.

With the increase in production contemplated in this Complex, strict quality control will be established. Research activities already commenced at Gintota will be expanded to intensify active applied research in physical and biological investigations on both panel products and the abundantly available tropical timbers.

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# The role of the C. W. E. & trade policy

With the change of Government in May 1970 the role of the C.W.E. viz-a-viz the Co-operative movement and the consumer underwent a fundamental change. In terms of the trade policy of the present Government, the C. W. E. was to become monopoly importer of all subsidiary food stuffs and supply the Co-operative Societies with such food stuffs for distribution throughout the island. This was no mean task as it involved the elimination of the private trade—a sector that was well entrenched with tentacles spread far and wide in the importation and wholesale distribution of subsidiary food stuffs.

Prior to May 1970, the pattern of C. W. E. trade consisted of—

- (1) The importation on a monopoly basis of rationed commodities like Chillies, Coriander, Cummin seed which were distributed through the Co-operatives. The C.W.E. also distributed Masoor dhal and Maldiv fish which were imported by the Food Commissioner.
- (2) The importation again on a monopoly basis of non-rationed food stuffs like dried fish, canned fish which were distributed in the main through the private sector and to a lesser extent, through the Co-operatives.

The importation of goods consisting of subsidiary

food stuffs building materials, hardware, household goods and electrical goods which were distributed through the private trade, the Co-operative Societies and the C.W.E. retail shops. The percentage of imports was about 20-25 percent. Where the C.W.E. used the private trade for distribution of its imports private wholesalers were registered with the C.W.E. for supply to them.

After May 1970, the C.W.E. became the monopoly importer of food items like Dates Sago, Yeast, Turmeric, Fennel seed, Mathe seed, Green Gram Yellow gram, Oorid and Toor dhal. The distribution of these items was done through the Co-operatives. With the carrying out of this policy the C.W.E. has now done away with about 1,000 private wholesale traders registered throughout the island and channelled its imports through the network of Co-operatives in the island. We are happy to record that the new scheme of distribution was brought into effect without any disruption of supplies to the consumer or any unreasonable increase in prices. The success of this operation was underlined during the recent insurgent activities when all commodities handled by the C.W.E. were made available throughout the country, without interruption, causing no hardship to the consumer during this period.

## Re-organisation

The recent re-organisation of the Co-operative movement was undertaken in order to make the Co-operative movement viable and eliminate the associated with it. During the re-organisation, it to handle the responsibilities that the movement has. The Co-operative movement as a whole is now being re-organised.

By R. I. ...  
Chairman,  
Bar-at-Law (G...)  
Advocate

non-rationed food stuffs. The C.W.E. has now become the monopoly importer of food items like Dates Sago, Yeast, Turmeric, Fennel seed, Mathe seed, Green Gram Yellow gram, Oorid and Toor dhal. The distribution of these items was done through the Co-operatives. With the carrying out of this policy the C.W.E. has now done away with about 1,000 private wholesale traders registered throughout the island and channelled its imports through the network of Co-operatives in the island. We are happy to record that the new scheme of distribution was brought into effect without any disruption of supplies to the consumer or any unreasonable increase in prices. The success of this operation was underlined during the recent insurgent activities when all commodities handled by the C.W.E. were made available throughout the country, without interruption, causing no hardship to the consumer during this period.

## Profitability

Public attention has been recently focused on Public Sector Corporations, particularly their profitability and efficiency. Whilst the C.W.E. is no doubt a trading organisation which is profit conscious, it has been placed on its knees by the very nature of the objectives that the Government hopes to achieve through the C.W.E. One of the basic aims which the Government proposes to fulfil through the C.W.E. and the Co-operatives is to make available to the consumer goods and services at a price which is less than the cost of production. This objective is difficult to fulfil in the fact that world food items are increasing in price.

The increase in import prices cannot be passed down to the consumer as any private trade organisation would do in view of the implications of an increase in the selling price to consumers. Any such increase has to be considered in the context of the Government's determination to keep down the cost of living. The case for Government intervention in the form of increases in the controlled prices can be justified only in cases where the C.W.E. incurs an actual loss in view of present selling prices. This is so of items like Coriander, Cummin seed, where the C.W.E.'s wholesale cost is higher than the whole sale selling price.

There are also commodities where with increases in world prices, though the C.W.E. is able to sell at a price which leaves it with a margin of profit, the margin of profit of the C.W.E. are seriously reduced for this reason. This trend

is having a deep impact on the profitability of the C.W.E. whose overall profitability is being assailed by other factors as well. With the tennency in terms of Government Policy to limit the C.W.E. as far as possible, to the handling of food items, several Corporations like the State Trading Corporation (General), The Building Materials Corporation have been set up to handle the importation and distribution of non-food items which had hitherto been handled by the C.W.E. Items like building materials, hardware, household goods and electrical goods from which the establishment derived about 30-40% of gross margins have thus been taken away from the C.W.E. This decrease of business has not resulted in a corresponding decrease in overheads in as much as redundancy of staff etc. cannot be tackled by remedies like retrenchment. To add to this with the country's serious foreign exchange problem and the need to curb imports and to pursue import substitution in food items, the C.W.E. faces further problems. For instance commodities from which the C.W.E. derived profits like Bombay Onions, Moong and canned fish are not imported. Hence the performance and efficiency of this establishment will have to be judged in the light of these considerations.

In an effort to close the gap the C.W.E. has taken over the imports of milk foods (invalid), scientific instruments, sports goods and is entering the field of local purchase of agricultural produce in a big way. Before 1970 the C.W.E. bought local produce from dealers and Commission agents in

(Contd on Page 22)



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## Cement Corp. makes progress

The manufacture of Portland Cement commenced in Ceylon in 1950 at the Government Cement factory at Kankesan-turai. Within a short period initial difficulties both technical and managerial were overcome, and the Cement Industry has since been a notably profitable and successful Public Sector enterprise. The Government Cement Factory was transferred to the Kankesan Cement Works Corporation on 1st November 1956, under the Government Sponsored Corporation's Act No. 19 of 1956. Its activities were

in turn transferred on 1st January 1959 to the Ceylon Cement Corporation set up under the State Industrial Corporation Act No. 49 of 1957 with a view to developing the Cement industry on an island wide basis.

### RECENT TRENDS

The current demand for cement is estimated to be over 500,000 tons. The extent to which supplies from local production has met the country's requirements in the recent past is as follows:

Year	Total consumption Tons	Local supply (sales) Tons	Percentage of consumption met from local supply
1966	337,900	75,105	22.2%
1967	373,000	192,190	51.5%
1968	416,000	217,275	52.2%
1969	430,000	272,683	62.4%
1970	460,000	430,000	89.6%
	(revised estimate)	(estimated)	

The actual consumption of cement in the earlier years depended solely on the availability of cement leaving behind an unsatisfied demand in each year.

The production programme for 1970 is as follows:

Kankesan Cement Works	200,000
Kankesan Cement Works	200,000
Puttalam Cement Works	110,000
Ruhunu Cement Works	110,000
	410,000

Production at Ruhunu Cement Works, Galle, will be based on 70,000 tons of clinker obtained from Kankesan Works and 30,000 tons of imported clinker.

The current per capital demand for cement is approx. 90 lb. per annum. This figure is low in relation to the corresponding figure in developed countries.



# THE NEW IMAGE OF OIL

Contd from page 19

The plan envisages large scale operating programmes of refining, developments in handling storage and transportation facilities, additions and improvements to Kolonnawa and Bloemendhal Terminals, pipeline replacements, improvements to workshops and development of land, construction of a multistoreyed building for the Corporation, replacement of equipment, construction of new depots, improvements to berthing facilities, purchase of coastal tankers, development of deep water berths, extensions to the existing Refinery at Sapugaskanda and new area offices, new filling stations and housing complexes for staff in outstation area offices and depots.

The plan also provides for many major capital development projects like Oil Exploration production of Liquefied Petroleum Gas and Nylon 6, a drum manufacturing and reconditioning plant, refining of waste oil, manufacture of plastic drums formulation of Agro-Chemicals, production of Bituminous products and the purchase of two 30,000 and one 60,000 ton Tankers.

Of the new projects the Corporation has already submitted some to the Cabinet or Ministry. These include the purchase of two 30,000 ton

tankers and it is expected to recover the foreign exchange spent in the purchase within less than three years and thereafter to save Rs. 20 million per year.

Other projects already submitted are the manufacture of plastic containers for the sale of lubricants, the manufacture and reconditioning of drums and the manufacture of Nylon yarn for the industry.

## China Bay Installations

There are 101 storage tanks at China Bay which were purchased by the Corporation from the British Admiralty. The Corporation is not only using these tanks for its own storage but has already begun to hire these tanks to foreign national companies for temporary storage of products belonging to them. This will bring in valuable foreign exchange into the country. The Corporation is also examining proposals to develop Trincomalee as an up-to-date bunkering port for deep draught vessels.

The Corporation is today one of the larger, if not the largest, in the multiplicity of commercial undertakings in the country. For 1971, the Corporation's turnover against the Government is Rs. 1,000 million. The Corporation's contribution to the country's foreign exchange is Rs. 14 million. The Corporation's turnover against the Government is Rs. 1,000 million. The Corporation's contribution to the country's foreign exchange is Rs. 14 million.

The Corporation's turnover against the Government is Rs. 1,000 million. The Corporation's contribution to the country's foreign exchange is Rs. 14 million.

## Administration

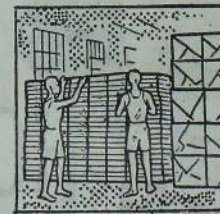
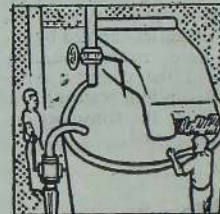
Steps are being taken to streamline the administration and to reorganise the Corporation in order to make the Corporation a better instrument of public service. While the relations of the Management with the Trade Unions have been steadily improved and just demands have been granted, the Corporation has also ensured that discipline which was sadly lacking in the Corporation is now rigidly enforced without injustice to any employee.

# C. W. E. . .

Contd from Page 21

the Pettah. This practice has been done away with and the establishment has set up centres to purchase locally grown chillies, Pepper, Goraka, Tamarind, Mustard and other products from producers at guaranteed prices. Purchases are done regularly in collaboration with the Marketing Dept. and the Co-operative movement, ensuring a fair price to the producer and to do away with exploitation by the

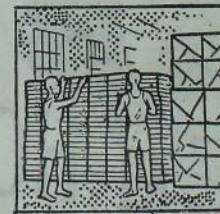
middleman. In order to help this process, Extension officers have been appointed on an electoral basis to co-ordinate the activities of the purchase sections and the Flying Squad of the C.W.E. is making regular raids on hoarders of these items. The C.W.E. is fast on way to fulfilling its original mission of becoming the central supply organisation of the Co-op sector in all its needs. In this sense, the figure of the C.W.E. is inextricably tied up with the destinies of the Co-operative movement.



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## NATIONAL LOTTERY BRINGS BUMPER CASH PRIZES!



- Rupees One-Lakh First Prize Winner of 353rd National Lottery, Mr. H. T. Karunadasa Muthukumarana of Devalegaya, Ratnapura is on the right of the composite picture.
- Rupees One-Lakh First Prize Winner of 354th National Lottery, Mr. H. A. Sumaneris of Battaramulla, Talangama, receives his cheque from the Chairman of the National Lotteries Board, Major Alex Navaratne (on the left).
- The first prize winning ticket of 357th National Lottery, 26 T 0930 and the first prize winning ticket of 358th National Lottery, 30 F 0611 also fetched the bumper cash prize of Rupees One Lakh!

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# INVESTMENT SAVINGS SCHEME PROVIDES HIGHER INTEREST

With a view to further stimulating savings the People's Bank has increased its interest rate on Investment Savings Accounts from its present rate of 6 1/2 per cent to 7 1/2 per cent per annum.

The Investment Savings scheme combines savings and loan facilities intended primarily to benefit the lower income groups and is particularly suited for wage and salary earners.

## SAVINGS

As a savings scheme it is of the Save-As-You-Earn variety. A depositor has to contract with the Bank to save a specified sum of money monthly (or quarterly) for a period of 60 months. This should be a minimum of Rs. 5/- or a multiple of Rs. 5/- per month, and is described as the Contract Figure.

Depositors are not expected to make withdrawals - except amounts credited as interest during the 60 month term, but applications for withdrawals will be allowed where the need is considered urgent. However, depositors who make such withdrawals forfeit their claim to apply for the special loan facilities linked to the Scheme.

The rate of interest payable is more favourable than the rate applied to ordinary savings deposits. Besides the interest paid each year, an additional 12 per cent bonus rate for the full term is paid to a depositor who completes the 60 month contract according to arrangements.

## LOANS

The link-up of loan facilities is on the basis that the capacity and the financial discipline required of a person to participate in such a long term savings plan, are also of his creditworthiness regarding the issue of loans, not automatic access to the Bank's

The loans and cover mortgage. They include housing, agriculture, industry and the issue of mortgages. A depositor who qualifies to apply for a loan has contributed regularly to his Investment Savings Account (ISA) for a certain time-period. Different facilities, different upper limits according to purpose. Under purpose the actual size of loan a depositor can get is related apart from his repaying capacity-to,

The following paragraphs set out the details regarding the issue of loans for consumption, housing and for mortgages are explained in detail in the following paragraphs.

## CONSUMPTION LOANS

These are short-term loans repayable in monthly instalments.

The maximum loan is up to five times the monthly income or gross income.

The loan can go up to a maximum of Rs. 2,000/- depending on the time-period an ISA has run under:-

Minimum time Period of ISA	Maximum Loan
6 months	Rs. 500.0
12 months	Rs. 1000.0
18 months	Rs. 2000.0

- (a) The size of the Contract Figure, and  
(b) The time-period his ISA has run.

## HOUSING LOAN

Maximum Loan Rs.25,000/-

A depositor becomes eligible to apply only after he has contributed to his ISA for a minimum period of 18 months. The loans are medium to long-term but the actual repayment period allowed in each case will be related to the time-period the ISA has run as under:-

Time Period Of ISA	Repayment Period
18-24 months	8 years
25-36 months	10 years
37-48 months	12 years
49-60 months	15 years

Housing loans are repayable in monthly instalments with the provision that the amount of the instalment does not exceed three times the contract figure. Loans have to be secured by the mortgage of immovable property.

## DEVELOPMENT LOANS

Maximum Loan Rs. 50,000/-

These are medium term loans. A depositor is eligible to apply after he has contributed to his ISA for a minimum period of 18 months but the actual repayment period allowed in each case will be related to the time-period the ISA has run,

These loans are also repayable in monthly instalments with the provision that the amount of the instalment does not exceed three times the contract figure. Loans have to be secured by the mortgage of immovable property.

## REDEMPTION OF MORTGAGES

Maximum Loan Rs. 10,000/-

ISA holders who have saved regularly for a period of not less than one year are eligible to apply. These loans have to be repaid in monthly instalments over a maximum repayment period of 60 months. The monthly instalment should not exceed five times the contract figure.

The  
Economic Times

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on page 12

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# THE ECONOMIC TIMES

Editorial Department

Monday 16th August, 1971

(1st Floor), 157, Jayanthi Weerasekera Mawatha,  
COLOMBO 10.

## STATE CORPORATIONS

"... A developing country cannot leave at the mercy of the interplay of forces which are more solely by the profit instinct. It recognises at this juncture that private enterprise has a part to play in building up, exploiting the resources of the country, but the leading part must be in the hands of the public sector."

Dr. N. M. Perera-Budget Speech 1970-71

In accordance with Government policy there is today increasing reliance on the public sector to spearhead the economic development of the country. Therefore, a heavy responsibility now falls on the State Corporations.

Financial profits or losses is of course the normal criterion for evaluating the performance of any public enterprise, which in turn means that the returns on investment should invariably be weighted on the positive side. Otherwise the economy is bound to crumble sooner or later. And this applies in ample measure to a developing economy like ours which is struggling to find its feet. A reasonable margin must however be made in respect of Corporations that are called upon to perform uneconomic tasks such as public welfare services. It would thus be unfair to measure all State Corporations by the same yardstick. Nevertheless, public enterprises must be run efficiently in order to yield profits and to provide commercial surpluses with which to finance further economic development.

Most of the State Corporations in Ceylon do make sizeable profits today and their overall performance has improved in recent years. Other Corporations that were in the red are now showing good results. The optimistic view is that greater efficiency will result from the guide lines set to ensure improvement in financial procedures, budgeting and project evaluation.

There is however, one major threat that could thwart the progress of the Corporations—viz. politicking. Excessive political interference could undermine the autonomy of the Corporations and hinder managerial functions which would be detrimental to progress. Public enterprises could by all means show good results provided there is less interference in its internal affairs.

Another matter that deserves consideration in this regard is that Public Sector Directors are appointed by the Minister who is influenced by considerations other than their suitability to the post. Consequently, some Corporations are on the whole less efficient. But in the case of a private Company the Directors are elected by the shareholders and they are answerable to the shareholders, whose aim is of course to obtain a profit on their investment. This perhaps accounts for the increased efficiency of the private sector over the public sector. Until some remedy is found to overcome this situation the public sector is likely to suffer.

Despite the increasing role of the public sector, the private sector too has its role to play in a mixed economy such as ours. The Indian example is a case in point. Despite the giant strides that the public sector in India has taken in recent years in the sphere of industry and trade, as much as 85 per cent of the Indian economy remains the domain of the private sector. It therefore follows that many of the crucial decisions which shape the economy are taken by this sector. This underlines the need for proper understanding between the Government and the private sector. There is need for greater co-operation and not competition between the public and private sectors—they must act as "partners in progress" as our Ministry of Planning and Employment recommends.

Finally, we might mention that the managers and workers employed in public undertakings have a special responsibility to the public which calls for a greater dedication to duty.

## Money supply increases

The total money supply in Ceylon recorded an increase of Rs. 35.3 million or 6.9 per cent in the period end April 1970 and end April 1971. The money supply stood at Rs. 58.7 million or 8.2 per cent increase in the corresponding month of last year.

The money supply which stood at Rs. 77.2 million in April 1970, recorded a further increase of Rs. 51.9 million in April 1971. The currency demand deposits held by the public rose by Rs. 47.0 million or Rs. 4.9 million in April 1971. The money supply stood at Rs. 58.7 million in April 1970, recorded an increase of Rs. 35.3 million or 8.2 per cent over the level in the corresponding month of last year.

In April 1971, the operations of semi-government sectors were mainly responsible for the expansion in the money supply. The expansion in that sector amounted to Rs. 67.2 million as against a contraction of Rs. 6.2 million in the previous month.

The external sector exerted a contractionary effect of Rs. 20.6 million, in marked contrast to an expansionary influence of Rs. 34.7 million in March. The operations of the private sector were also contractionary to an extent of Rs. 7.0 million as against an expansionary effect of Rs. 11.1 million in March. The expansion in the Government sector amounted only 0.1 million as against Rs. 39.2 million in the previous month.

## Upward trend in British exports

British exports of manufactured goods rose by five per cent in volume between the second half of last year and the first half of 1971. The volume of all British exports rose by two per cent in the same period.

These figures are included in an article in the latest issue of the official weekly magazine 'Trade and Industry' published by the Department of Trade and Industry.

The article gives an account of the pattern of Britain's overseas trade during the first six months of 1971, and suggests that the trade in the volume of British exports has turned upward in recent months after about a year and a half without growth.

This increase in exports took place despite a sharp rise in British export prices. These went by nine per cent, more than twice the average price rises of Britain's major competitors, between the 1st quarter of last year and the first quarter of this.

### Exchange rates

But the article points out that the recent upward changes in the exchange rates of some European currencies should partly offset the effects of any further marked increase in Britain's export prices.

Imports into Britain rose by four per cent in volume during

January to June this year; and the size of the import bill was also pushed up further by price increases. Nevertheless, the United Kingdom achieved a continuing monthly surplus on visible trade of nearly £2 million a month between January and June 1971. This compares with a monthly deficit of £3 million between July and December last year.

### Trade surplus

Given that Britain's surplus on invisible transactions was about £50 million a month, it would appear that Britain's balance of payments surplus on current account was running at over £620 million a year.

The bigger increases in British exports were to the United States and the sterling area, especially South Africa and Ireland.

The long awaited up-turn of economic activity in America led to a strong recovery in American imports of precious stones, motor vehicles, textiles and iron and steel from Britain. South Africa took expanding deliveries of British machinery, lorries and trucks.

Among developing countries of the Commonwealth, India imported British goods worth 12 per cent more than in the previous six months.

## GOLD PRICE RISES SHARPLY IN WORLD MONETARY MARKETS

### Peking

Gold prices have risen sharply in London, Paris, Zurich, and Frankfurt (west Germany) during the last week once again throwing the monetary market into an upheaval.

According to news agency reports, the price of gold has been continuously rising on the main West Germany bullion markets since July 27. As of July 30, the price of an ounce of gold rose to 42.55 dollars in London, which is the highest in more than two years, 42.6 dollars in Zurich, 42.409 dollars in Paris, and 42.38 dollars in Frankfurt. Each was over seven dollars higher than the fixed U.S. official gold price—35 dollars an ounce.

Since the outbreak of a sharp monetary crisis in the west in March, 1968, the United States is able to maintain its official gold price—35

dollars an ounce—in official transactions only, while in the free markets, it cannot but leave the gold price to rise or drop until a level is found. This virtually represents dollar devaluation in a disguised form.

The higher bullion prices in the western monetary markets reflect the staggering dollar position and the deepening U.S. financial and monetary crisis. The U.S. budget deficit reached 23,200 million dollars for fiscal 1971 ending last June 30. Its international payments situation has also been drastically deteriorating and recorded a deficit of 12,500 million dollars in the first four and half months this year. As a result of trade deficits in the three consecutive months of April, May and June, U.S. trade deficits reached 372.3 million dollars for the first half of this year, further aggravating the U.S. international payments. Up to the end of June

the U.S. gold reserves have fallen below the ten billion dollar level.

The prevailing tendency in the monetary market is that surplus official U.S. dollars are being converted into gold. At end of July in the Frankfurt foreign exchange market, the dollar value in terms of west German mark dropped to the lowest level with 3.459 marks for one dollar. It was against this background that the rise in gold price took place.

The higher prices also demonstrate that the world monetary system with the dollar as its pivot is further disintegrating.

La Nation, French newspaper said: "today, dollar holders are rushing for gold in the United States. This indicates that more and more people think that a devaluation of dollar is possible soon".

Hsinhua