

THE ECONOMIC TIMES

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Rural unemployment increases

Unemployment in the rural sector has increased considerably since 1963, particularly in the age group 19-25 years, according to the Central Bank survey conducted in the 4th quarter of 1969, the Report of which has just been released.

The total number of persons employed was 39,846 which represented 27.0 per cent of the population. The total work force, which is defined as the total number employed plus those actively seeking work, amounted to 44,785 or 30.3 per cent of the population. The number of unemployed constituted 11.3 per cent of the work force.

The survey brings out the following conclusions:

* In the rural sector, the expansion of agriculture, has provided a certain amount of additional jobs both directly and indirectly. But the increase in job opportunities has not been sufficient to offset the entrants into the labour force, while the new job opportunities have been of a type more suited for persons of lower levels of education.

* Unemployment in the rural sector is very highly concentrated among younger persons and particularly among those who have educational attainments around the S.S.C./G.C.E level. Many of these persons prefer white collar work but

in view of the shortage of such jobs, there seems to be some readiness to accept jobs of lower levels.

* The continuing high level of unemployment can be ascribed to the fact that large numbers of young persons of both sexes with secondary or higher levels of education are entering the labour force, and that job opportunities of the type they desire are not expanding at the same rate.

In this survey a person was considered to be employed if he had some occupation, irrespective of whether he had full time work or not. Housewives were not considered as employed, but domestic servants were. It should be noted that this definition of employment does not provide an accurate measure of the economically active population since in the rural areas housewives do contribute a substantial amount of labour in farming activities. To be classified as unemployed, a person had to be—

- 14 years or more of age,
- not having any employment whatsoever, even of a casual nature, at the time of the Survey,
- actively seeking employment outside the family, and
- willing to leave the village to accept employment.

Thus persons who had some employment but were seeking better or permanent employment have been classified as employed.

* In the 1963 Survey, 24.8 per cent of the population in the rural sector was reported as being employed, and 4.2 per cent as unemployed. In comparing the 1963 Survey data with those of the present Survey, the following points need to be borne in mind:—

(a) The definitions of 'employed' used in the two Surveys differ slightly. In the 1963 Survey, an unpaid family worker was classified as employed only if he did more than three hours of work a day in a business owned by a family member. In the present survey no such distinction was made, the person being classified as employed irrespective of the number of hours worked.

(b) The definitions of unemployment also differed slightly. In the 1963 Survey, persons who had been looking for work and were willing to go out of their place of residence to engage themselves in such work but were unable to find employment were classified as unemployed. The definition adopted in the present Survey was stricter, since a person had to be actively seeking employ-

ment to be considered as unemployed.

In view of the above mentioned differences in definitions, it is not possible to draw any firm conclusions as to how the volume of employment and unemployment in the country has changed during the interval between the two Surveys. However even if uniform definition had been adopted for the two surveys there would still have been some difficulty in reaching such conclusions. This is because of the fact that in a situation of continually high unemployment some persons cease to be interested in securing employment, because of the known difficulties of obtaining jobs thus causing a somewhat artificial reduction in the rate of unemployment.

That there has been such withdrawals is suggested by the data presented in Table A, which compares the age-specific activity rates (that is the percentage of persons, with in each age-group, who are employed or looking for work) as revealed by the two Surveys.

Another factor influencing the rate of unemployment is the availability of secondary and higher education. Table A shows that the activity rate in the 14-18 age group had declined from 23.9 to 18.9 per

cent. The decline in the percentage of persons who are employed or looking for work within the 14-18 age-group is no doubt due to the fact that a larger number of them are attending educational institutions. It is possible that some of these persons are pursuing higher studies because of the difficulties of obtaining jobs in the event of their leaving school.

While it is not possible on the basis of the above data to measure the change in the extent of unemployment it needs to be noted that the percentage of unemployment revealed by the present survey on the strict definition of unemployment adopted, still works out at 3.3 per cent which is considerably high. This would indicate that there were approximately 200,000 persons who were unemployed and were actively seeking work in the rural sector alone, during the Survey period.

Age in years	Activity rate 1963	Activity rate 1969/70
5-9	0.2	0.06
10-13	1.7	0.9
14-18	23.9	18.9
19-25	52.0	53.2
26-35	56.6	58.3
36-45	60.7	59.7
46-55	65.0	57.8
Over 55	42.0	41.8

Foreign loans — China the biggest donor

The total amount of foreign loans utilized in November 1971 amounted to Rs. 73 million, comprising Rs. 54 million from project loans (almost entirely consisting of a loan from the People's Republic of

China) and in Rs. 19 million from non-project (commodity) loans. The total foreign finance utilized in the corresponding month of the previous financial year was Rs. 2 million, consisting of Rs. 1 million from project loans and Rs. 2 million from non-project (commodity) loans, according to latest Central Bank Statistics.

In the months of October and November 1971 the utilization of foreign loans amounted to Rs. 80 million, of which Rs. 57 million was by way of project loans and Rs. 24 million by way of non-project (commodity) loans. In comparison, foreign loans utilised in the corresponding period of the previous financial year amounted to Rs. 32 million, consisting of 3 million from project loans and Rs. 30 million from non-project (commodity) loans.

FOREIGN LOAN OPERATIONS

Source	November 1970	November 1971	Oct. '70 to Nov. '70	Oct. '71 to Nov. '71
Foreign*				
1. Project Loans				
(a) A.D.B.	—	—	—	0.3
(b) Federal Republic of Germany	0.2	0.1	0.8	0.3
(c) German Democratic Republic	—	—	—	0.9
(d) Denmark	—	0.3	—	0.3
(e) I.D.A.	0.3	1.6	1.7	2.4
(f) United Kingdom	—	—	—	0.3
(g) China	—	52.0	—	52.0
(h) Yugoslavia	0.5	54.0	2.5	56.6
Less: Repayments	13.7	13.7	14.8	13.8
Net Receipts	-13.2	40.3	-12.3	42.8
2. Non-Project (Commodity) Loans				
(a) Canada	—	8.6	—	8.6
(b) China	—	—	15.3	—
(c) France	0.9	0.2	1.2	4.1
(d) India	—	—	5.5	—
(e) Japan	—	9.7	4.3	9.7
(f) United Kingdom	0.5	—	0.5	1.4
(g) United States of America	0.3	—	2.7	—
(h) Italy	—	1.7	18.5	29.5
Less: Repayments	1.9	2.5	3.1	4.1
Net Receipts	0.2	16.0	26.4	19.7

* Foreign loan receipts given here are only those recorded during the periods referred to. Those figures may therefore, differ from actual receipts due to lags in recording.

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MARKET PRICES

COLOMBO

CLOSING PRICES 31-1-72

TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold Ex, Estates)

	B.O.P.s		B.O.P.Fs	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
High Grown:	1.80	3.95	2.05	3.35
	1 at 4.10	1 at 4.20	1 at 3.50	
Medium-Grown:	1.74	2.09	1.90	2.19
Small Leaf Low-Grown:	1.98	2.14	1.90	1.95
Leafy Low-Grown:	1.98	2.25		
Tea For Price:	1.40	1.65	1.50	1.75
	F.B.O.P.s		F.B.O.P.Fs	
	2.00	2.45	2.00	7.10
Tippy Teas:	1 at 2.50		1 at 7.80	21.00
	1 at 3.60		1 at 8.80	65.00
			1 at 8.60	

RUBBER PRICES FOR THE WEEK ENDED 30.1.72.

	(Rs. cts.—per lb.)		Avg. to Same Period	
	Closing Quotations	Avg. to date	1972	1971
RSS No. 1	73 1/4		71 1/2	83 1/2
RSS No. 2	69 1/2		67 1/4	79
RSS No. 3	68 1/4		66 3/4	76 1/2

COPRA

	Opening Price	Clos. Price
Estate Copra No. 1	182.50	188.25
COCONUT OIL (Rs. per ton)		
January	1250.00	1250.00
February	1250.00	1250.00

DESSICATED COCONUT

	Opening price	Closing Price
January	.52	.54
February	.52	.54

PRICES OF THE WEEK ENDING 29.1.72

Commodity	Buyers	Quotations (Per lb)	Export DUTY
Cardamoms	...	10.50	—11.00 40%e
Cardamom Seeds	...	10.50	—11.00 on true
Cloves	...	22.00	—23.00 F.O.B.
Cloves Stems	...	4.00	—11.50 value
Mace	...	17.00	—
Nutmeg (Shelled)	...	4.00	— 4.25
Nutmeg (Unshelled)	...	1.75	— 2.25
Pepper (Black)	...	4.75	— 5.00
Papain (White)	...	20.30	—21.50
Papain (Brown)	...	17.50	—18.50
Cinnamom H/1	...	3.10	— 20% on
Cinnamom H/2	...	2.85	— true f.o.b
Cinnamom Quilings No. 1	...	2.65	— value

Commodity	Per Cwt.		Export Duty
	Buyers	Quot.	
Cocoa	130.00	—145.00	40% on
Coffee	250.00	—275.00	true f.o.b
Kapok (Clean)	145.00	—	value
Kapok (Unelan)	51.00	—	
Croton Seeds	100.00	—125.00	
Essential Oils	Per oz. lb.		
Cinnamom Leaf Oil	16.50	per 25 ozs	
Cinnamom Bark Oil	78.00	Per oz. 20.00	
Citronella Oil Estate Quality	Per lb. 7.10		10% on
Citronella Oil Ordinary	Per lb 6.90		true f.o.b.

SUBSIDIARY CROPS .. WEEKLY PRICE LIST POYA ENDING 30.1.72.

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	13.00—14.00
—Other varieties	12.00—
—Rice Per Boiled	78.00—80
—Country Rice No. 1	95.00—100.00
—Country Rice No. 2	90.0—95.00
—Samba Rice	110.00—115.00
—Kora	115.00—118.00
—Maize	Per Cwt. 24.00—25.00

TEA REPORT

Auction No. 5 held on 31st January, 1972.

The total quantity offered was 8,554,013 lbs., comprising 4,722,295 lbs. Leaf Grades, 835,878 lbs. Dusts, 76,351 lbs Reprints, 106,749 lbs. Sundry Lots and 2,889,091 lbs. Ex-Estate. Quality showed an improvement and prices for the best Western teas were often substantially dearer.

HIGH-GROWN TEAS : BOP's showed a marked improvement in quality and met good competition often advancing 50/75 cents per pound. Teas in the middle price range were also 10/30 cents dearer but plain lighter liquoring types dropped five cents. BOPF's were firm to dearer particularly the best liquoring sorts. Pekoes met less demand and were easier but OP's were about steady.

MEDIUM-GROWN TEAS: At the opening Medium Broken were barely steady but later demand improved with prices often two or three cents higher. BOPF's were fully firm with the best 5/10 cents dearer. Pekoes were 10/30 cents easier and OP's about firm.

LOW-GROWN TEAS: Small leaf BOP'1s were 3/5 cents dearer. All clean leaf BOP'1's suitable for the Persian Gulf Market were 5/10 cents dearer with the best neat OP's advancing 10/20 cents per pound. BOPF's met less demand and were 5/8 cents easier. Well made Pekoes advanced by ten cents.

TIPPY TEAS: Well twisted FBOP's and small neat leaf FBOP's were 5/10 cents dearer while others were barely steady. The attractive leafy Invoices on offer met with less demand and were irregularly easier.

Commodity Commentary

OFF GRADES: Bright improved liquoring Western Fanings were 10/20 cent dearer with all others fully firm. BP's and BM's were barely steady and all stalky sorts declined markedly.

DUSTS: Except for a few select Westerns which were substantially dearer, other liquoring kinds and grainy low-grown were fully firm. All secondary sorts remained steady.

Factories were said to be well supplied against a possible resumption of the East Coast Dock Strike on February 14th. It has also been reported that legislation to settle the strike on the American West Coast has been initiated and some results may be expected shortly.

On balance London declined by .15 pence and Singapore by .25 dollar cent.

SHEET: RSS 1 opened the week at 74 1/4 cts. showing a fractional improvement on the previous week's closing figure, and eased gently to close at 73 3/4 cts. per lb. Approximately 155 tons of Sheet rubber was sold by members of our Association of which 75% consisted of No. 1 sheet.

LATEX CREPE: There were 729 tons of Latex Crepe offered at the two sales held during the week showing a decrease of 79 tons on the previous week's figure. There were 1,040,627 lbs. of Latex Crepe at the first sale which opened sharply easier for all grades and eased further as the sale progressed. Pale crepes registered drops of 2/12 to 4 cts. and 5 cts. to 6 cts. per lb. respectively for the IX and No 1 grades while duller sorts and off-grades showed losses of between 5 and 10 cts. on previous quotations. At the subsequent sale there were 591,728 lbs. of latex Crepe which encountered slightly firmer conditions at the opening stages of the sales with values being maintained throughout and closing quotations were better by about a cent around.

RUBBER REPORT

Week ending 29th January 1972.

World Rubber Markets remained more or less unchanged over the holiday shortened week in the absence of any definite factors which could offer a guide to the market.

The SINGAPORE MARKET opened with routine enquiry for RSS 1's and 2's but by mid week the highlight was the entry of the Malaysian Rubber Fund Board for February delivery of RSS 1 and prices held steady once again due to some short-covering and speculative buying together with some good acceptances by China. Towards the close, however, the Malaysian Board pulled out completely from the market which resulted in easier conditions.

The LONDON MARKET continued to be in the doldrums with quite and featureless trading even at the lower levels and there was a paucity of buying interest.

Demand for physical rubber in the New York Market continued quiet and was generally confined to 'fill-in-basis'.

Produce Report

Week ending 29.1.72.

Cardamoms: There were 81 lots totalling 5,959 lbs. on offer this week showing a decrease of 2,258 lbs. The market was easier by around 50 cts. per lb. for all grades, when quotations for No. 1 quality was made at Rs. 11/- to Rs. 12/25 per lb. Grades next to best sold about Rs. 7/- to Rs. 10/- per lb., with off-grades also

selling at about Rs. 5/50 to 7/- per lb. There was less demand for seeds which transacted at Rs. 10/50 to Rs. 11/- per lb. The highest price paid was Rs. 17 per lb. for a quantity of 25 1/2 lbs. of superior cardamoms and the lowest price for very inferior quality was Rs. 1/85 per lb. The London futures price remained unchanged at 65 pence per lb.

Cocoa: There were 44 lots offer totalling 614 cwts., indicating an increase of 441 cwts. There was good demand at slightly enhanced prices for all grades with buyers reluctant to pay good prices for No. 1 quality and, in consequence, no quotation was made for this grade. Grades next to best were transacted at Rs. 130/- to Rs. 145/- per cwt., while the darker and poorer quality sold at Rs. 65/- to Rs. 115/- per cwt. Garblings and Shell Cocoa sold at about Rs. 10/- per cwt. with one lot of Cocoa Rice transacting at Rs. 5/- per cwt. At the close of the week the London future prices was quoted at £ 205 Sterling per ton and Ghana at £ 208 Sterling per 1,000 kilos.

Pulses	Per Cwt
—Red Gram —Toor Dhal)	40.0 — 45.00
—Black Gram (Undu)	61.00
—Bengal Gram	46.00
—Green Gram	53.50
—Bombay Cowpea	40.00

Milletts	Per Bushel
—Finger Millet (Kurrakkan)	12.00—12.50
—Sorghum	Unquoted (per ton)
—Soya Beans	850.00 (per cwt)

Spices Condiment	Per lb.
—Mustard	4.25—4.50

Chillies	Per Cwt.
—Dried Long	Unquoted
—Dried Round	Unquoted
—Off Grade	Unquoted
—Goraka	75.00—80.00
—Vanilla	Per lb
—Tamarind	Per cwt 70.00—75.00
—Ground Nuts	Per 80 lb 58.00—60.00
—Cashew	Per lb.

Coffee: There were 39 cwt. 3 qrs. 25 lbs. of this commodity on offer all of which consisted of dealers' quality. These transacted at Rs. 165/- to Rs. 175/- per cwt.

Pepper: 9 lots totalling 18, 203 lbs. were an offer and these sold within the price range of Rs. 5/05 to Rs. 5/30 per lb. at which price quotation was made.

Development programme for traditional crops

The development programme in respect of the Country's major traditional export crops envisaged in the First Year Plan are given below :-

TEA

(1) Replanting where necessary with high yielding new varieties of vegetatively propagated tea.

(2) The continuation of tea factory modernisation scheme. 200 of the 825 tea factories have already benefited from this scheme. This programme seeks to modernize all tea factories during the Plan period.

(3) Increased application of fertilizer by providing it at a uniform price to all users.

A Tea Board will be established to co-ordinate policies with regard to the tea industry. Priority will be given to the Crop Diversification Project to grow other crops on land freed from uneconomic tea.

RUBBER

Out of the estimated acreage 569,000 acres under rubber 321,000 consist of replanted rubber of new plantations and 248,000 of old rubber. Approximately 75,000 acres are unsuitable for rubber and are planned to go out of production. The effective acreage will therefore be around 500,000 acres.

Rubber production has been increasing steadily as the newly replanted acreage was brought into tapping. But on present replanting rates which have fallen well below the target of 15,000 acres per year, the entire acreage of 500,000 acres can be brought under replanted rubber only by 1984. It is necessary, therefore, to accelerate the replanting programme to at least 15,000 acres annually. Administrative and legal machinery will be set up to ensure replanting programmes on this scale. As in the case of tea, fertilizer will be made available to all users.

The quality of the proposed rubber will be improved. Five factories will be established to

manufacture blocks rubber and additional factory capacity will be created to manufacture approximately 2,000 tons of pale crepe. In order to help small-holders to produce better quality smoked sheets co-operative processing centres will be established under the Divisional Development Council Programme.

COCONUT

The coconut industry which is a key sector of the economy has been allowed to decline for many years. Past policies have clearly failed, and urgent steps are necessary to rehabilitate this industry vital both for its export earnings as well as for its importance in the domestic consumers budget. Both the fertilizer and replanting schemes have failed to keep pace with needs, and policies with regard to the enforcement of these programmes have to be implemented on a new basis. The Coconut Development Authority will be given the power to compel owners of estates to carry out approved programmes of manuring, replanting and intercropping. The policies proposed for the development of the coconut industry are as follows :-

(a) Under the coconut fertilizer subsidy scheme a selective fertilizer appli-

cation programme will be undertaken giving priority to coconut lands which would respond rapidly to fertilizer. About 250,000 additional acres are estimated to come into this programme and the annual fertilizer intake of the coconut industry is planned to increase from the present 60,000 tons to 120,000 tons annually.

(b) The coconut subsidy scheme whereby seedlings are issued to growers at a subsidised rate and where a subsidy is given for the block replanting of coconut land will be continued.

(c) One of the main problems in the coconut industry has been the neglect of coconut small-holdings which are about 65 per cent of the total coconut land in the country. The Coconut Development Authority will give high priority to improving credit and marketing facilities and management practices in this sector.

(d) The extension and advisory services will be strengthened by a doubling of the present cadre and the establishment of divisional offices in coconut growing areas.

Trade Fairs

LEIPZIG SPRING FAIR

The next Leipzig Spring Fair will be held under the Fair's traditional theme—For world open-trade and technical progress—in the period from March 12 to 21, 1972.

The Fair will be attended by more than 9,000 exhibitors from more than 60 countries covering a net exhibition area of some 350,000 sq.metres (3,800,000 sq.ft.). The management of the Fair expects the Fair to be attended by visitors from over 80 states, among

them a growing number of technicians, engineers, and other experts from the manufacturing industries. The 1972 Spring Fair will be made up of the same trade groups as that of the last year, with the exception of the textile and Shoemaking Machinery, which will be incorporated into the programme of the Autumn Fair as from 1972.

Engineering Field

In the engineering field, having an exhibition area of some 250,000 sq.metres (approx. 2,800,000 sq.ft.), international participation will be most prominent in the following trade groups: Machine Tools; Heavy Engineering and Plant Making including Metallurgy; Food and Allied Products Processing and Packaging Machines; Building Machinery; Conveyor Plant and Lifting Gear; Automating Equipment including Data Processing and Office Machines; Electrical Engineering Equipment; Agricultural Machinery; Railway Rolling Stock. In the consumer goods sector, which covers a Fair space of some 100,000 sq.metres (approx. 1,000,000 sq.ft.), it is the trade groups for food and Allied Products; Textiles and Clothing; Light Chemicals/Pharmaceuticals/Cosmetics, and Books and other Publication that merit special.

With an overall Fair space of more than 240,000 sq.metres (close on 2,600,000 sq.ft.), the German Democratic Republic—the host country of the Leipzig Fair—will also be its largest exhibitor. In all trade groups of the fair, more than 4,000 G.D.R. industrial and foreign trade enterprises will be presenting a rich array of choice exports, including a large number of newly developed and re-designed pro-

PLANTATION INDUSTRY

Subsidiary food crops - targets in sight

The Ministry of Agriculture and lands is confident of attaining its subsidiary food production targets.

According to progress reports certain districts were very near to achieving their targets, while in other areas even it has exceeded them.

According to information received by the Ministry, progress made district-wise in these cultivations is as follows:

Anuradhapura—14,580 acres cultivated with chillies out of target of 15,200 acres, 2,907 acres of maize out of a target of 6,000 acres.

Monaragala—1,065 acres cultivated with green gram although the target was only 987 acres

The red onion programme suffered a temporary set back due to the recent adverse weather conditions, but the Ministry hopes to remedy the situation soon.

SOVIET GRAIN HARVEST IN 1971

Despite unfavourable weather conditions, the harvest of grain in 1971 was the second biggest harvest ever gathered in the Soviet Union. More than 180 million tons of grain, or 15.3 centners of grains per hectare was gathered. This is an increase of 13.5 million tons as compared with the average annual harvest of grain for 1966-1970. Six Union Republics and 26 territories and regions gathered their high-

est crops in 1970, a TASS correspondent learned from Deputy Minister of Agriculture of the USSR Kirill Nazarenko.

Bumper crops were raised as a result of important measure for technical re-equipment of agriculture, as a result of the wider use of chemical and amelioration of wider areas, Agricultural workers improved their skills.

The success of plant breeders of the Soviet Union also helped raise bumper crops. The what variety "Bezistzya-1" evolved in the Soviet Union has been recognised as the best winter variety in the world. The areas planted to high-yield varieties, including new varieties, increased in the Soviet Union by 40 million hectares in the recent years.

The wide use of high-yielding varieties of wheat, rye and barley, resulted in the increase of the average annual gross harvest of grain by over ten million tons. It is expected that during the current five-year plan period at least another 25 million hectares will be planted to the high-yielding varieties of cereals. (APN)

Business Opportunities

Names and address of German firms seeking business connections in Ceylon are given below:

H. J. Weinheimer, 5860 Hagen-Haspe, Tillmannsstr. 10 West Germany.

(E) Machinery for the food Industry, Packing Machinery, Yools Hardware.

Ascalia GmbH, 2 Hamburg36 Amelungstr.2 West Germany.

(M) Metal Powder, Metal Grains Metal Chips, Metal Dust.

Dr Werner Roehrs KG 8972 Sonthofen/Allgäu, Postfach 52 West Germany, (M) Technical Springs.

Fritz Bracht, 565, Solingen-WWald, Postfach 62. West Germany.

In the technical display, emphasis will increasingly be on entire systems of machines and transfer lines.

Another 12 socialist countries are showing their comprehensive export programmes in the shape of trade group and collective exhibitions respectively. The Soviet exhibition with a floor space of 13,000 sq.metres, which equals 140,000 sq.ft., will be highlighted by an Outer Space Exhibition. In 1972 the U.S.S.R. is celebrating the 50th jubilee of its participation in the Leipzig Fair.

The 1972 Leipzig Spring Fairs will in all its aspects be put in the service of a close economic, scientific and technical co-operation of the partner countries of COMECON thus also opening up favourable opportunities for contracts and business agreements with both exhibitors and buyers from capitalist industrial states and developing countries, which give new impulses to East-West trade.

(M) Cutlery, Knives, Scissors.

O. A. Wilde KG, 4, Duesseldorf, Aachener Str, Ecke Zonser Str.2, West Germany.

(M) Office Equipment & Machines.

Willa Jungk, 58, Hagen/Westf. Postbox 1740, West Germany, (M) Tools.

Busch-Jaeger, 5880 Luedenscheid, Postfach 1280, West Germany (M) Electric Domestic Installation Equipment A. Friedr. Flender & Co. 4290 Bocholt Postfach 139, West Germany.

(M) Mechanical Power Transmission Equipment. Bayerische Wollfilz-fabrican KG. 8875, Offingen/Donau West Germany.

(M) Felts for the Garment— & Foot-wear-Industry and other technical purposes. Frank'sche Eisenwerke AG, 6340 Dillenburg, Postfach 260, West Germany.

(M) Washing & Cleaning Installations for Vehicles, and other industrial purposes.

(M) Manufacturers. (E) Exporters

SHARE MARKET REPORT

The Share Market was moderately active during the week especially in Teas, Tea-Cum Rubbers and Commercials, according to the Report of the Colombo Brokers' Association for the week ended January 28, 1972.

	Previous Price		Price 28-1-1972		+ or -
	Rs.	cts.	Rs.	cts.	
Teas					
Allertons	..55		..30		-.25
Ceylon Provincials	..3.50		..4.25		+.75
Glasgows	..4.25		..4.50		+.25
St James	..16.00		..10.00		-6.00
Strathspeys	..4.50		..4.75		+.25
Uplands	..4.00		..4.25		+.25
Tea-Cum-Rubbers					
Golindas	..4.50		..3.50		-1.00
Kaluganga Valleys	..2.75		..2.75*		
North Westerns	..13.50		..6.25*		-7.25
Pelmadulla Valleys	..4.75		..4.75**		
Talangawellas	..3.00		..3.50*		+.50
Vogons	..65		..65		
Rubbers					
Aphorpes	..4.50		..3.00		-1.50
Sittagams	..14.25		..8.00		-5.75
Commercials					
Richard Peiris	..8.00		..8.00*		
Commercial Banks	..5.25		..5.25*		
Colombo Apothecaries	..7.00		..6.00*		-1.00
Colombo Pharmacy	..4.00		..3.50		-.50
Hunters	..1.00		..75		-.25
Ceylon Hotels Corp.	..1.50		..1.50		

There was no business in Coconuts, Preference shares and Government Loans.

The following were quoted Ex-dividend:- Horrekelly Estate Co. Ltd—5 per cent Interim on 31.1.1972.

Banking News

Indian Bank widens its functions

The Annual Report and Accounts of the Indian Bank for the year ended 31st December, 1970 was tabled recently. Excerpts of the Directors' Report for the period under review are given below.

"The Indian Bank's working during the year was characterised by a widening of its functional and geographical coverage. Deposits increased by 13.09% from Rs. 90 crores to Rs. 101.78 crores. Having regard to its traditionally lower growth rate before nationalisation, this growth rate should be considered satisfactory. Number of deposit accounts rose from 5,38,000 at end of 1969 to 6,70,000 at end of 1970.

The Bank introduced during the year a special deposit scheme called 'Home Saving Scheme' which fosters the savings habit coupled with an advance commitment on the Bank's part to lend at concessional interest for the depositor constructing his own house, thereby promoting socially desirable purpose of the community. The Bank also introduced a deposit scheme called the 'Regular Income Deposit' which enables the depositor to draw monthly income for his maintenance without drawing upon the capital sum of his deposit. The Bank also started a pilot scheme at select branches to net household savings, particularly of the young members

of the family who can save through coin boxes and deposit the accumulated savings with the Bank at convenient intervals. Deposit solicitation from urban groups such as factory workers, employees of larger commercial establishments has also been initiated. These together with existing schemes such as recurring deposits, retirement plan accounts etc. offer convenient means for attracting deposits from different classes of depositors. The Bank also initiated measures for balancing the branch structure with more branches in deposit intensive areas, simultaneously with taking organised banking service to unbanked centres.

34 out of 41 branches opened in the year 1970 were in rural centres. The Bank's number of branches in rural and semi-urban centres rose from 141 at end of 1969 to 178 by end of 1970, making 63.5% of total number of branches, as against 58.9% a year before. Branches opened in till then unbanked centres took steps to meet credit needs to the extent possible. Credit extended to customers at 50 such branches made 110% of deposits of these branches.

The Bank has been allotted lead role under the Lead Bank Scheme in eleven districts, five in Tamil Nadu,—Chingleput, Dharmapuri, North Arcot,

South Arcot, Salem,—three in Andhra Pradesh,—Chittoor, Guntur, Krishna—and two districts in Kerala,—Quilon and Trivandrum—and the Union Territory of Pondicherry. Guntur and Krishna are jointly with Andhra Bank Limited and Quilon and Trivandrum jointly with Indian Overseas Bank. The Bank has completed the field work relating to seven districts namely Chingleput, South Arcot, Salem in Tamil Nadu, the Union Territory of Pondicherry, Chittoor and Krishna in Andhra Pradesh and Quilon and Trivandrum in Kerala. 114 centres have been identified in the seven district as growth centres, 99 unbanked & 15 under-banked. The Bank arranged meetings of banks interested in the respective districts and arrangements for all the 114 centres being taken up, Indian Bank itself taking up 20 centres.

Total number of the Bank's branches in India rose from 239 at end of 1969 to 280 at end of 1970.

The number of lending accounts to hitherto neglected sectors and priority sectors increased by over 60%, from 22,476 accounts at end of 1969 to 36,638 accounts at end of 1970. Total lendings to hitherto neglected sectors and priority sectors rose nearly 30% between end of 1969 and June 1970, from Rs. 16.64 crores to Rs. 21.69 crores, although the seasonal return flow of funds and the slower picking up of business in some sectors of processing industry resulted in its contraction to Rs. 17.71 crores at end of 1970. Lending accounts to the agricultural sector increased from 10,768

to 21,851, of which about 19,000 accounts were to farmers owning five acres of land or less. Amount of lending to agriculture rose from Rs. 2.70 crores to Rs. 4.61 crores. Average amount lent per account was about Rs. 2,100/—only. Lendings to retail trade and small business rose to Rs. 1.77 crores in 9,642 accounts as against Rs. 0.21 crores in 609 accounts at end of 1969, lendings to professionals and self employed increased to Rs. 77 lakhs in 2,763 accounts against Rs. 14 lakhs in 88 accounts at end of 1969.

Qualitatively, the Bank granted credit for setting up projects for the manufacture of import substitution items like profile projectors, and arc furnaces of smaller capacity in the small industry sector. It also helped in setting up projects of special tools and dyes, and nozzles required for sophisticated industries. The Bank financed also the manufacture of audio-visual equipments for school and colleges, as also new areas like the manufacture of equipments for testing metal fatigue. Also the Bank introduced a measure of flexibility in credit decisions relative to margin etc. in the setting up of business by technician-entrepreneurs, a kind of custom-built credit for broadbasing entrepreneurship.

Extension of credit during the year conformed generally to the credit plan placed before the monetary authorities. Applications for larger credit facilities were subjected to critical examination and a greater financial discipline has been built into their utilisation. Owing to slower pick

up in some processing industries in the second half of 1970 the Bank's advances made only 64.79% of deposits as against 72.14% at end of 1969. This resulted in building up of Rs. 6.77 crores by way of money at call and short notice, against Rs. 0.49 crores only at end of 1969. Investments in Government and Trustee securities etc. rose to Rs. 25.72 crores, 25.77% of deposits, against Rs. 21.37 crores making 23.74% of deposits at end of 1969.

The Bank's total income rose to Rs. 8.27 crores in 1970 as against Rs. 6.91 crores in 1969 or a rise of Rs. 1.36 crores. Expenditure simultaneously rose by Rs. 1.33 crores, from Rs. 6.70 to Rs. 8.03 crores.

The balance of profit after providing for taxation amounted to Rs. 23,47,829.70 as against Rs. 20,17,019 for 1969. Rs. 4,70,000 thereof has been transferred to Reserve Fund under Section 17 of the Banking Regulation Act. After making provision of Rs. 13.50 lakhs for bonus to staff, the balance of Rs. 5,27,829 is to be transferred to the Central Government in terms of Section 10 (7) of the Banking Companies (Acquisition and Transfer of undertakings) Act. Measures for improvement of income and restraining on expenditure and higher net profit.

The working of the overseas branches of the Bank continued to be satisfactory. The branch in Colombo benefited from the policy decision of the Ceylon Government to liberalise range of activities of foreign Banks. The branch in Singapore participated in the increasing tempo of economic activity of that country.



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BUSINESS NEWS

How to go about buying a new business

If you are going into business for yourself, what better way to do it than to find an established concern with a good profit record and buy it?

Small companies that have done well or that look as if they could be turned into money-makers often do go up for sale. But tracking down one that would be right for you is no simple matter. And judging its chances of success can be even more difficult.

The obvious way to start your search is by scanning the "Business Opportunities" ads in local newspapers. Trade journals that cover the field you're interested in are a must too. You may want to place your own "Business Wanted" ad in a newspaper or trade journal.

Trade associations are a good source of information. They often know of businesses for sale and can sometimes give you management and market help to get you started.

Other sources worth checking are chambers of commerce; nearby business colleges; suppliers to the type of firms you're after; your lawyer, accountant, banker; friends presently in business. You may also encounter a business broker. Brokers usually represent the seller, so you should approach the deals they offer with that in mind.

Before you buy

Many prospects can be ruled out pretty swiftly—bad location, limited market, inferior product or service or one you're not familiar with, and so on. But some of the offerings you come across are bound to have strong appeal. This is when you've got to settle down to some hard investigation before you make up your mind. The process will take time and probably money, so be prepared to spend both. Here are the rock-bottom facts about the business that you must get.

Why is it for sale? There are any number of legitimate reasons why a business goes on the block. Perhaps it has been expanding too fast for its capital resources, or may be the owners want to take capital gains on the sale or is in poor health or wishes to retire. In

most cases, however, it's because the firm is losing money or profits are declining. That doesn't necessarily mean that it has no possibilities. The largest single cause of business failure is poor management, so if you have strong management ability, even a failing business may be a good prospect for you.

Don't rely on what the seller tells you. Get facts. Insist on seeing company financial records and be wary of a seller who refuses this information.

How strong is the market? Find out all you can about the product or services; the demand for it, how its distributed, the competition, over-all market and economic conditions that affect sales. Why do customers buy the products, patronize this business? Look into the firm's location. Is it convenient to customers, suppliers, workers? Use market research facts and analysis from trade associations, suppliers, manufacturers, the Commerce Department, and other government agencies.

What are the tangible assets? Get a fair appraisal—usually the value secondhand or at cost—of plant and equipment, fixtures, sales and office supplies merchandise inventory. Are these items fresh, timely, well balanced, usable? Or outmoded, aged in need of repair or replacement, to be sold at a loss?

What liabilities would you be taking on? Look for unpaid bills or unrecorded obligations; liens, mortgages and other financial encumbrances against the property or inventory; unpaid taxes or employee withholdings; pending suits or judgements. Have your lawyer make sure there is a clear title to land and buildings involved and solid evidence of ownership. He should also look into the status of the firm; patents, trade names, trademarks, copyrights, pending contracts with customers and suppliers, leases and distributions rights. Are there unfavourable zoning restrictions now or ahead? How will highway or urban renewal plans affect the business? Are city state or federal licences required? What is the legal struc-

ture of the business? It's either an *individual proprietorship*, where there is one owner; a *partnership*, where others share ownership and liabilities, or a *corporation*, where many stockholders own the firm and you'd have to buy either all the controlling stock or the bulk assets. Usually, the individual proprietorship is the most desirable type of small business for an owneroperator.

How much "good will"? You must put a value on intangible assets, things commonly referred to as a firm's "good will"—a reputable name, capable personnel, high financial standing, good product or service reputation, favourable location, customers loyalty, good relations, with suppliers, creditors the community at large. From an accountant's viewpoint, the ability of a business to make above-average profits as a result of all these factors is the value of good will.

Will it make a profit? Obviously, buying a business is an investment on which you expect a return. If you can do just as well putting your money in government bonds, why take on the responsibilities of business ownership?

For expert help, call ..

A lawyer. He must be retained to guide you at least through the contract negotiations, and he can be very helpful to you in your preliminary investigations.

An accountant. Unless your business consultant can check the financial records for you should assign an accountant the job of verifying the business's records.

A Small Business Administration officer. He may be able to assist you in getting loans and government contracts.

An insurance agent. He'll advise you on your business insurance needs.

A professional business consultant. He can help you avoid costly errors at every step in the process of evaluating and buying a business.

Sure you want to do it?

Before you set out to buy a business, be sure you've reached these importance conclusions:

* You have what it takes to own your own firm—from strong managerial ability to dogged determination and an extra measure of energy.

* You have access to enough money to cover both the purchase of your business and at least three months' business and family operating expenses.

* You are suited to the kind of business you've selected by virtue of your experience in the specific field, special knowledge and interest.

The chief yardstick for estimating profit potential is the record of past operations—usually for a three- to five-year period. Compile the following data: *balance sheet and income statements*, which will indicate profit and loss, sale and operating expenses; *sales tax records, budgets, cash flow charts*; any data that will reveal sales, expenses and earning ratios; *accounts receivable* to determine collectibility.

Small businesses are not known for the records they keep, so you may have to do some digging for your financial data. The most reliable indicator will be income tax returns (in the case of an individual proprietorship, the Schedule C portion of the seller's personal returns). You may also be able to get information on the business from suppliers.

Now you must estimate or forecast sales, then subtract cost to determine the profit trend. The usual procedure is to project these forecasts over span of time comparable to that estimated for return of initial investment. For instance if you figure the business ought to yield 20%, your initial investment capital should be returned in five years; so you forecast sales and profits five years ahead.

The basic, and simplest, method of forecasting is to assume that sales will continue to increase (or decrease) at the same percentage rate as in the past and that no market factors will influence sales more in the future than in the past. By another method, you add to this the influences on future sales of beneficial factors you think you can bring to the business—better management, more aggressive selling, and so on. Other methods involve comparing weekly, monthly or seasonal sales patterns in different year to arrive at a percentage of change; or basing projections on the number of sales transactions rather than dollar value.

Armed with the facts you've gathered and your educated guess about the future of the business, your next step is to negotiate a purchase price.

What should you pay?

At liquidation or bankruptcy the price of a business is based strictly on the salvage value of tangible assets, with little or no consideration of the future of the business. For a going business in reasonable health, the price should be based on both assets and profit potential.

Naturally, you and the seller are likely to set different values on the business. The price you pay will be the result of your negotiations. Arriving at that figure can be involved and you should enlist expert help. Remember the business should pay you a salary at least equal to what you are paid now, plus raises plus a profit on your investment. Determining what is a fair rate of return on a small business investment is related to the degree of risk involved. For example, U.S. bonds are the least risky investment and will return 5 1/2% to 6%; blue shipstocks and corporate bonds are made risky, bring a 4% to 10% yield; small business is very risky (government figures show a 50% failure rate for small businesses within their first two years so the yield is generally expected to be 20% or more, or four or five times the yield from big industry common stocks).

There are various formulas for pricing a business. They may differ according to the category of business involved (retail, wholesale, services, manufacturing) and even within these groupings (retail hardware stores are priced differently from florist shops, and so on). One formula may lead to a figure equal to one year's net profit plus the value of inventory at cost, another might arrive at the same price

by declaring a set amount for every \$100 of weekly net income upto \$250 and a greater amount for every \$10 weekly net over \$250.

When you and the seller arrive at an agreeable price, have your lawyers work out a contract. From the buyers' viewpoint a good purchase contract should include the following:

A clear title.

Favourable payment terms.

Warranty protection against false statements by the seller, inaccurate financial data, and undisclosed or potential liabilities (the seller's business liabilities usually are not carried over unless the buyer agrees to assume them).

A provision giving the buyer profits and operating control of the business in the interim between the signing of an agreement and actual settlement. Without this kind of protection, there's nothing to prevent an unscrupulous seller from depleting assets or inventory with a "going out of business" sale or even destroying good will that agreed to pay for.

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BEDFORDS ARE TOP EXPORT TRUCKS

Four of every 10 trucks shipped to other countries from Britain in the first eleven months of last year were bedfords—confirming the makers as the UK's top truck exporter.

Vauxhall Motors, which makes its commercial vehicles under the Bedford name, says that exports of trucks and vans set a new record last year at 59,667. This was a jump of more than 27 per cent over 1970 and topped the previous best performance by over 5,000 vehicles.

Over 64,300 Bedford trucks were built during 1971, which means overseas sales accounted for more than 70 per cent of output.

Vauxhall and Bedford sales generally totalled more than 324,000, an increase of 20 per cent over the previous year and the highest figure since 1968. Of the 200,000 cars built, nearly 57,000 were sent to other countries.

Record-despite drop in demand

The record Bedford truck and van exports were achieved against a world situation where the demand for trucks suffered a drop during the second half of the year.

In Britain, however, the annual demand for vans showed a five per cent increase last year. Bedford sales by comparison rose 39 per cent in this market. Vauxhall also increased its shares of the UK car market—increasing sales by nearly 29 per cent against a market rise of 1 1/2 per cent.

Vauxhall, founded in 1857 and one of Britain's oldest motor industry companies, owes much of its success to the latest CF Series vans and the new version of the Viva small car. The CF was introduced in October 1969 and is designed to meet the needs of operators throughout the world.

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TEAM

MANAGEMENT

The strategy of failure

Corporate planning, as a separate management function, emerged on the American scene in the years following the Second World War, and grew rapidly in stature. From the beginning corporate planning was often a responsibility at the vice-presidential level and usually reported directly to the chief executive. The use of corporate planning on a formalized basis, together with the related organization concept started to appear in Europe after the usual transatlantic time-lag in the early 1960s. Today, more especially in the UK than on the Continent, few major companies are without some formalized corporate planning effort - and the position of corporate planning director, although still proving itself and still noticeably below the status of equivalent roles in the United States, is a reasonably well accepted post in management organizations.

In its simplest terms corporate planning calls for the forward and strategic planning of the existing business for at least five years ahead; the forward and strategic planning of new efforts through new products, new ventures or acquisitions and mergers; and forming strategy and plans for the development of the enterprise in different sectors of the world. The techniques needed invariably involve long-term forecasting of markets, technology and finance.

The use of computers and mathematical planning models is becoming more and more prevalent, while return on investment, discounted cash flow and risk analysis are commonly used tools of the planner. All in all, a formal as a generally and increasingly accepted way of corporate life. However, like all management concepts, corporate planning has been beset by a number of errors - both of omission

How to plan and not to is the subject of this article which covers management's basic task. Top managements have plunged into major investment projects on the dizziest hypotheses and very dizzy results in over capacity, financial loss and lasting setback. The pitfalls to be avoided are mapped out by F. Newton Parks. (Courtesy Management Today)

and commission - and the results, especially in terms of over-capacity, have been exceedingly painful for some of the world's great industries.

When to bring in new capacity is always one of the major problems facing planners. In many industries, the problems of over-capacity is chronic and occurs in cycles. These are often capital-intensive industries in which a number of years is required to bring new plants on line - such as fertilizers, petrochemicals, steel, fibres, and papermaking (particularly newsprint). A basic problem of planning for future capacity in such industries is what other planners are planning. It is relatively easy

to forecast future demand (except for short-term swings) but it is impossible to forecast future capacity without some form of collusion with all other planners. This, of course, was (and still is, in some instances) the reason for the traditional cartels and so-called 'orderly markets'.

These arrangements are getting very difficult indeed in this world of lowered tariffs, international marketing and anti-monopoly legislation. So the planner must constantly build facilities (hopefully profitable ones) to try to maintain his share of the market. The rub is that the same planner must constantly build facilities (hopefully profitable ones) to try to maintain his share of the market. The rub is that the same planner like all the other planners, also wants to improve his company's present market share. Their continued projections thus inevitably add up to far more than 100% of the anticipated total market—even if they all agree on that total. And even this is not the end of the story. Others may want to enter the same market from outside the industry. In short order, the supply demand equation is out of balance, prices fall of profits disappear.

The over-capacity cycle has been woefully illustrated by the experience of the airlines over recent years. The arrival of the jumbo jets in force found the airlines operating at 49% of capacity (in 1951 the figure was 69%). The surges of new airline equipment sales over the last 20 years, in fact, have had a very erratic relationship to the growth of the market. The latter has expanded relatively smoothly around the trend line, but US sales of commercial transport equipment, including engines spares and exports, have always zigzagged violently. From well under 500 million in 1958, sales shot up to over \$1,000 million in 1960 as the first jets came in; fell back by half in 1963 as over-capacity struck home; but then soared up to completely unprecedented levels with the hugely expensive jumbo boom. The compulsion to expand to protect market position - no airline could afford to be the one without the jet or the jumbo - has analogies to that of a man owing a proven oil lease. He can be reasonably complacent about keeping his oil in the ground till the lessee on the adjoining acreage starts to drill. Then he, too, must drill frantically to protect his own reserves - or else see them drained off by his neighbour.

(To be Continued)

Mobile medical unit for under developed areas

Mobile medical units specially designed to provide doctor and patient services in countries where populations are spread over large areas of and with limited roads and services have been developed by a British company.

Each unit is fully equipped with air-conditioning, electrical power supply, trailer-mounted generator, sterilisation equipment, hot and cold water supply refrigeration equipment, examination couches, drug and medical supplies and additional petrol tanks.

are fitted with fly screens and darkened glass.

The units can operate under the most severe conditions. They can travel to a remote, inaccessible area where perhaps a cholera, smallpox, yellow fever or typhoid epidemic is raging and set up a base. The vehicles can range for 960 kilometres from base without the need to refuel.

Apart from coping with epidemics the units can be used to develop health programmes in remote areas. Similar types of vehicle are available for use as dental clinics, X-ray units, blood donor units, mobile workshops, canteens, cinemas and veterinary clinics.

Comprising three separate vehicles providing consulting rooms and examination rooms for doctors, dispensary and ambulance, they are designed to operate as a team. One of these units, operating with a team of two doctors four nurses and two medical orderlies, can treat a total of 640 patients in one day.

Under severe conditions

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Lightning conductor for tourists

Professor Stanislaw Szpor from the Technical University of Gdansk has invented a lightning conductor which protects man from the sometimes fatal effects of lightning.

The construction of this device is simple: one's headgear is connected by a metal cable to earthing electrodes which can be fitted into the soles of one's shoes.

Tourists protected in this way can safely enjoy hiking if there are thunderbolts.

SCIENCE AND TECHNOLOGY

NOW A WALKING ROBOT

"Syntelman" can still be found in his native town, in the research lab of Professor H. Kleinwachter, in Lorrach.

But soon, the first German Synchron-Tele-Manipulator could walk on his own two feet, defuse bombs lying on the ocean floor, collect rocks on the moon or, as is planned, carry out highly dangerous operations in nuclear reactors.

The robot's head is made up of two TV eyes that survey the respective area and transmit its picture to a screen.

Thus the "master" sees the area of action through the eyes of his "slave" and signal electric orders to it when, dressed in a chain-gear suit resembling Syntelman, he carries out the exact same movement that the robot is meant to copy.

Syntelman obeys immediately and works synchronously with his master.

Nuremberg technologist Dr. von Weiss, who knows Syntelman well, expects a great deal from the daily use of anthropomorphic machines. He predicts a great future for Syntelman.

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Development of trade in U.S.S.R.

Moscow

Measures to improve trade and its technical facilities are envisaged by a decision of the CPSU Central Committee and the USSR Council of Ministers. The decision notes that the improvement of trade is an important condition for fulfilling the assignments of the five-year-plan (1971-1975).

Retail trade turnover grew considerably in the past five year period. The population was sold more foodstuffs, clothes, food wear domestic and household articles, and the technical facilities of trade had grown. But, the statement says, the state of trade in the country is still behind demand.

The decision of the CPSU Central Committee and the Council of Ministers notes shortcomings in the organisation of retail trade in particular, the slow development of progressive sales methods.

The decision sets assignments for the development of trade in the current five-year-plan period. Retail trade turnover is to grow by nearly 42 per cent. Measures will be taken to considerably improve trade and public catering and capital investments into trade will go up by 24 per cent.

Equipment to the sum of 1.8 billion roubles will be produced for trade and public catering enterprises by 1975. The output refrigerating machinery for trade enterprises will be doubled, the output of washing machines will go up by 120 per cent and of automatic vending machines by nearly 100 per cent.

It is intended to extensively introduce self-service methods. At least 40 per cent of the total volume of the trade turnover will be accounted by this method in 1975.

A Council to study the population's demand for consumer goods is being set up at the USSR Ministry of Trade. The decision of the CPSU Central Committee and the USSR Council of Ministers outlines measures to improve the study of the population's demands for goods. (A.P.N.)

TURKEY AND GERMANY AID AGREEMENT

Bonn

Turkey is to receive from the Federal Republic of Germany financial aid for 1971 totaling DM 188.3 million under the terms of an agreement signed in Bonn recently.

The figure will be broken down as follows: DM 80 million to finance the Turkish import programme, DM 53 million to promote infrastructure and industrial projects, DM 25 million in financial backing for small and medium-sized industrial projects, and DM 30.3 million to alleviate Turkish debt payments.

The agreement was immediately followed by negotiations on technical assistance, aid funds, and a possible improvement in investment openings in Turkey for German private industry.

BRITISH LEYLAND HIT THE EXPORT JACKPOT

London

British Leyland earned a record £414 million in direct exports last year - higher than

ever achieved previously by any British company of any kind.

Turnover reached £1,177 million, with £563 million - 48 per cent - earned with overseas sales.

As a result the company's pre-tax profit jumped from £3,900,000 to £32,400,000 in the 12 months up to the end of September last year.

Sales for the period totalled 1,057,000 units, including 852,000 cars, 193,000 trucks, buses, vans and other commercial vehicles and 12,000 agricultural tractors. This compared with 984,000 in the previous year. (BIS)

ROAD CONSTRUCTION IN AFGHANISTAN

Kabul

Soviet specialists had completed the surveying and designing work for the construction of roads in Northern areas of Afghanistan. They will have a total length of 900 kilometres.

These roads, the newspaper "Islah" reports, will link separate Northern provinces with Kabul, the capital of Afghanistan, and will play a major role in the development of the economy of Northern areas of the country (APN)

RAILWAY COACHES TO TAIWAN

New Delhi

India will be exporting 113 railway coaches specially made by the Integral Coach Factory, Madras to Taiwan. The Rs.



40 Million export order has been secured by the Projects and Equipment Corporation of India, New Delhi, against international competition.

The coaches are of all welded integral type, light weight and have been built to the specifications of the Taiwan Railways. The Taiwan Railway guage is 3 ft. 6 inch, which is entirely different from the 5 ft. and 3 ft. guages prevalent in India. The coaches had, therefore, been specially designed by Indian railway engineers.

The Project and Equipment Corporation of India Ltd., has on hand orders worth Rs. 700 million - Rs. 560 million for railways rolling stock and Rs. 140 million for other engineering items. The Corporation's export turnover is expected to be about Rs. 450 million in the current year. The 1970-71 exports were of the order of Rs. 90 million.

SOVIET ASSISTANCE TO AFRO-ASIAN COUNTRIES

Moscow

The year 1971 has proved an important landmark in the promotion of cooperation between the USSR and Afro-Asian countries. A number of major industrial and other projects have been built in the developing countries with Soviet assistance. These projects are destined to play an important role in strengthening their economic independence.

In India, for instance, the biggest blast furnace was commissioned at the Dhillai iron and steel mill. This furnace will make it possible to bring the steel smelting to 3.5 million tons a year. Among other important projects of the last year mention should be made of the farm machine building plant in Iraq and the hydro-scheme in Iran. All in all, 350 industrial and other projects were built in Afro-Asian countries with Soviet assistance. (APN)

Yugoslavia's Economy in 1971

If you were to ask the man in the street in Yugoslavia at the beginning of 1972 what the past year has brought him, he would probably be uncertain. Because, during the past 365 days, the economic trends in Yugoslavia made for a growth of income and expenditure, which was manifest also in the continuing demand for durables, and also in a rise in prices and costs of life.

Probably the greatest contradiction is in the fact that production has grown at a high rate, that the growth of employment was twice greater than was planned, that the tourist industry had a record foreign-exchange inflow and that the wheat harvest was above average, while the adverse trends continued, whose result was the greater inflation.

New Systemic Solutions

The beginning of the past year was marked by significant events. The dinar par of exchange in relation to the hard currencies was changed by twenty per cent. The purpose of devaluation was to step up Yugoslav exports, to diminish imports, and to ensure equal conditions of business for the tourist trade, which is becoming an increasingly important source of foreign exchange.

But, evidently this measure has not been efficient enough to eliminate all the causes of the adverse trends. To be sure, exports have grown somewhat, but the fast growth of imports

continued. Also, every form of expenditure, both general and capital, increased abruptly, and a situation ensued which has been defined by Yugoslav economists as an "over-heated boom".

It became obvious about the middle of the year that steps would have to be taken to "cool the boom" at least partially. For this reason, in July the Yugoslav Government passed a package of economic measures which had a restrictive effect. They were aimed at diminishing internal expenditure, preventing excessive imports, stimulating exports, and, what is most important, in barring capital expenditure without cover. The main emphasis was placed on improving the country's balance of payments, special attention being given to saving exchange. Naturally, the effects of the July measures were not immediately visible, but some favourable results were achieved towards the end of the year.

Foreign exchange trends

The latest foreign-exchange trends are most encouraging in the sector which has been the the worst headache to Yugoslav businessmen. During the second half of the year, it was visible that imports were declining quickly and exports were gradually growing. During July-October, exports were up by 17 per cent and imports down

by one per cent compared with the similar period of 1970. Nevertheless, owing to the unfavourable results of the first six months, the overall foreign-trade deficit continues to be high-about five hundred million dollars.

Although it has been slowed down, all these measures have not eliminated the inflationary spiral. Accordingly, it is held that the costs of life in 1971 have increased by about 18 per cent on the previous year.

The Yugoslav Government is preparing a series of new systemic measures. Towards the end of the year, an accord was reached concerning a new foreign-trade and foreign-exchange system which will contribute, according to initial evaluations, to the realization of better results in the economic affairs with other countries. Towards the end of the year, the Government was compelled to have recourse also to unpopular administrative measures the primary aim of which is to protect the standard of living. In November a decision was passed to freeze all prices of goods and services for a period of ninety days. Furthermore, after the dollar was devalued, the value of the dinar was "adjusted", that is to say, it was lowered by 18.73 per cent in relation to the value of gold. In this way the Government acquired the breather necessary to prepare for a successful start in 1972.

Bata
Bata
Bata
Bata

Bata

shoes
for
the
whole family

Opportunities for Small Industrialists

It is well known in most coconut growing countries that a considerable portion of the available supplies of shells is used for the preparation of shell charcoal. In fact apart from direct use as fuel, the manufacture of charcoal represents the most important direction in which coconut shells are economically utilised. Furthermore, coconut shell charcoal which was relatively a minor product in the past, has now developed into a general commercial commodity owing to its intrinsic value as a raw material for the manufacture of "Activated Carbon".

Some of the uses of "Activated Carbon" are: filtering, gas absorbing, de-colouring etc. However, coconut shell charcoal to be utilised as the raw material in the manufacture of "Activated Carbon" should be devoid of the following common faults:

- Excess moisture;
- Insufficient burning;
- Adhering carbon dust;
- Contamination with sand or earthy matter;
- Presence of salt.

QUALITY SPECIFICATIONS

Good charcoal should be uniformly black in colour, and free from dirt due to husk. Broken edges should show a shiny black surface, and a characteristic sharp fracture. Overburned pieces are very thin and brittle.

Where the size is concerned it is usually stipulated that not more than 5% shall pass a 1/4" mesh sieve.

A limit of 2% of ash content is usually imposed. An ash content over this per-cent almost always indicates contamination with sand or soil. The necessity for care in seeing that no sand or soil is allowed to contaminate the charcoal is thus clear.

In order to avoid the presence of salt only fresh water (and not brackish water) should be used.

Although different buyers have different specifications regarding the moisture content limit, 5% is usual. However, this should not exceed 10%.

With regard to volatile matter; the usual limit is 15%. A content of volatile matter over this limit indicates underburning which, as mentioned earlier, is a common fault, which has to be avoided.

MARKET

Demand supply and Prices

Apart from its local demand (charcoal production advocated in this report meets specifications required for export selling prices mentioned relates to export prices), export demand for coconut shell charcoal has, as could be seen from the table below been on the increase during the past few years.

Table showing the quantity of Coconut shell Charcoal exported and the average export price per ton

Year	Quantity (Tons)	Average price of Ton
1965	114,936	Rs. 200/-
1966	13,229	243/-
1967	13,651	360/-
1968	15,955	365/-

Source: Customs returns of Ceylon

The principal buyers of charcoal has been U.S.A., France, U.K., Japan, Canada

and Holland. Upto 1969, U.S.A. was the chief buyer, with 5,200 tons. However, in 1970, Japan became the main buyer, with 7,000 tons. (The increase is attributed to the fact that Japan has introduced legislation to prevent air pollution from automobile exhaust fumes.) In this connection it may be mentioned that one Japanese firm alone—Mitsubishi Shoji Kaisha Ltd.—has made enquiries (this year) from consolidated Exports (Ceylon) Ltd. regarding the possibilities of placing an order to provide a minimum of 200 tons of charcoal per month regularly.

At present, coconut shell charcoal is mainly produced by a number of manufacturers already engaged in the manufacture of desiccated coconut, copra and coconut oil, operating predominantly in the main coconut growing areas of Negombo, Chilaw and Kurunegala. Of their total supply, (in spirit of a sharp rise in the price) the quantity exported in 1970 has been about 20,000 tons. Therefore, (as was shown earlier and in the opinion of Consol Exports (Ceylon) Ltd), with demand increasing a further production of about 3,000-4,000 tons per annum, could easily be sold in the world market, where the ton of coconut shell charcoal was Rs. 480/- in 1970. It is also clear that a ton of charcoal would fetch a minimum price of Rs. 300/-, 'ex-kiln.' (In the opinion of those handling the sales of coconut shell charcoal, this is a very conservative estimate). While the average price of a ton in 1970 was over Rs. 400/-, in January this year it was over Rs. 500/-.

SCALE OF OPERATION AND LOCATION

The scale of operation of a charcoal kiln depend necessarily on the availability of coconut shells. Each of the 'units' advocated in this report is to manufacture about 750 tons of charcoal per annum and these to be located in the above mentioned predominantly coconut growing areas.

INVESTMENT

It is possible to have a coconut shell charcoal kiln to produce 750 tons charcoal per annum with an investment of about Rs. 33,000/-.

CAPITAL REQUIREMENTS

Fixed Capital	Rs.
Land (40 perches at Rs. 100/- per perch)	4,000
Building (cadjan open shed for storing 50' x 15')	1,500
Equipment (6 kilns, weighing machine, sheets etc.)	2,500
Contingencies	250
Working Capital	
Materials	12,500
Work in Progress	4,000
Finished Goods	2,500
Receivables less payables	2,000
Cash in hand (to meet operating expenses)	3,750
	Rs. 33,000

CHARCOAL MAKING

The manufacture of charcoal consists essentially of burning shells in a limited supply of air, so that they are only carbonized and not burned to ashes. It is vital that right conditions should be obtained so that the shells are carbonized

to just the correct degree, i.e. they are burned enough but not too much.

THE KILNS

The kilns in which the shells are burned may be anything from simple holes in the ground to brickwork patent kilns. On non-friable soils, such as cabockyrock, as imple pit serves well enough but in sandy soils, becoming to prevent the charcoal becock mixed with sand a brick lined pit has to be used. However, even in non-friable soil, the use of brick lined pits would be the safest.

In order to obtain 750 tons per annum, 6 pits each of the dimensions of 6' x 5' x 5', in length, breadth and height respectively, should be used. It would be possible to obtain about 1/4 tons from each pit

once in 3 days. (See paras below). It would be necessary to replace the brick layers twice a year.

PROCEDURE

In operation a kiln, a fire of shells is initially started at the bottom of the pit. More shells are added to this until these too are well alight. The process is then continued until the pit is completely charged, making sure before each new addition, that the fire is burning well. When the full charge of shells are flaming steadily, the fire may be damped down. This is considered to be the appropriate stage for the exclusion of air from the kiln. This is done, best by covering the glowing mass with corrugated iron sheets and then lining them on top with green coconut fronds, damp turf and soil. Sufficient space, however, is allowed under the sheeting for the large volume of smoke and vapour to escape, as slow carbonization proceeds within. As a rule, it is not possible to open the pit until the third day. When this is done, the mass of charcoal may catch

fire, in which case it would be necessary to cool off by spraying water. (For a detailed description of charcoal making see leaflet No. 6, issued by the Coconut Research Institute of Ceylon.

SORTING AND BAGGING

The good pieces of charcoal are sorted out from the bulk. Any underburned pieces are put aside and used in starting the burning of the next charge.

Since accidents have occurred both on land and sea through stocks or cargoes of charcoal becoming ignited, it is now made a condition of shipment that charcoal shall be exposed freely to the air for at least 14 days before bagging.

It is packed in stout gunny bags holding a hundredweight.

Coconut Shell Charcoal

RAW MATERIAL AND YIELDS

The only raw material required is coconut shells and they are available (to the kiln) at a cost of about Rs. 10/- per 1000 (whole shells); (to those already engaged in the manufacture of copra etc. it will cost less).

In commercial practice, the weight of charcoal recovered should be about 30% of the original weight of shells taken. Although the weight of shells may vary from stock to stock, it has been found (C.R.I.) that 20,000 whole shells to a ton of charcoal is a usual working average.

Regarding the availability of shells, the following table giving the output of coconut (estimates calculated by the Central Bank) would be useful.

(Estimated) Output of Coconut 1965-69 (in million tons)

1965	2,681
1966	2,468
1968	2,601
1967	2,416
1969	2,601

(Source: Central Bank of Ceylon)

EMPLOYMENT

1 Supervisor	Rs. 200/- per month
2 Skilled labourers	Rs. 7/- per day - 6 day week
3 Unskilled labourers	Rs. 5/- per day week

PROFITABILITY STATEMENT

	Rs.	Rs.
Receipts by the Sale of 750 tons of coconut shell charcoal at Rs.300 per ton (ex-kiln)		225,000
Variable Costs		
Raw material	150,000	
Packing material (Rs.17/- a gunny bag)	15,000	

Wages (skilled and unskilled)	10,800	
E.P.F.	970	
B.T.T. at 5%	11,250	188,020
Contribution		36,980
Fixed Costs		
Supervisory salaries	2,400	
E.P.F.	210	
Rates, Taxes & Insurance	200	
Replacement of Equipment	3,000	
Depreciation on Buildings at 20%	320	
General Expenses	2,000	8,130
Net Profit before tax		Rs.28,850

EVALUATION

- Return on Capital employed - 87.4%
 - Payback period 1 yr. 2 mths.
 - Break-even Point - Rs.47,500/-
 - Percentage of net profit to turnover - 12.7
- (AN IDB STUDY)

PREFABRICATION OVERCOMES HO

The development of prefabricated housing in Australia has always been directly related with the need to overcome a specific accommodation problem.

One hundred and twenty years ago, following the widespread discovery of gold the Australian population increased sharply and caused an acute housing shortage.

Part of the solution was to import prefabricated houses, mainly from Europe. Some of these dwellings were made of iron and are preserved today as historical relics.

Much later in Australia's history - 20 years ago in fact as every housing shortage called for the development of new methods of building prefabrication.

These projects were undertaken mainly under the auspices of government and involved construction of houses and flats on a mass scale.

Because of the size of the housing shortage at this time, engineers (A) were forced to develop new low cost methods

of construction. This included the development of houses made from pre-cast concrete slabs with steel door and window frames set into the concrete.

On site, the concrete slabs were lifted into position by a crane onto previously poured concrete foundations. After the shell had been erected teams of tradesmen completed the internal fittings, such as floors plastering, electrical wiring and plumbing.

This same basic method of construction is used for the erection of multi-storeyed flats in the development of inner city areas in some Australian cities.

Exploiting natural resources

Since this time alternative methods of construction have been developed for this type of prefabricated dwelling using lightweight insulated panels which are fastened together on-site. However, the methods developed to overcome the Australian housing shortage were concerned with the erec-

tion of permanent dwellings in suburban areas close to a main factory.

The latest development of prefabricated housing in Australia is involved with the exploitation of natural resources. This has meant that comfortable housing has to be erected in remote, inhospitable regions ranging from the heat and sandstorms of the desert, to heavy rainfall and humid heat of the tropics to snow and subzero conditions as well as the hazards of off-shore oil rigs.

The wide variations of climate in these projects has called for the need to develop prefabricated housing schemes to meet individual requirements. One such project was the planning and building of a transportable town (b) at Strathgordon, Tasmania to house the workforce engaged in building two major dams as part of a hydro-electricity complex.

MANAG

I think these are just the areas in which the men's barracks each, housing 640 men, and 24 other buildings including a shopping centre, fire station and a motel to accommodate 70 people. The total contract price was \$

Even more offensive are the matters beyond his influence with the top management. Most workers, and especially, war judged on the merits results and contribution on their social status, and similar work assignments, promotion, etc. Man By Objectives permits evaluation based on results than any previous method.

CLIMATE FOR PROFESSIONAL

A word of caution I've talked about. As interpreted by some men, however, it became a negative, authoritarian kind of success. The firm's business were established at the point and then translated through organization thus determining goals and placing requirements on managers and workers alike. Where th

MANAGEMENT OF PROFESSIONAL WORK (Part II)

These are judgements legitimately expected business to make. These are the areas in which their judgement is likely to be strong because of their training, experience and position in the organization. Contrast such judgements with the preposterous ones we used to ask: "Is his personality 'right'?" Or, worse still, how can he change his personality to be more effective? Personality traits are not objectively and uniformly defined and their modification is not a profession in itself. Something we can expect managers to know intuitively even to learn from a person's own experience.

More offensive to the modern manager are questions on his control: "Can he have political influence with the owners or management? Does he come from a family which gives him a reputation in the community?" "Can he get workers, and professional people, to want to be associated with the merits of their contributions, not just their status, acquaintance or similar matters?" "Can he get up artificial prohibitions on personal acceptance, recognition, rewards, etc. Management systems which permit employees to be based on results more than on previous method of

MANAGEMENT FOR PROFESSIONAL WORK

of caution. The manager must be aware of all the advantages and disadvantages. As initially proposed by some managers, the manager became a very direct authoritarian kind of promoter of business plans. Plans were translated down to organization levels, defining goals at each level, and requirements for individuals and individual units. Where this was

the interpretation it was doomed to failure in the long run as far as stimulating professional work was concerned. For professional work thrives only in the right kind of climate. What kind of climate is needed? And how can a manager generate it? Some of the necessary environmental conditions were discussed earlier when describing the process by which goals are arrived at. Since the point is critical, we shall be even more explicit.

Professional work involves the determination to cross knowledge frontiers and to set high standards of quality and quantity and hold oneself to them. The manager who would encourage this kind of commitment must make personal contributions in information - communication, must permit enough employee choice of goal and ways of attaining it that failure is possible though unlikely, and must provide a situation in which an individual's self-measurement is likely to coincide with his own view. Let's consider each in turn.

Information-communication

To a greater extent than ever before, employees with specialized knowledge want some voice in the goals of the organization in which they work. But they cannot contribute in a vacuum. If their voice is to be intelligent and powerful, it must be attuned to the total business situation. This requires the manager to supply or make available important information to which the professional can add his thoughts. Such information includes market needs, total organization capabilities, possible levels of investments as well as company objectives, top management's "vision of the business and similar matters. When plans are to be formulated, then managers should make employees aware of the fact, describe the broad parameters within which plans will be generated and in a positive

way solicit ideas and suggestions to be transmitted upward. When this information has been integrated with data from other parts of the organization as well as market research, economic forecasts, competitive intelligence and similar items, business planning decisions are made. At this point, they are clearly tentative. They

By

Marion S. Kellogg

must be negotiated vertically by each organization level with each lower organization level to modify what is desired with what attainable. Then they must be negotiated horizontally across organization lines to be sure that the total work is on step, that plans mesh. Only then is there a firm initial decision.

It does not stop there. Planning is a recirculating system. As results are obtained, as predictions do or do not materialize, vertical and horizontal negotiations continue, bringing expectations into line with reality and modifying the original planning decision.

It is the upward flow of ideas at each stage of the process that gives the employee a voice in the firm, the integration of the many different suggested ideas comes about through the negotiations up and down sideways. Each such negotiation adds more specific input to the parties involved in the decision-making so that plans become stronger.

Right to fail. As social scientists have pointed out so clearly, positive motivation comes from goal accomplishment and from personal growth. But growth is contingent on doing something new. The person doing professional work, therefore, needs not only a goal towards which he is striving and which he is placed in a positive way, but a goal which involves some new element for him. It must rebuire him to learn or do something he

has not known or done before. And this involves risk since there are unknowns in innovation by the very definition. Not every venture will succeed. If managers view each failure as bringing discredit to the individual and catastrophe to the organization, soon no one will be willing to take even small risks so management must generate a climate which encourages calculated risk-taking without putting the firm out of business. This means fact-finding, analysis and decision-making with respect to the risk. It means studying the advantages and odds of success and weighing them against the consequences of failure. It means supporting and sharing the risk with the employee when a joint decision is made to go ahead. In this way, a manager displays a positive attitude toward risk and an acceptance of a joint stake in its outcome.

Self-measurement versus managerial measurement. The professional prides himself on living up to his own standards. It is obvious that if his standards do not match those of the manager responsible for the work of the organization, trouble lies ahead. Two things are needed then. The goals agreed to should be so clear and specific and their measurement understood so well in advance that misunderstanding and difference of opinion between them are unlikely. This can be achieved by taking three steps.

(1) state the existing evidence that a particular goal is needed. Do not say, for instance, "the customer is unhappy" but say instead, "we had four new complaints on quality during the last two months"; this puts the problem to be solved into very clear terms.

(2) Pinpoint the result or benefit or effect to be achieved. For example, "a repeat order from the unhappy customer during the next month" might be one desired result. Another might be "no further complains

on quality." If necessary, misunderstanding can be further reduced by

(3) stating the major tasks to be taken to achieve the desired result, together with a timetable, cost estimate, manning plan, etc. If these three steps are taken in advance—and agreed to—there is little likelihood of disagreement in the end.

A second critical need if self-measurement is to be effective for innovation, is to view the measurement data as necessary feedback for adjusting plans, shifting priorities, reallocating resources, and so on. If not seen this way, but instead as an administrative device for levelling blame or criticism, self-measurement can turn into self-defence, even self-delusion. Some of this will occur in any event, but the effect can be minimized by the way a manager deals with the measurement data. If its use is limited to re-war punishment, its major potential is lost. But it is used principally at recycling time so that its meaning for future action is stressed, defensiveness is lowered and factual information sought. A manager's own habits in dealing with his boss will serve as example, incidentally and either reinforce or negate how he encourages employees to view measurement.

REWARDS

For a system such as Management by Objectives to work successfully, both manager and employees must find it rewarding. The manager's rewards are clear. He gets increased contribution, both in productivity and innovation from the professional worker. This is credited to him and helps him in his own career. What rewards the man? Some have been mentioned: the fact that he is visible in the organization that his unique contribution is delineated, that he has a great voice in decisions which affect him.

Not to be overlooked are the internal satisfactions of achievement and growth. The fact of having reached a clear specific goal permits an enormous sense of accomplishment

which increases with the perceived difficulty of the goal and size of the risk undertaken. The fact that the goal required innovation to achieve, means that the individual added to his value. Self-actualization, therefore, becomes one of the major rewards, and the greater the influence exerted in the first place, the more self-fulfilling its accomplishment is.

Finally, monetary compensation, work assignment and promotion systems are more easily administered and are more acceptable to professionals. With such clear advance agreement on what a man expects to contribute to organization objectives and with about four serious discussions of where work stands and why it is ahead or behind schedule the work and its difficulty, as well as the man's methods and approaches to its accomplishment, are far better understood than is true generally. The manager has the information he needs to make fair recommendations. The man shares the same information and is thus better able to see the adequacy of the manager's decisions.

SUMMARY

Managing - By - Objectives, therefore, provides a meaningful way for managers to delegate professional work to capable individuals within the organization. It translates the firm's objectives to each person producing innovative results. It ensures understanding by documenting specific work goals in specific results terms. The recycling process ensures that plans are updated, based on current information, and gives the manager an early warning system of inadequacies of accomplishments, resources, talent and similar barriers to success. It requires a climate marked by open two-way communication, self-assessment of probable success, and sufficient freedom of choice for self-expression, individual growth and acceptance of personal responsibility. Skillfully used, it can be a rewarding motivational tool encouraging and stimulating the creative thinking which marks professional work. (Concluded)

HOUSING PROBLEMS— The Australian example

is in the remote island of Tasmania. The only way to reach it could only be by helicopter. The area has a high rainfall which is a problem to build-

ated town was a huge factory constructed for the building was incorporating sandwich wall panels placed on a designed semi-trailer transportation to the element to other

ete project consists of 8 single units each, housing 24 other buildings shopping centre, and a motel to house 70 people. The price was \$A5.6

million and when the dam construction is completed the township will be moved to a new site several miles away.

Important facet

Portable comfortable field accommodation is another important facet of prefabricated buildings in Australia.

This type of unit has been used in developing mineral and oil discoveries in Australia and the Territory of Papua and New Guinea. It aims at a high degree of comfort with ease of erection and portability.

The contractors for the Snowy Mountains Hydro-Electricity Project in the high lands of Eastern Australia (c) used this type of building to construct a complete township for the workforce engaged on the Blowering Dam. This project is high in the Australia snowy country and the building

have to be well-heated and insulated to cope with the icy conditions in winter.

The same company has constructed field accommodation for the workforce on off shore oil rigs in Bass Strait off the south-eastern coast of Australia. One unit, with accommodation for 52 men, has a heliport on top and weight more than 160 tons.

Field accommodation has also been built in the arid desert region of Western Australia for iron ore and oil exploration projects.

Another manufacturer has developed a versatile prefabricated building which has been sold throughout Australia and for export for a variety of purposes. (d)

This type of building is made from a modular panel filled with polyurethane foam which

gives the same insulating qualities as a 12-14 inch thick masonry wall.

The extruded aluminium panel frame has an ingenious locking system which links the panels together to build up the wall sections. Wall panels include door and widow openings complete with aluminium frames, double hung windows and clip-on insect screens.

During erection the wall panels are fitted together and bolted to the pre-cast concrete slab, or alternately the building can be fitted to concrete piles. Roof panels to the same module are made for the low raked hip roof which overhangs to form eaves over the walls.

Like most prefabricated buildings sold in Australia these can be supplied fully equipped with complete electrical wiring, all plumbing fittings

including hot water service and shower, stainless steel sink, work benches, refrigerator, air conditioning, gas stove, laundry facilities, etc.

Another design is planned for quick construction and literally folds together (e). Although based on a world-wide invention the Australian version has been modified to meet local conditions and availability of materials.

The basic system is referred to by the manufacturer as a "pack unit" and is simply lifted from the back of a truck and placed onto a foundation of paving stones, railway sleepers or a concrete slab. The roof is then raised by the crane and the end and wall panels are swung out and locked into position.

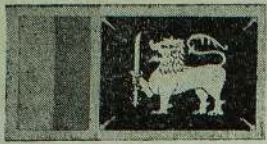
This quick assembly method means that a classroom composed of three such units with a total of 600 square feet can

be assembled in only 90 units. Buildings can also be easily extended by adding further units.

The construction of prefabricated buildings in Australia today is a highly developed sophisticated industry in itself with a wide range of different products tailored to a specific use.

Trade reference:

- Housing Commission of Victoria, 179 Queen St., Melbourne, Vic., 3000, Australia.
- Consolidated Home Industries Limited, Lower Dandenong Road, Bareside, Vic. 3195, Australia
- O'Neill Industries Ltd., 18, Macarthur Avenue, Hamilton, Brisbane, 4007 Qld., Australia.
- Kurth Bros. Pty. Ltd., 205, Nepean Highway, Mentone, Victoria, 3194, Australia.
- Willoroff-Terrapin Pty. Ltd., 54-60, Southern Rd, Mentone, Victoria, 3194, Australia.



Ceylon's Independence Commemoration Day

4. 2. 72. — A Special Supplement

Economic Development problems and the Five year Plan

By

In May 1970 the people gave a mandate to the United Front Government to develop all branches of the economy at a rapid rate and according to a national plan in order to lay the foundations for a further advance towards a socialist society. The Five Year Plan which is now presented seeks to translate that mandate into a concrete programme of action.

It is presented at a time of grave social and economic crisis. The problem of unemployment which has festered within the economy for many years is now crying out for solution. Misguided and short-sighted economic policies have led to huge increases in our national debt, both domestic and foreign, while leaving the major problems of the country unsolved. The shortage of foreign exchange has crippled the growth of the economy and created many scarcities.

In the course of the preparation of the Five Year Plan, the question has come up over and over again: Must our country always remain poor? Must our youth always remain without the prospect of securing a means of livelihood, of making their contribution to society? Our country is blessed with a fertile soil, abundant natural resources and an educated population. Yet we depend on other countries for our food and essential requirements. While land and labour remain idle, we wait for the next ships to come to harbour. We import our cloth while our factories and power looms and handlooms remain unused. And what is worse, we do all this on credit which future generations have to pay.

Is there no way of getting out of this situation—of raising our heads as an independent people, of producing most

of what we want ourselves, of finding employment for the thousands of young men and women who join the ranks of the unemployed each year?

The Five Year Plan attempts to analyse our problems to understand their causes and to evolve appropriate programmes and policies. The present document is a summary of these programmes and policies in the major sectors of the economy. Detailed programmes for each sector will be issued within the coming months.

As the Plan clearly shows, a drastic change in economic policies has become necessary. It is necessary to break away from past policies. Such policies have only created stagnation and frustration, and led the country into a blind alley. Only new policies and new attitude can show the way and lay the foundations for a better future.



Mrs. Sirimavo Bandaranaike
Prime Minister and Leader of the United Front.

I need only mention here what seems to me the most important of the new policies. In the first place, there must be a greater emphasis in the pattern of national expenditure on investments that build up the productive capacity of the economy and its capacity to provide employment to the people. Secondly, it is necessary to understand the role of prices in the economic system. While on the one hand prices are what we pay when we buy goods they also constitute the incomes of those who produce them. Thus, if we want chillies to be grown the people must be prepared to pay a price which will bring a fair income to the grower of chillies. And the same is true of many other things which we can produce ourselves, but continue to bring from abroad thus depriving our people of employment and incomes.

who are today denied the opportunity of employment.

The Government realises and the people, too, must realise that we cannot expect today's crisis to be overcome by policies of self deception. We cannot have a good life without plentiful production. We cannot afford to consume today all that we produce without making provision for the future. That was the policy of the past and that policy has clearly failed. We cannot continue merely to alleviate poverty without taking steps to attack its causes. We cannot concentrate on welfare measures while neglecting economic development. We must build up the economy to increase our production, to increase employment and to raise standards of living. It is to these tasks that the nation must dedicate itself.

These basic changes mean that for the next few years the country will have to put up with some hardship and make some sacrifices for the sake of solving our national problems. Those who are fortunate must think of their less fortunate countrymen; those who are employed must think of the thousands who are unemployed. We must lay the foundations for economic growth in Ceylon in the next two or three years, in order to build a prosperous Ceylon and to ensure a better future for the thousands of young men and women

The social framework in which the Five Year Plan will be implemented is that embodied in the common Programme of the Sri Lanka Freedom Party, the Lanka Sama Samaja Party and the Ceylon Communist Party, which programme was overwhelmingly endorsed by the people in May 1970.

Legislation will be shortly introduced in Parliament to limit the ownership of land in order to relieve acute landlessness and increase national productivity. At the same time the expenditure on consumption of high income groups will

(Contd on Page 16)

CAVEAT EMPTOR?

This term (literally 'Buyer beware') reminds us of the legal principle: YOU BUY AT YOUR RISK.



This may be why people are wary of sweep tickets if the sweep is not conducted by the National Lotteries Board. Of course there are very good reasons why NLB Sweeps are favoured and trusted:-

- NLB Sweeps are conducted under an Act of Parliament.
- NLB Sweep Tickets are printed for your SECURITY on special security paper with special water marks.
- 50 cts sweep tickets are perforated with code letters and printed on paper of a particular colour with the colour and the code of letters being changed from draw to draw.
- Mahajana Sampatha tickets are printed in a different colour each month.
- NLB Sweeps are drawn by the members of the Public, in the presence of a Gazetted Police Officer an Auditor and the Public.
- using a fool-proof method which makes cheating impossible.
- 42% of the net sales goes to the Government for use in Development Projects consistent with Government's plans and policies, and you get 40% as prize money.
- NLB Prizes are a fixed percentage of net sales. The actual figures are known before the draw and the winning numbers are published in the newspapers on specified dates.
- NLB Sweeps are conducted in such a manner as to give you the GREATEST SAFEGUARDS while bringing you the GREATEST BENEFITS — whether you win or lose.

CAVEAT EMPTOR. Your best bet is to insist that you get a NLB Sweep Ticket. That way you won't be taking any chances because...

with NLB Sweeps — WIN or LOSE, it's YOU who gain!



NATIONAL LOTTERIES BOARD

PROBLEMS AND PROSPECTS FOR THE SEVENTIES

The attempts made to plan and to formulate development policy in the preceding twenty-year period focusses attention on a large number of problems that Ceylon has had to face in the strides it has taken towards economic improvement. Among others, these have included fluctuations in commodity prices, the food subsidies budget deficits and increasing unemployment. Despite these, significant gains are evident: apart from facts and figures which could quantify the progress that Ceylon has achieved, an independent observer will easily note that some progress has taken place. The changes are outwardly visible to justify this conclusion, even though the gains may not be spectacular in relation to the progress achieved by some other Asian countries.

more impressive and Ceylon may have achieved living standards as high as those in South Korea, Taiwan and Malaysia. The relative unevenness of the rate of progress, in many

Progress in the fifties was slow because the economy continued to depend very heavily on the plantations; the mainstay of the economy for the last 75 years. Gains were

By
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A less satisfactory feature is that growth has not been steady or even throughout this period. There have been years when the economy grew

rapidly and others when it, slowed down. Had there been steady growth throughout the twenty-year period the final gains would have been far

ways, could be attributed to factors that were beyond the country's ability to influence, chiefly severe fluctuations in commodity prices.

evident in domestic agriculture but these were not substantial to make a significant impact on growth particularly in relation to the performance of the neighbouring Asian countries.

The picture that has emerged of the sixties, particularly the period after 1962 has been quite different. Roughly, the year 1962 may be taken as the dividing line between the pre-war economy and the more diversified economy of today. The policies designed to build up the infrastructure, industries, and also to develop the services sector, were put into effect primarily in the sixties. The substantial increases in national income in real terms thereafter, especially in 1968 and 1969, is largely the result of these concerted efforts.

THE PLANATION ECONOMY

In the sixties, successive governments have made a determined effort to improve the condition of the main plantation crops, although as much interest was not shown in the earlier years. The emphasis at first was very largely on coconut and rubber. Later, the tea industry has come in for considerable attention because of the difficulties that it has had to face in the last few years, particularly the increasing production costs and the very sharp fall in prices.

In the earlier period, government had to some extent expected the tea industry to look after itself because it was very efficiently managed by plantation companies. Assistance therefore mainly confined to the bigger companies. Although tea prices at present are above the cost of production, planting interests in Ceylon are not too happy about what holds for the industry in the future. Some light on this problem has been thrown by the Report of the Commission on the Tea Industry. The findings of the Commission do not seem to offer long-term solutions to the problems of the industry. It has been primarily concerned with the immediate problems such as export promotion and the establishment of a Tea Board.

In any forecast about future prospects for tea there are a large number of unknown variables. Although the present analysis will have to be made on assumptions about current tea consumption and production in other countries, these assumptions may change within a relatively short period and may not be applicable a couple of years hence. For instance, one assumption on which the future of the industry is being studied is that there has been an overall fall in the demand for tea because other beverages have sharply cut into the

tea market. But taste differences may alter over a period of time. There is nothing to prevent people five years hence showing an increased preference for tea over other beverages especially if there are significant advances in developing new kinds of tea that will effectively compete with other instant beverages. A trend of this kind could completely alter present forecasts.

Prospects in world Markets

Working on the assumption that the market for tea is not expanding and that there is increasing competition from African producers, a question that has to be asked is what are the prospects of Ceylon maintaining her position in world markets?

There is the possibility of creating buffer stocks; but tea is a commodity that cannot be stored for long periods without loss of quality, even with temperature and humidity controls. Apart from the question of storage for a long period of time, there is also the problem whether it would be possible to release buffer stocks from time to time, if prices continue to fall very sharply. The buffer stock proposal would be advantageous only if there are periodic rises and falls in prices.

Another proposition is minimum price agreements. Tea as it is well known is not a homogeneous commodity and quality differences are very marked and consumer preference is largely dependent on the latter. There could be as many prices as there are kinds of tea. It would not be possible then to lay down uniform prices. As an alternative Ceylon could examine the likely advantage of fixing a floor price for tea exported from Ceylon. This is of significance because pure Ceylon tea sell for the price equivalent of Rs. 8 to 10 per pound in continental Europe and in the U.S.A.

NEED FOR MARKETING TECHNIQUES

From Ceylon's point of view another aspect that has to be examined is new market possibilities and to develop existing markets by means of propaganda and marketing techniques. What is most important is the proper marketing of tea in non-traditional markets. In Europe alone there are 250 million people of whom only about 3 per cent drink tea. For the tea industry as a whole the outlays on advertising have been relatively small. In fact, only about 1/3 of total outlay on coffee promotion is spent on tea. The most important issue seems to be whether the industry as a whole can spend so much on sales promotions at a time when prices are at a low level and the possibilities of further decreases cannot be ruled out.

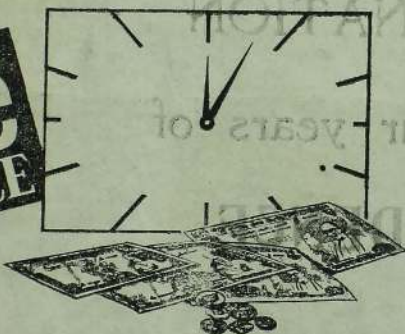
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Problems and prospects...

proposals to open up timber plantations to animal husbandry and the growing of flowers for export. With regard to tim-

ber, the period taken for trees to reach maturity would be about 10 to 15 years. Investors will have to make considerable outlays in the intervening period without immediate returns.

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It has been estimated that by 1973 the tea producing countries would be spending about Rs. 2 million on advertising and publicity in the United Kingdom market alone to maintain the present level of consumption. Much more will have to be spent in order to make further gains in export markets. The present quota system may also be useful provided there is some unanimity about the allocation of quotas among producing countries. Past experience of course does not seem to indicate that cooperation from all producing countries will be forthcoming. The new producers in Africa have been unwilling to respond to quota arrangements. A quota system would tend to be at a disadvantage for the established producers unless the newcomers are also willing to accept the scheme. As it is, there are greater incentives for African tea growers to produce more and this would continue if the

arrangement is agreed upon only among the large producers.

A salutary feature is that, as far as Ceylon is concerned the output of tea has automatically tended to fall because of the emphasis on quality in the last two years. The increase in output in the period 1964-1968 was largely due to emphasis on bulk; with finer plucking there has been an automatic reduction in output that has enabled the country to get better prices and to overcome the burden of being over-stocked.

Another aspect of tea that has been frequently mentioned is the possibility of diversifying tea lands or growing other crops on marginal tea properties. Approximately one-fifth of the area under tea may be marginal land indicating that 75,000 to 100,000 acres may be available for other crops. Most of the current discussion has been rather vague and unsystematic. The alternative use of tea lands have ranged from



Picture shows the gathering of locally grown food crops. (Courtesy Dept. of Information)

A further question is, can timber be grown in adequate quantities and whether all tea lands would be suitable for types of timber that are most in demand and whether it would be possible to develop an export trade. With regard to animal husbandry, the prospects seem to be good because land was originally pasture land and the climatic conditions are suitable for pasture and cattle. The best policy would be to release these lands for a wider range of products so that excessive emphasis may not be given to the production of a single commodity.

If costs do not rise and management continues to be as efficient, as it has been in the past, tea will continue to be one of the main exports. If the perspective is increased to a period of ten years or more the prospects for the tea industry are likely to be more favourable. With industrialisation, many developing countries may eventually reduce the extent of land under tea cultivation and the marginal properties may gradually be put to alternative uses. Despite the present expansion programme in the African countries it is likely that in the late seventies the importance of tea in most economies will gradually diminish.

The increasing costs of labour will make the product less competitive and the price where labour is cheap will have to rise. Despite changes in supply over a long period of time, tea would continue to be an important beverage even though competing products may make significant inroads into the market. Although per capita consumption of tea may fall the increase in world population will to some extent compensate this by a more broad competitive pattern that will tend to sustain demand

RUBBER

Rubber has been one of the primary commodities that has had very sharp price movements in the last 70 years. About three years ago, the prospects for the rubber industry in Ceylon looked very gloomy, because prices had almost fallen below cost of production. In 1966, prices fell to about 60 cents per pound where as the average cost of production was in the region of 65 cents. At the time it was the view that prices will never rise about 75 cents but the unexpected has happened and in 1968-69 prices moved up to about Re. 1 or a little more. In 1971, prices have fallen again. This has helped to show that the forecasting in future prices on the basis of current trends has very little meaning because unforeseen circumstances very often intervene to change the trends very significantly. Of the three main export products, the competitive position of rubber has improved considerably because of the replanting programme which has been in operation for about 20 years. Presumably more than half the acreage under rubber has now been replanted. Even with the development of relatively low cost synthetics not only has the natural rubber industry been able to survive, but it has also been able to get better prices despite a sharp increase in synthetic production.

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The general analysis applicable to all primary commodities may be true for rubber as well. With the growth of world population and the increasing demand for all kinds of manufactured goods the overall demand for both synthetic and natural rubber is likely to increase, unless of course, many more countries decide to concentrate on the production of synthetic rubber. The latter would depend on the availability of raw materials for synthetics; countries with a developed petroleum industry would have the greatest advantage in this field. In the distant future the time may even come when crude oil resources may become scarce and unless other techniques are developed to manufacture synthetics, natural rubber might still continue to be the main source of raw material for modern industry. But for the seventies as a whole, rubber prices are likely to remain at fairly satisfactory levels and sporadic tension in different parts of the world periodically help to boost up the price level. The only factor that might result in occasional setbacks for the industry would be releases from American stockpiles, but then, releases might also involve purchases at subsequent dates, in which case the decrease may be offset by an increase in price at a later date, so that over a period as a whole the net return to the industry may not be affected.

COCONUT

The third major commodity coconut does not entirely depend on export markets. There is a very large market at home for the product, but it is important to sustain exports so that the country will be able to earn sufficient foreign exchange. The prices of coconut products in the past have been influenced very largely by what has happened in the Philippines, the largest producer and also the biggest competitor.

It is difficult to forecast the exact trends for the Philippines industry. But assuming that production in the Philippines would continue to increase at the present rate, the industry in Ceylon will not be affected very much because the demand for coconut products would continue to be maintained with the increasing world demand for oils and fats. Demand will also be sustained because synthetic materials have not been readily available as substitutes for coconut products like fibre, desiccated coconut and copra. Further more, there are no coconut plantations being opened up in the South-east Asian region or in the African countries on extensive scale as in the case of tea. Hence, it is most unlikely that the threat of over-supply would tend to depress prices.

Ceylon's main difficulty about coconut is that domestic consumption has continued to rise very steadily making heavy inroads into the volume of exports. Measures will have to be taken immediately to arrest this trend. On the other side there is also the need to step up production. Ceylon's approach to further develop the industry should concentrate on

the rapid extension of the rehabilitation programme. Upto now the coconut rehabilitation programme has not even affected 20 per cent of the acreage planted and concerted efforts will have to be made by the government to ensure that the programme is accelerated and productivity raised very sharply.

MINOR EXPORT CROPS

The paucity of data has not given much scope for an analysis of the minor export crops, particularly cocoa, cinnamon, pepper, cardamon and cloves. Over the years, the extent of land under minor products has not increased very much. On a rough estimate, in the last sixty years the land area under each of these crops has probably increased by about 50 per cent. This is quite small in relation to the expansion that has taken place in the area under the major export crops in the same period. Several factors have influenced this. The expansion of these crops have been limited by the uncertain price trends. This is particularly true of cinnamon and cardamom, where land which is suitable for these crops in the appropriate areas have not been fully exploited. For instance, in the Central Province there is more land that is suitable for the cultivation of cardamoms but plantations are appearing on these only very slowly.

Minor products have also been subject to very severe price fluctuations. Cinnamon and cardamom are good examples. Within the last five years the price of cardamom has varied from Rs. 15/- per pound to over Rs. 35/- per pound and for cinnamon from Rs. 3/- to Rs 10/- per pound due to these frequent price changes and future uncertainty the incentives have not been strong for people to cultivate these crops on a very large scale. Since these products are cultivated by the relatively poorer class of peoples in small holdings, they have been quite content to receive high prices from a smaller output rather than go in for extensive cultivation.

The FEEC scheme that came into operation in May 1968 has helped to boost up the industry by giving exports of minor products a premium of 55 per cent over and above the prices that their products have fetched in the world market. The FEEC Scheme provided an incentive for more minor products to be diverted to export markets. But the total volume of exports does not seem to have gone up appreciably; although rupee earnings have increased. The object of the FEEC Scheme was primarily to increase exports so that total foreign exchange earnings would go up. It is therefore insufficient that more rupee receipts should rise while foreign exchange receipts have remained more or less constant.

Of the minor products cocoa, in terms of value exported is the most important product. The FEEC Scheme has encouraged a greater percentage of cocoa output to be diverted to foreign markets. In the last ten year period the demand for cocoa locally has increased substantially due to the expansion of the confectionary and chocolate industry.

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PUBLIC INDUSTRIAL SECTOR:

A General Review

An important place has been assigned to the public sector in the sphere of economic development and organisation after the change of Government in May, 1970, and consequently there has been a significant expansion in the activities of the State Industrial Sector during the course of last year.

Three new Public Corporations were established to undertake the Mining and Processing of Graphite, the Import, Manufacture and Distribution of Pharmaceuticals and the import and Distribution of materials for textile production. About 50 major industrial projects were identified for State investment covering an extensive field ranging from textile, paper and glass to industrial chemicals, machine tools and fertilizers. Preliminary studies in respect of these projects have been completed and a number of them have been included to the Medium Term Plan of the Government.

The Marine Bunkering Trade was nationalised towards the end of 1970 while the partial take-over of Aviation Refuelling was effected in June 1971. At the same time, the Candle Factory of the Shell Company located at Kolonnawa was taken over recently, while the importation of beedi leaves became the sole monopoly of the National Small Industries Corporation. Meanwhile, satisfactory progress was maintained in the development projects already initiated by existing public Corporations during the year 1970/71.

PAPER

In the field of paper manufacture, work on the expansion of the Valaichchenai Paper Mill of the Eastern Paper Mills Corporation was included early this year and is now capable of producing 10,500 tons per annum. Civil construction and erection of machinery at the new Paper Board Mill on the same site with an annual capacity of 12,000 tons is almost over and is expected to be commissioned by the end of this year.

Worldwide tenders for the supply of machinery and equipment for the proposed third Paper Mill at Embilipitiya in the Walawe area with a capacity of 15,000 tons of writing and printing paper per annum have been called and the contract is likely to be awarded in early 1972.

A Project Report has also been prepared for another Paper Mill to be located at Rajangana in the North-Central Province with a capacity of 39,000 tons per annum consisting of 30,000 tons of kraft paper and newsprint substitute and 9,000 tons glazed paper. With the completion of these Mills, Ceylon would have an annual capacity to produce 76,500 tons covering a wide range of printing, writing, packing and other paper.

CEMENT

The first stage of the Puttalam Cement Works with an annual capacity of 220,000

tons commenced commercial production in 1970 while work on the second stage of this Project, with an equal capacity is expected to be completed by May, 1972. With the commissioning of Stage II the total production capacity of the Corporation will be 710,000 tons of cement which would be in excess of present local requirements and action is being taken to explore export possibilities.

CEREMICS

Work of the Crockery Rationalisation Scheme at the Negombo factory of the Ceylon Ceramics Corporations was continued during the year 1970/71 and was concluded recently. This would increase the annual crockery capacity of the factory by 160 tons while the total annual capacity of the Corporation would be approximately 2,700 tons which is sufficient to satisfy the present local requirements. However, the demand of this item is expected to rise to about 3,300 tons by 1977 and the Corporation is now studying the feasibility of establishing another Ceramics Plant with a capacity of 600 tons per annum.

Meanwhile, action is being taken to establish a plant at Rattota in the Matale District for the mining and crushing of Quartz, Dolomite and Felspar which are the main raw materials for the manufacture of Ceramicware. Civil engineering work connected with the establishment of the Electrical Porcelain Plant at the Negombo Factory premises has been completed and action is now being taken to import the necessary equipment from Japan.

SALT

Development and expansion scheme were undertaken by the National Salt Corporation in order to ensure that salt is available in sufficient quantities to satisfy the Island's requirements not only for domestic consumption but also to meet the rising industrial needs. The construction of the new saltern at Kurinchetivu in the Northern Province, which is the largest in the terms of acreage, was completed during the early part of this year. Likewise, the new flow system of the Palavi saltern, which is expected to double its capacity, came into operation in 1971. The development of the Bundala, Palatupana and Mannar salterns is now engaging the attention of the Corporation. If the development of salt-based industries warrant, the Government will implement the construction of the Corporation. If the development of salt-based industries warrant, the Government will implement the construction of a major saltern in the Jaffna lagoon, which would have a capacity to produce 60,000 tons per annum in the first stage rising eventually to 115,000 tons in Stage II.

CHEMICALS

The Paranthan Chemicals Corporation recently undertook the production of a new item, Calcium Chloride, which is required for refrigeration

(Contd. on Page 15)

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PUBLIC INDUSTRIAL SECTOR...

(Contd. from Page 14)

purposes. Meanwhile, steps are being taken to expand the annual capacity of the Caustic Soda/Chlorine Plant at Paranthan from the existing 1,600 tons of Caustic Soda and 1,400 tons of Chlorine to 3,200 tons and 2,700 tons respectively.

Preliminary studies are also being conducted regarding the feasibility of establishing a second Caustic Soda/Chlorine Plant to meet the increasing demand for these products with the development of Chemical industries. The services of a UNIDO expert from the U.S.S.R. was obtained to conduct a feasibility study for the establishment of a proto-type demonstration unit for the electro-smelting of Ilmenite to produce 5,000 to 10,000 tons of high grade titanium slag with crude pig iron as a by product. The slag would be further processed to produce Tetra-chloride and titanium dioxide.

An agreement has been signed with the Asian Development Bank for a Market Survey in respect of products to be manufactured under the Oleo Chemicals Project which would be implemented either in full or in part depending on the report of the Market Survey Team.

PETROLEUM

After the change of Government in May 1970 there has been a marked expansion in the activities of the Ceylon Petroleum Corporation. The Marine bunkering trade, the supply of ships' oil—was taken over from private oil Companies towards the end of 1970 and the Corporation is today the sole bunkering authority for all Ports of Call in Ceylon. During the first six months of operations the Corporation handled 339,175 tons of bunkering earning approximately Rs. 43 million in foreign exchange. The anticipated foreign exchange earnings for the year 1971 is in the region of Rs. 86 million. A partial take over of the Aviation refuelling activities was effected in June 1971 and the estimated foreign exchange savings from this trade for the current year is Rs. 5 mil. At the same time the Corporation became the monopoly importer of Petroleum based solvents which is expected to result in a foreign exchange saving of Rs. 1 million per annum.

In August 1970 the Corporation entered the Agro-Chemicals trade in competition with private sector firms and now account for approximately 25 per cent of the market. Their entry immediately resulted in a reduction of prices amounting to approximately 5 per cent by private firms. The production of liquified Petroleum gas commenced at the Sapugaskande Oil Refinery in September 1970 and sufficient quantities are now being manufactured to overcome the need for importation of this product. In June 1971 the Candle Factory owned by the Shell Company and located at Kolonnawa was taken over and the Corporation now produces 80 per cent of the Island's requirements.

A programme for the exploration of oil in the North Western region of the Island was under taken this year with the assistance of the U.S.S.R. The success of this exploration would result in a substantial foreign exchange saving on the importation of the crude oil. Russian experts have already carried out studies not only of the Geological and Geophysical data but also of the prevailing fields condition in that part of the country. On the basis of their recommendations action is being taken to carry out a Refraction Siesmic survey and the drilling of three Stratigraphic test wells in the Mannar region.

TYRE

The number of tyre sizes manufactured by the Ceylon Tyre Corporation increased from nine in 1969/70 to eleven in 1970/71. It is proposed to further increase the variety of manufactured sizes with the importation of additional moulds while feasibility studies are in progress for producing scooter and motor bicycle tyres.

CLAY AND WOOD PRODUCTS

The work on the Hanwella Engineering Brick Factory was continued during 1970/71 and is expected to be commissioned towards the end of this year. It is also proposed to establish a "Ligno-Plastic" Wood Project in conjunction with the Boron Rubberwood Project at Horana for the upgrading of soft woods.

The Chipboard factory of the Ceylon Plywoods Corporation, which is an integral part of the Wood Work Complex at Avissawella, came into production in 1971 while the rest of the Complex consisting of the Plywoods factory, a Saw Mill and a Furniture Plant is expected to be completed in

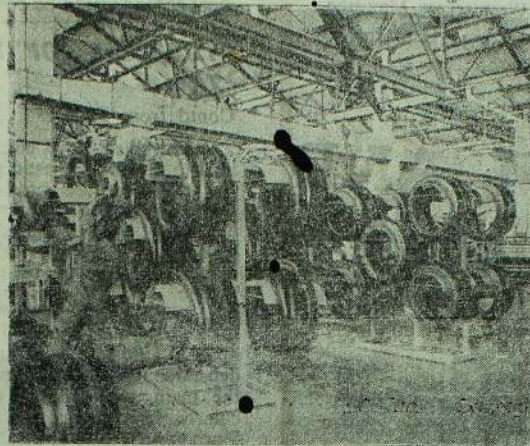
shing additional magnetic separators and an integrated plant of Puulmoddai. A formal application has been made to the Asian Development Bank to finance the foreign exchange component of this Project which would result in sufficient capacity to produce 140,000 tons of ilmenite 12,000 tons of rutile, 8,000 tons of zircon and 500 tons of monazite annually.

Action is also being taken by the state Hardware Corporation to manufacture cookers that will operate on liquified petroleum gas locally manufactured by the Ceylon Petroleum Corporation. The widespread use of these cookers would result in a substantial foreign exchange saving on import of coal.

An agreement has been signed with the U.S.S.R. for the preparation of a detailed Projects Report of the implementation of Stage II of the Steel Project of Oruwala. This envisages the installation of a Steel smelting furnace to convert locally available and imported scrap iron and pig iron into steel billets. It is also proposed to implement a project for the manufacture of twisted ribbed steel for use in reinforcement work in place of plain steel rods which is expected to yield a foreign exchange saving of approximately Rs. 2 million per annum on an overall investment of less than Rs 500,000/-.

TEXTILES

Early this year, production commenced in the spinning and Weaving section of the Thulhiriya Textile Mill with the commissioning of 50,000 spindles and 100 looms. The balance work in civil Engineering and erection of machinery is expected to be concluded next year. Meanwhile action is being taken to establish a Spinning & Weaving Mill at Pugoda, which would be an outright gift from the people's Republic of China, with an annual capacity of 8.6 mil. yards of cloth.



Picture shows the manufacture of tyres in progress at the Ceylon Tyre Corporation (Courtesy Dept. of Information)

early 1972. Work on the Timber Exploitation Projects at Kanneliya has progressed satisfactorily and today supplies a considerable part of the timber requirements of Gintota Factory. Work on this Project, which is phased over four years, will continue during the current year.

MINERAL SANDS

It is proposed to expand the production of Ilmenite, rutile and zircon by establishing a steel and hardware

The proposal for the establishment of a factory with an annual capacity to manufacture 650,000 Crocodile brand mammothies with foreign collaboration is being pursued.

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THE ECONOMIC TIMES

Editorial Department
Wednesday 2nd February, 1972

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FREEDOM AND DEVELOPMENT

Ceylon completed twenty four years of political independence on 4th February, 1972 and gets on towards the quarter century mark. Political stability and the smooth working of the democratic process which the country experienced since gaining independence received a severe jolt for the first time in April last year when the country was almost plunged into a civil war. But with courage and determination the Government succeeded in quelling this uprising, and today Ceylon is still a model Parliamentary Democratic Institution in Asia in the eyes of the world.

Political independence in Ceylon has apparently lost much of its significance to the man in the street largely due to the fact that economic development has failed to keep pace with the rising aspirations of the people. Today Ceylon is experiencing its worst period since achieving independence—the country is faced with an economic crisis of no mean proportions. The unemployment problem goes on from bad to worse; the cost of living keeps rising while scarcities of essential consumer items continues to harass the consumer.

Most of the economic problems that face the nation could be attributed largely to factors beyond the control of any Government: those are external factors. Adverse terms of trade and the resulting scarcity of foreign exchange give rise to a host of other problems that bring about an adverse chain reaction. In order to combat this situation the Government has drawn up a medium-term plan (1972-76). And this will determine the destiny of the nation in the years ahead. The successful implementation of this plan is of paramount importance if the country's political and social fabric is to remain unstrained in the future.

As the Finance Minister has pointed out Ceylon's economic prospects for 1972 seem extremely bleak. If the present trends continue a major constraint on the rapid expansion of the economy is the continuing balance of payments problem. The public sector on which the Government has pinned all hopes for accelerated economic growth will therefore be faced with an Herculean task. It will have to gear all its energies towards that end, for if the plan fails it is this sector that will primarily be answerable to the nation.

Today, disillusion and frustration are riding high and the people, particularly the country's youth, are impatient and they live in expectation for a better tomorrow. Their expectations must materialise at least to some considerable extent to avert any catastrophic situation that could probably arise.

It is hoped that a concerted effort would be made by all sections to ensure that the Five Year Plan becomes a reality and that the masses would experience better living standards in the future, and thus bring more meaning to political independence.

British Investment Insurance Scheme

Developing countries may benefit from a higher supply of British private capital under the Overseas Investment and Export Guarantees Bill, which is before the British Parliament.

The new Bill would provide a government supported investment insurance scheme under which United Kingdom firms undertaking new direct investment abroad would be covered

against risk of non-commercial nature—such as war or expropriation or the restriction of remittances back to Britain by the host country.

The scheme will apply to all countries but it is clear that the major beneficiaries are likely to be developing countries.

Prospects for the '70s

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Industrialists have complained that the domestic price has risen because producers get better prices abroad, while the cost of their raw materials have gone up. This trend for cocoa is likely to continue in the seventies as long as the FECS Scheme remain. Even otherwise the viability of the industry will largely depend on production among the main competitors, particularly Ghana and Nigeria. Since there is little or no threat from synthetic substitutes it is likely that over the years there will be a general increase in demand for the product because better living standards will be accompanied by an increase in per capita consumption of confectionery and chocolate. At the same time, since supply would continue to be restricted to the present producers and as new areas

are not coming under cocoa, it is unlikely that the world market will be burdened with excess supplies.

For export products as a whole, prices should slightly improve over the seventies as demand picks up. It is most unlikely that any single commodity even tea or rubber would have to face the very severe price declines which they have experienced in the last three years.

DOMESTIC AGRICULTURE

In comparison with the plantations the future prosperity of domestic agriculture can have far reaching implications for the growth potential of the economy. Because of the importance of the rice in the diet of the Ceylonese, self-sufficiency in rice and other subsidiary food crops could reduce increasing pressures on the balance of payments brought about by food imports and could release foreign exchange for the further diversification of other sectors. Al-

INDO-CEYLON TRADE DEAL

The Sri Lanka State Trading (General) Corporation is now negotiating with the State Trading Corporation of India for the import of a variety of goods, including equipment.

The imports are to be made from a credit line of Rs 66 million extended to Ceylon by India.

Informed sources said that talks were now under way between the SLST(G) C and its Indian counterpart to work out a list of items that should be imported.

Development Problems...

Contd from Page 10

be limited through stringent taxation and compulsory savings. Such savings will be utilized for national development both by the public and private sectors.

The private sector will be given every encouragement to contribute to national development subject to social control necessary to prevent profiteering, foreign exchange abuses and the concentration of economic power.

though the record of domestic agriculture in the recent past has been impressive, much remains to be achieved.

(To be continued)

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