

# THE ECONOMIC TIMES

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## UNDER EXPENDITURE AT A NEW PEAK

### "Crash Employment Programme" at a Standstill

IN THE FINANCIAL YEAR 1970/71 ACTUAL EXPENDITURE IN RESPECT OF CAPITAL VOTES AMOUNTED TO RS. 810 MILLION, WHILE THE TOTAL PROVISION WAS RS. 1,265 MILLION, THUS RESULTING IN AN UNDER-EXPENDITURE OF RS. 455 MILLION OR 36 PER CENT—THE HIGHEST RECORDED IN RECENT YEARS. IN THE FINANCIAL YEAR 1969/70 THE UNDER EXPENDITURE ON A TOTAL PROVISION OF 964 MILLION WAS RS. 152 MILLION OR 15 PER CENT. IN 1968/69, OUT OF A TOTAL PROVISION OF RS. 995 MILLION, UNDER-EXPENDITURE WAS RS. 143 MILLION OR 14 PER CENT, ACCORDING TO THE CENTRAL BANK ANNUAL REPORT FOR 1971.

The high under expenditure in many Ministries in 1970/71 is attributed largely to the setback their capital programmes suffered as a result of the insurgency.

The Finance Minister's aim of containing under expenditure on capital votes to a minimum of 10 per cent which is considered permissible, has failed to materialize, and on the contrary it has now reached a new high.

The Ministry of Planning and Employment has contributed to the high incidence of under expenditure in 1970/71 in no small way. Out of its total provision of Rs. 210 million this Ministry has spent only Rs. 18 million. Thus, almost nine tenths of its total provision remained unspent at the end of the Financial year.

The under expenditure of the Ministry of Planning in 1969/70 was 31 per cent.

#### SHORT-FALL IN EMPLOYMENT PROGRAMME

The very high under expenditure of the Ministry of Planning in 1970/71 was due to the low level of expenditure in respect of the "Short term Employment Programme." The actual expenditure incurred under this programme was only Rs. 16 million as against the total provision of Rs. 208 million.

#### CAPITAL FORMATION DOWN

In 1971 gross fixed capital formation declined by 14.9 per cent a fall of Rs. 355 million, according to Central Bank data.

Capital formation in the State Corporations declined by Rs. 71 million while in the private sector it amounted to Rs. 1,280 million, which was Rs. 154 million less than in 1970. Capital formation in the Government sector too fell by Rs. 140 million. However, Government enterprises consisting of the Railway, Post and Telecommunications Department and the Port commission increased their Capital expenditure by Rs. 28 million.

The virtual non implementation of the employment programme is attributed to the disturbed conditions that prevailed during the period.

The Report also points out that besides the Ministry of Planning and Employment, the other Ministries responsible for the preponderant portion

(69 per cent), of the under expenditure in 1970/71 are the Ministries of Irrigation, Power and Highways; Industries and Scientific Affairs; Agriculture and Lands; Housing and Construction; Posts and Telecommunication and Information and Broadcasting.

The Ministry of Irrigation Power and Highways recorded an under expenditure of Rs. 119 million or 35 per cent,

showing a marked increase over that of 1968/69 and 1969/70, when they were 23 per cent and 12 per cent respectively.

This is attributed mainly to reduced expenditure in respect of economic development of the various departments under this Ministry. This again is mainly due to the unsettled conditions that prevailed as a result of insurgent activities.

(Contd on Page 4)

### Improved performance by Public Corps.

Total investment in public enterprises in 1970/71 amounted to Rs. 3,461 million as against Rs. 3,118 million in the previous year.

In 1970/71 thirty Corporations, including banks and other financial institutions of the public sector, have shown profits. Twelve enterprises including the Ceylon Government Railway incurred losses in 1970/71. Of these 4 have incurred bigger losses than in the previous year and 4 have incurred losses as against pro-

fits in the previous year, according to Central Bank records.

#### More Profits

Public sector manufacturing enterprises (reviewed here) have made a profit before tax of approximately Rs. 64 million in 1970/71 as against Rs. 45 million in the previous year. The performance of these Corporations, the Central Bank opines, would have been more encouraging but for the severe foreign exchange constraint limiting their production.

The Central Bank Report also points out that in the past, rather than conserving their own resources for re-investment have generally placed a financial burden on the Government—more than 2/3 of the financial requirements of public industrial enterprises has to be provided from sources external to the Corporations. Government contributions have now declined from 72 per cent in 1969/70 to 64 per cent in 1970/71.

Table below gives a summary of the performance of Corporations.

#### STATE INDUSTRIAL CORPORATIONS SUMMARY OF PERFORMANCE IN 1970/71

NAME OF CORPORATION	Capital Utilized in Production Rs.'000	Value of Production Rs.'000	Profit* Rs.'000	Exports (Rs.'000)	Rate of Export as % of value of production
National Milk Board...	29,702	54,720	+ 1,368	—	+ 461
Oils & Fats Corp., ...	18,403	25,882	+ 120	2,710	+ 0.65
Sri Lanka Sugar Corp., ...	91,211	27,623	+ 7,921	—	+ 8.68
State Flour Milling Corp., ...	26,521	36,123	+ 162	3,338	+ 0.61
National Salt Corp., ...	9,920	6,335	+ 2,271	—	+ 22.89
National Textile Corp., ...	41,100	22,145	— 76	—	—
Ceylon Leather Products Corp., ...	11,277	6,952	— 1,074	—	—
Eastern Paper Mills Corp., ...	29,000	23,360	+ 2,708	—	+ 9.34
Ceylon Plywood Corp., ...	7,050	11,369	+ 111	312	+ 1.57
State Timber Corp., ...	11,568	23,914	+ 155	—	+ 14.134
Paranthan Chemicals Corp., ...	11,802	3,144	+ 648	—	+ 5.49
Ceylon Tyre Corp., ...	67,479	43,500	+ 6,200	—	+ 9.19
Ceylon Petroleum Corp., ...	181,609	150,228	+ 14,600	95,000	+ 8.04
Ceylon Ayurvedic Drugs Corp., ...	1,368	1,714	+ 333	—	+ 9.72
Ceylon Ceramics Corp., ...	19,852	8,485	+ 3,250	86	+ 16.37
Ceylon Cement Corp., ...	17,8034	77,082	+ 22,952	—	+ 12.89
National Small Industries Corp., ...	19,458	9,679	— 970	—	—
Ceylon Mineral Sands Corp., ...	16,225	4,564	+ 1,622	3,802	+ 10.0
Ceylon Steel Corporation ...	116,700	49,622	+ 1,435	—	+ 1.23
Ceylon State Hardware Corp., ...	40,725	5,240	n.a.	13	n.a.
Ceylon Fisheries Corp., ...	n.a.	n.a.	n.a.	1,007	n.a.
<b>Total</b>	<b>928,995</b>	<b>591,141</b>	<b>+ 63,536</b>	<b>106,268</b>	<b>+ 6.84</b>

Source Ministry of Industries and Scientific Affairs and respective Corporations.

\* Profits accruing from manufacturing activities.

† Capital Invested.

\*\* Excludes Fisheries Corporation.

### CEYLON'S FORTNIGHTLY FINANCIAL REVIEW

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JAFNA COLLEGE  
 - 6 AUG 1973



# MARKET PRICES

## COLOMBO

TEA (Rs. Cts. Per lb.)

CLOSING PRICES 27-3-72

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

	B.O.Ps		B.O.P.Fs	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
High Grown:	2.30	5.50	2.75	4.00
	1 at 5.90	1 at 6.55	1 at 4.20	1 at .500
	1 at 7.70	1 at 8.10		
Medium-Grown:	2.05	2.40	2.05	2.30
Small Leaf Low-Grown:	2.00	2.17	2.14	2.19
Leafy Low-Grown:	2.12	2.49		
Tea For Price:	1.70	1.90	1.75	1.90
	F.B.O.Ps		F.B.O.P.Fs	
Tippy Teas:	2.12	2.46	2.10	7.00
			1 at 7.20	1 at 7.50
				1 at 35.00

## RUBBER

PRICES FOR THE WEEK ENDED 26.3.72.

	(Rs. cts.—per lb. Closing Quotations)	Avg. to Same Period	
		1972	1971
RSS No. 1	73 3/4	73 1/4	81
RSS No. 2	67 3/4	68 3/4	76 3/4
RSS No. 3	67 1/4	67 1/2	75

## COPRA

	Opening Price	Clos. Price
Estate Copra No. 1	183.75	199.75
COCONUT OIL (Rs. per ton)		
March	1,160.00	1,175.00
April	1,160.00	1,175.00

## DESSICATED COCONUT

	Opening price	Closing Price	(per lb.)
		Buyers	Sellers
March	.58	.62	.62
April	.58	.60	.61

PRICES OF THE WEEK ENDING 27.2.72

Commodity	Buyers	Quotations	Export DUTY
	(Per lb)		
Cardamoms	11.50	—12.50	40%
Cardamom Seeds	10.40	—10.70	on true
Cloves	23.00	—24.00	F.O.B.
Cloves Stems	3.75	—	value.
Mace	9.00	—	
Nutmeg (Shelled)	4.00	—4.25	
Nutmeg (Unshelled)	2.00	—2.75	
Pepper (Black)	4.75	—5.00	
Papain (White)	16.00	—17.00	
Papain (Brown)	13.00	—14.00	
Cinnamom H/1	3.10	—	20% on
Cinnamom H/2	3.00	—	true f.o.b
Cinnamom Quillings No. 1	2.50	—	value
—do— No. 2	2.40	—	

	Per Cwt.	Export Duty
	Buyers	Quot.
Cocoa	182.00	—184.00
Coffee	360.00	—
Kapok (Clean)	145.00	—
Kapok (Unelan)	50.00	—
Croton Seeds	100.00	—
Essential Oils	Per oz. lb.	
Cinnamom Leaf Oil	16.25	per 25 ozs
Cinnamom Bark Oil	Per oz. 22.00	
Citronella Oil Estate Quality	Per lb. 7.50	10% on
Citronella Oil Ordinary	Per lb 7.30	true f.o.b.

## SUBSIDIARY CROPS WEEKLY PRICE LIST POYA ENDING 25.3.72

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)	(Per bushel)
		Unquoted
—Paddy		
—Other varieties		
—Rice Per Boiled		
—Country Rice No. 1		
—Country Rice No. 2		
—Samba Rice		
—Kora		
—Maize	Per Cwt.	26.00—27.50

## TEA REPORT

Auction No. 13 held on 27th March, 1972.

The total quantity offered was 7,297,878 lbs, comprising 3,769,620 lbs. Leaf Grades, 790,832 lbs. Dusts, 32,008 lbs. Reprints, 68,701 lbs. Sundry Lots and 2,668,725 lbs. Ex Estate. Quality was still most useful. There was a good demand.

**High-Grown Teas:** The few best quality Broken and Fannings continued to fetch high prices although lesser Broken in particular were irregularly easier. Similar BOP Fannings could be quoted firm. Leaf grades sold well at about last prices.

**Medium-Grown Teas:** With the exception of a few higher priced Broken which were barely steady all others met a better demand advancing 5/10 cents per pound. BOP Fannings followed a similar trend with leaf grades firm to dearer.

**Low-Grown Teas:** All Low-Grown met strong demand with the exception of those packed in second-hand chests which were heavily discounted. Small leaf BOP's moved up a full 5 cents, and BOP1's, OP's and Pekoes about 10 cents. BOP Fannings were a cent or two easier.

**Tippy Teas:** Best Flowery BOP's and small leaf Flowery Fannings sold at about last rates with those in the middle price range dearer by 10/20 cents per pound. Long leaf showy types remained fully firm.

**Off Grades:** All Fannings were 5/8 cents dearer and sometimes more for the bright Western sorts. Good liquoring Broken Pekoes and Broken Mixed advanced 10 cents with to hers about 5 cents dearer.

## Commodity Commentary

**Dusts:** All Low-Grown and Medium sorts were fully firm on a few cents dearer while bright Westerns moved up substantially and were often 30/40 cents higher. All secondary powdery eas advanced 3/5 cents.

\* \* \*

## RUBBER REPORT

Week-ending 26th March, 1972

RSS No. 1 opened 3/4 cent dearer at 75 cents per lb. mainly on account of the benefit of the currency re-alignment on the 10th March, having been passed on to Producers by the Department of Commodity Purchase but declined gradually here after under minor fluctuating conditions, in line with overseas advices to close at 73 3/4 cents per lb.

Approximately 500 Tons of LATEX CREPES were offered at the two Sales held during the week under review, a substantial decrease of 165 tons compared to the previous week's total. At the First Sale, best latex crepes declined by 1/2 to 1 1/2 cents per lb. but the FAQ offerings remained unchanged. Duller and inferior sorts were 1 to 2 cents per lb. lower. At the following Sale, best latex and FAQ offerings recorded a small improvement of 1/2 cent per lb. Duller and inferior sorts however once again declined by 1 to 2 cents per lb.

Approximately 118 Tons of SCRAP Crepes were offered, a slight decrease of 4 tons compared to the previous week total. At the First Sale, light, dark brown and dark scrap crepes were marked down by 1 to 2 cents per lb. Flat Bark, however, was 1 cent per lb.

better. At the following Sale light brown scrap crepes declined further by 1/2 to 1 1/2 cents per lb. but the dark brown and darker sorts recovered by 1 to 1 1/2 cents per lb. Flat Bark too improved further by 1/2 to 1 cent per lb.

The steadiness in the Scrap Crepe market, especially for the dark brown and darker sorts, is attributed to demand from Eastern Europe.

Approximately 38 Tons of SOLE CREPE were offered during the week, a substantial increase of 24 tons compared to the previous week's total. Activity was light in view of the heavier offerings and as a result values tended lower. Poorer sorts and miscellaneous thicknesses too were easier at 75 cents to Rs. 1/- per lb. The few lines of Ribbed and Pebble Sole Crepe however, encountered covering interest to fetch prices between Rs. 1/01 to Rs. 1/17 per lb.

## FROTH & CUTTINGS

opened dearer at 54 cents per lb. and whilst Froth held steady at this level throughout the week, Cuttings improved marginally to close at 54 1/2 cents per lb.

**CURLY AND SHELL SCRAP.** No. 1 opened on a steady note at 45 and 44 cents per lb. and improved further during the week to close at 46 and 45 cents per lb. respectively.

## Produce Report

Week-ending 26th March, 1972

**Cardamoms:** 4,871 lbs. of Cardamoms were offered, a decrease 1169 lbs. compared to the previous week's total. The market for No. 1 quality was easier by -50 cents per lb. with demand slightly less

competitive, and was quoted at Rs. 11/50 to Rs. 12/50 per lb. Next best grades however, were in strong demand and these were quoted at Rs. 10 to Rs. 11/25 per lb. whilst Off grades too were dearer at Rs. 7/- to Rs. 9/- per lb. Seeds were irregular and fetched be-

tween Rs. 10/20 to Rs. 10/70 per lb.

**Cocoa:** Approximately 182 cwt. of Cocoa were on offer, a decrease of 55 cwt. The market was slightly firm with better demand with No. 1 quality improving to Rs. 182/- to Rs. 184/- per cwt. Next best grades too were dearer by Rs. 5/- to Rs. 15/- per cwt. and were quoted at Rs. 150/- to Rs. 175/- per cwt. whilst darker and poorer sorts remained unchanged at Rs. 85/- to Rs. 120/- per cwt.

**Pepper:** One lot of 633 lbs. of inferior Pepper was one offer and this was withdrawn due to lack of suitable bids.

**Coffee:** Approximately 59 cwt. of Coffee which were on offer were withdrawn due to lack of suitable bids.

**Cinnamon:** 170 lbs. of Cinnamon were on offer and withdrawn for the lack of suitable bids.

**Kapok:** 160 lbs. of Kapok which were on offer were also withdrawn due to lack of suitable bids.

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

Millets	Per Bushel
—Finger Millet (Kurrakkan)	12.50—13.00
—Sorgum	Unquoted
—Soya Beans	850.00 (per ton)

Spices Condiment	Per lb.
—Mustard	3.50—4.00

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



## Minor export products earn less in 1971

After three years of, continuous growth export proceeds of minor export products declined in 1971. By broad groups declines occurred in the spices, minerals and manufactured products groups, while other groups, particularly coconut products and other agricultural products showed enhanced earnings.

This is revealed in the Central Bank Annual Report for 1971.

Naptha, residual fuel oils, cardamoms, cloves and pepper registered a cumulative short fall of Rs. 24.4 million in 1971 as compared with their earnings in 1970. Value increases recorded for minor coconut products (coir fibre-bristle, coir fibre-mattress, coconut shell charcoal, fresh coconuts and fatty acids amounted to Rs. 14.4 million during 1971 limiting the overall decline in export proceeds to Rs. 8 million as compared with 1970

A volume contraction rather than a general price decline has been the causal factor for the fall in total earnings from minor crops.

The spices group turned out the most disappointing export performance. In each of the two previous years its contribution exceeded Rs. 50 million and represented over a quarter of all earnings from minor exports. In 1971, however, earnings declined to Rs. 33.9 million, while its importance was reduced to a sixth of total earnings.

Pepper very nearly disappeared as a minor export when the volume dropped to a mere 909 cwt. from the level of 16,900 cwt. reached in 1970 and 17,900 cwt. previously.

This is attributed to a diversion of the output to the domestic market.

Cardamon exports provided one instance where a price fall rather than a volume fall has caused a decline in proceeds. A possible reason for lower prices is the revival of Indian production.

The total value of all minor export products for the last 3 years are as follows:—

1969 1970 1971  
(Rs. Million)  
161.2 198.5 190.2

### Export Intelligence

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

M/s R. & M. Gluck Exclusive Food Centre.  
259, Centre Road, Bantleigh VIC 3204 Australia.

M/s Kandikurru Products,  
1, Noel Court,  
Moorabbin VIC 3189 Australia.

Curry powders, Chillie powder, canned fruits and fruit juices (including passion fruits & juice).

## EXPORT INTELLIGENCE

### India gains self-sufficiency in rubber products

With an annual production valued at nearly Rs. 3,310 crores, India has achieved self-sufficiency in a wide variety of rubber goods like automobile and bicycle tyres and tubes, foot-wear, belting, surgical and industrial rubber gloves and latex rubber goods.

The production of rubber in the country touched 1.15 lakh tonnes during the first ten months of 1971, marking an increase of 10.3 per cent over the corresponding period of the previous year.

The Indian rubber goods earned foreign exchange of

Rs. 9.32 crores in 1970—71 as against Rs. 7.88 crores in the previous year.

Automobile tyres and tubes accounted for nearly 58 per cent of the total foreign exchange earnings of rubber goods, last year. Among the major buyers were, Burma, Mauritius, Egypt, Sudan, Australia, the United States and the United Kingdom.

There are over 1400 rubber factories in the country and they employ more than one lakh of people.

## FROM THE CHAMBERS

### Problems of small Industrialists

The Annual General Meeting of the Small Industrialists Association of Ceylon was held last week. Besides the Council of Management, the following office bearers were elected for the year 1972—73.

President: Mr. J. D. L. Abeywickrama J. P. — Wickram Limited, Colombo.

Vice-President: Mr. K. A. W. De Silva—De Silva Industries, Colombo; Mrs. V. F. Wijesekera—Frances Woolen Industries, Gampola; Mr. W. M. B. D. Jayawardena—Bosco Industries, Ragama.

Secretary: Mr. E. De S. Silver—Ethwillard Industries, Bandarawela.

Treasurer: Mr. D. L. F. Pedris (Jnr.)—William Pedris & Co., Colombo.

Excerpts of the Presidential address are given below:—

"Today we are gathered here at a critical stage in the history of our fair Isle. The existence of tensions, dissensions and internal strife in addition to the recent performance of anarchical forces have put the development of our Nation back to almost where we started.

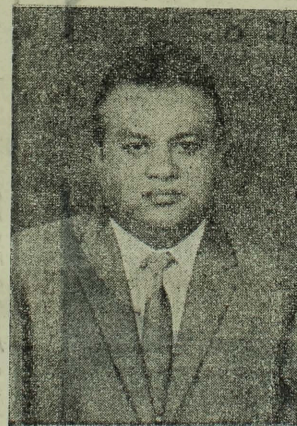
Problems of the Small Industrialist: We small industrialists have various grievances and problems, but today the problems of the Government

are manifold and it is only through our individual decisions and efforts that we could help the Government process to rehabilitate and fortify the tottering foundations of our economic structure; if only for the sake of the present generation and the unborn.

"Five Year Plan" and the Small Industrialist: The Government's "Five Year Plan" envisages a new era for the Small Industrialists of Ceylon. It visualises the potential for much more rapid increases than ever before in industrial production and industrial productivity. However, how soon this potential can be realized and whether progress can be sustained, will depend very much on the development of successful strategies, adapted to the conditions of the country.

Key to future economic growth: the key lies in small industrialisation and the essence of Government's "Five year Plan" should stress the modernisation of small industrial enterprises and the adjustment of disadvantageous enterprises. The former calls for modernisation of equipment, business management and retail operations, technical improvements, expansion of business to optimize, and

co-operation; the latter comprises measures to prevent over competition, adjustment to business opportunities, bidding for public works etc. It is a matter for observation that successive Governments, when they come into power, have the tendency to dictate pointedly to Small Industrialists the means and methods as to how they should run their establishments. As a Pioneer Industrialist, I appeal to Government to permit



Mr. J. D. L. Abeywickrama who was re-elected President of the small Industrialists Association of Ceylon.

the Small Industrialist to "Bake the Cake" with his own initiative and know-how when Government could then profit by taking a bigger share of the "Baked Cake".

The Government, we presume, has observed that the close relation between the modernisation of big enterprises and the stagnancy of small enterprises, led in small enterprises being utilised as a foundation for the growth of big enterprises through sub-contract systems of the latter. In such a way big enterprises have not only been shifting their own troubles, but also exercising "pressure," "domi-

nation" and "oligopoly" on small enterprises. It is assuring to observe that Government has now come to learn

the important role played by the Small Industrialists in the overall pattern of our Industrial complex."

### Govt. revenue from FEECs decline by Rs. 50 million

Government revenue from the sale of FEECs declined by Rs. 50 million in 1970/71 in contrast to a substantial increase of Rs. 161 million in the previous year, according to Central Bank statistics.

This decline has occurred despite the decision to subject the import of sugar to FEECs. The main contributory factor for the fall in receipts has been

the lower level of imports and the heavy utilisation of import credits during the course of the financial year.

The receipts in 1971 were also lower than the budgeted estimates by Rs. 61 million. In 1971/72 (a 12 months) revenue from the sale of FEECs is estimated to be Rs. 426 million, an increase of Rs. 31 million over the actual receipts in 1970/71.

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TEAM



# National Day of the People's Republic of Hungary: 4th April 1972

## THE HUNGARY OF TODAY

Today the Hungarian People's Republic celebrate the 27th Anniversary of the Liberation from the Hitlerite Occupation. On 4th April, 1945 the last part of the Hungarian territory was liberated with the help of the Victorious Soviet Army and the Hungarian people began to build for a new country.

The Ceylonese people may ask the question who are the Hungarians and where is Hungary? New Hungary is a small country in mid-Europe, its territory 50% bigger than Ceylon's and has a population of over 10 million. The population is neither Slavs nor Teutons, nor Latin. They belong to the Ugrian branch of the Finno-Ugrian peoples. Their country of origin - several thousand years ago - was the region between the Volga and and Ural Mountains. They were a loose unity of Nomad stock-breeding tribes, and after having migrated during several centuries, arrived in the Danube basin and occupied the territory of their present country around 895 - 896. The Hungarians call themselves Magyar, which means the descendants of the largest tribe.

### Special Significance

Since that time the Hungarians have been staying in the same country for more than 100 years. The liberation lent

a special significance to this day - which is the greatest holiday in Hungary. It is a national holiday and also to a certain extent an international one - since the liberation of Hungary was part of a current which was international in its dimensions and significance - the world victory of the Socialist Revolution - the development of the Socialist World System. It is our greatest national day because the fact of liberation made it possible for the Hungarian People to materialise the dreams of the best fighters of the most glorious periods of Hungary's 1000 year history. It made it possible for the Hungarian people to take possession of their country and make, once and for all, a nation synonymous with the working people.

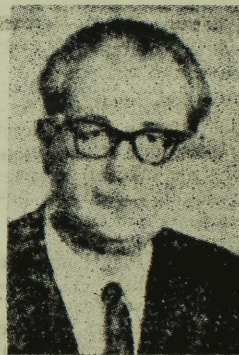
After the liberation the Hungarian people started to rebuild the country and eliminate the Capitalist Fudal System by means of selfless hard work and they created a Socialist regime and in spite of temporary setbacks they systematically advanced on the road leading to an advanced socialist industry, developing socialist agriculture and cultural elevation. The various stages of this development are marked by the 3 year and 5 year Plan of our peoples economy. The most recent Plan-Period - the third 5 year Plan came to an

end in December 1970 and at present the Hungarian people are working on the materialisation of a fourth 5 year Plan.

In the Autumn of 1970 the leading force in this country the Hungarian Socialist Workers Party - held its 10th Congress and the Central Committee proved through facts and data that the Hungarian People's Economy has developed in accordance with the targets both economic and political as set down by the previous Congress: the main directives of the third 5 year Plan were complied with, the economic management reform having

lifted the socialist planned economy to a higher level. The international connections of the Hungarian People's Republic have also been consolidated.

By



Kalman Marjay  
Trade Representative,  
Embassy of the People's  
Republic of Hungary.

### Achievements

Twenty seven years have lapsed since liberation. In relation to Hungary's 1000 years history this is not a long time, but what has been achieved, is immense. As compared to pre-war conditions industrial production has increased 7 1/2 times and our income by 3 1/2 times. Today in Hungary the national income per capita is annually about 800 Dollars and our aim is to attain 100 Dollars in the coming Plan-Period, i.e. the lowest level for the developed countries.

Since the liberation industrial branches, unknown before, have developed the new Hungarian bus industry and the Ball-bearing Industry have achieved great international reputation. The precision mechanics and the machines tool industry have developed and there has been further development in the telecommunication technical industry.

The reorganisation of our socialist agriculture could be completely felt in its effects in the course of the 3 Year Plan which ended in 1970. For instance, as compared with the first part of the 1950's, the average wheat yield had increased by 10 quintals per

hectare and that of Maize by 11 quintals. These figures represent almost double of the 1930's averages.

The Hungarian People are working at present for the fulfilment of the fourth 5 Year Plan. The aim of the plan is to raise still higher the standard of living, the real wages and the real income of the population. One of the most important factors of improving the standard of living is the building of flats and for this reason the rhythm, of the development has increased. The plan makes provision for a 30-32 per cent rise in the national income in the next five years. According to specialists this target is quite realistic. The economic reform introduced a few years ago has proved successful. Three years of experience justify the results of the previous debates. The reform was necessary for Hungary to develop economically at a quicker speed and in a more balanced manner.

### International Relations

The Hungarian People's Republic maintains many-sided broad connections with the other countries of the world. Apart from diplomatic and trade relations Hungary consolidates its connections with the other countries by means of membership in many international organisations, through the signing of political economic, scientific social and legal agreements and being a member party to agreements.

(Contd. on Page 6)

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# Hungarian Automotive Industry Strides Ahead

The Hungarian Automotive Industry since its foundation a hundred years ago, has made very rapid and steady progress in practically all branches of Automotive Production. In the history of engine powered vehicles Hungary has contributed to a very large extent with a good number of inventions and new solutions, and even these techniques are still subject to constant research and study. In the great edifice of the automotive industry Hungary has taken her due share in the progress of the world.

Further purchases were made recently for another 45 more buses amounting to almost a million dollars. Iraq too had purchased Ikarus buses mounted on special imported engines, almost 200 of them amounting to approximately 4 million dollars.

Similarly buses purchased by Sweden and West Germany had Ikarus bodies mounted on VOLVO and SAURER Engines. The long distance deluxe buses with Volvo chassis and Ikarus bodies have scored considerable success. They are all up to discriminating demands. The overwhelming popularity of the Ikarus Vehicles is due to the fact that they are almost tailor made to buyers specifications.

## Popular Models

Ikarus manufacture a number of vehicles, the most popular models being the 180, 556, 250, 282 and the 280 have all stood up to severe testing and come out with flying colours. The Ikarus 250 super de-luxe air condition model had been more successful that it won the 2nd place on the Nice Auto Bus Competition held two years ago, and very recently won the large Silver Cup awarded by the French Coachwork Manufacturers. Last year at the 20th International Auto Bus Week held in Monte Carlo, the Ikarus 250 long distance de-luxe bus won the Grand Prix and several other prizes under various classes of competitions.

The popular Ikarus 250 model is a Super De - Luxe

Airconditioned Coach, specially built for long journeys with adjustable head - rests and built in regulatable extension speakers on each airliner seat; there is a buffet, a cloak-room, wash-room and a toilet. The Ideal Tourist Luxury Coach for long distance travelling in the midst of nature landscapes.

The Ikarus - Volvo is a yet another Super Coach equipped with lamps on every seat, ventilation devices, call buttons, light indications for boarding and alighting, clock, wireless set, tape recorder etc. Volvo is further equipped with toilet and other facilities, it's a regular HOUSE on wheels, Ideal for long distance travelling.

The Ikarus 566 and 180 models are commonly used for the transport of commuters to and from City limits and even for long distance travelling. The Ikarus 556 can carry up to 100 passengers while the Ikarus 180 can carry up to almost 200 passengers.

Ikarus also manufactures a special Conference Bus which can accommodate medium size delegations on Conferences en route. These buses may prove ideal to serve both short and long distance travelling for commuters throughout Ceylon. Moreover, Ceylon can well benefit by purchasing some of these luxury tourist coaches which are the ideal vehicles to cater to all the whims and fancies of tourists visiting Ceylon. It would indeed be a pleasant sight to see Ikarus buses on our roads.

Export statistics of Ikarus compiled recently speaks for itself on the tremendous success achieved by Ikarus sales. In 1971 for the first eleven months alone some 4,407 Ikarus buses were exported from Hungary.

In 1970 Ikarus exported 4245 buses. In 1969 Ikarus exported 3,275 buses and in 1965 2,173 buses. Thus within the short space of five years from 1965 to 1970 almost double the quantity that were exported in 1965 were exported in 1970, with an unprecedented sales record in 1971. In the five

year plan envisaged by the Ikarus Motor Works in Hungary, between 1971 to 1975 it is proposed to step up production by almost 40,000 buses. These are figures which makes Ikarus one of the largest bus producers in the World.

All Ikarus exports are channelled through the MOGURT, Hungarian Trading Company for Motor Vehicles, Budapest.

Trade inquiries should be directed to the Trade Representative of the Hungarian People's Republic in Ceylon, No. 48, Vajira Road, Colombo 5.

## Foreign Trading Rights in Industry

By JOZSEF LIPOT

Since a few years ago when productive plants authorized to carry on foreign trade activity were few and far between in Hungary the situation has radically changed. This change has been introduced with the new economic management system. In addition to the central foreign trading enterprises, ever more factories are granted the right to export their own products—their number at present exceeds one hundred and includes some large factories as the Hungarian Shipyards and Crane Factory, the Magnesite Industry Works of Refractory Products, the Concrete and Reinforced Concrete Works etc.

This trend seems to stay. The Ministry of Foreign Trade is vested with the right to grant foreign trading licences to enterprises, in justified cases, in the way it did on January 1, 1970.

### Labour Instrument Works

Labour Instrument Works has been exporting complete seed and fodder testing laboratories since January 1, 1969. On the first of January 1970 the enterprise was also granted the right to export some other products, for instance auto-claves, drying cabinets, water baths, stills, evaporators and digestion apparatus—among thermotechnical lines, shakers ball mills, magnetic and flexible-shaft mixers from the range of mechanical products, analytical balances and electrophoresis apparatus.

Labour Instrument Works is the only factory in Hungary engaged in the assembly, supply and installation of complete laboratories. Over and above the means used in research and testing in the fields of medicine, veterinary medicine, biochemistry, biology, haematology, education—to quote some of the most important types—Labour undertakes the assembly and furnishing of laboratories in agriculture. Travelling laboratories constitute an important item in its production programme.

Labor Instrument Works has a highly qualified and experienced team on its staff. In its activities the enterprise may rely also on its long traditions in production. Although in its present organizational form the Labour Instrument Works looks back upon a relatively short history—it was established on the 1st of July in 1963, through a merger of such long-standing plants

are the 50 year old Labor Factory of Fittes, the legal successor to the Erdelyi Szabo laboratory instrument making firm. Another of Labor's productive bases, the Esztergom Instrument Works, has a similarly long past to look back upon. Long traditions combine favourably with the dynamic upswing which has characterized Hungarian industry since the Second World War and contributed in no small measure to stepping up the rate of progress. In addition to its own Development Department, in improvements, updatings and product development the Labor Instruments Works relies on some forty scientific institutes, in part under the guidance of the Hungarian Academy of Sciences, and on several universities.

Close relations with the said institutes and universities have helped in developing, among other things, Labor's fluidization laboratory and the complete "chemical" laboratory, two of the complete assemblies developed for industrial chemistry, which both in methodology and design, owe a great to Dr. Mor Korach (Academician, Professor, Head of the Industrial Chemistry Technology Department of the Polytechnical University of Budapest, Director of the Industrial Chemistry Institute of the Hungarian Academy of Sciences), and his associates.

Relations are similarly close between the Labor Instruments Works and the Institute for Organic Chemistry of the

(Continued on Page 6)

## Greetings to the Government and the People of HUNGARY

on the occasion of their  
National Day

from

# SATHOSA

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### COMPANY MEETING REPORTS

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Editor, (Company News)  
C/o: The Economic Times  
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Colombo - 10.



# MANAGEMENT

## HOW TO PLAN SURVIVAL

A typical 'pyramid' of ratios which can be used to analyze the operating efficiency of a business, as prepared by the Centre for Interfirm Comparisons, selects the ratio of operating profit/operating assets as the primary ratio, because it reflects the earning power of the operations of a business. A favourable ratio indicates that a company is using its resources effectively and is in a strong competitive position. The relationship (1) between a firm's operating profit and its operating assets depends first of all on two other important relationships or ratios, namely that between its operating profit and its sales (2), and that between its sales and its operating asset (3). The former (2) shows what profit margin has been earned on sales, while the latter (3) shows how many times assets have been turned over in a year; a subsidiary ratio to (3) indicates the assets required per £1,000 of sales.

Tests of liquidity are tests of a company's ability to meet its short-term obligations— inadequate management of cash resources is a major cause of failure. Again, many ratios can be employed, depending on the aspects of the com-

pany's financial situation under review. The ratio of current assets to current liabilities is probably the most common test of liquidity. Current assets include cash and other assets which can be turned into cash during the normal course of business in a reasonable period of time—usually one year. It generally includes cash, accounts receivable, inventories, and marketable securities held as investment. Current liabilities include all debts that fall due within the next year.

Since the funds to be used for paying current liabilities must come from the liquidation of current assets, the current ratio is important to both management and short-term creditors. The current ratio, in effect, measures the margin of safety that exists to compensate for the typical unevenness in cash flow. Generally companies which carry a high proportion of their current assets in inventory and sell products on credit should have a higher current ratio than firms making to order with low inventories and easily collectable accounts due. A widely-used rule of thumb is to maintain a current ratio of 2:1.

This is the second instalment in the series on planning. Here, the author analyses the operating efficiency of a business.

(Courtesy Management Today).

The acid-test ratio, an extension of the above, shows the ability of a company to satisfy, in the immediate future, its short-term obligations. It is the ratio of 'quick assets' to current liabilities. 'Quick assets' are those which can be readily turned into cash if the occasion demands and include cash, marketable securities and accounts receivable. Stocks are normally excluded. An acid test of 1:1 is usually considered adequate, but this must depend upon the nature of the short-term liabilities likely to be encountered. For instance, impending repayment of a

bank loan could place a higher than normal demand on cash resources.

Keeping a tight rein on credit given and money due is of paramount importance, and mismanagement of credit facilities is a major cause of trouble. For instance, in September 1970 the British Steel Corporation explained that one reason for its major decline in profitability was a substantial increase in overdue receivables. To minimise this danger, more and more firms are using specialised agencies or factors to act as debt-collectors. These factors will discount debt due for a fee, thus freeing cash for use and relieving firms of the expense of collecting their own debts. Alternatively many large firms now employ their own specialist staff to collect money due. In this connection, it is worth noting that women have been found more successful than men—apparently even the most hardened managing director

cannot resist feminine entreaties.

By dividing the average accounts receivable by the annual sales an average collection period can be obtained. This in turn can be related to the terms of credit given by the company to determine the effectiveness of credit management. As a rule of thumb the collection period should not exceed 1.3 times the company's regular payment period. The financial position can be further analyzed to determine a company's vulnerability to failure. For instance, an analysis can be made of the inventory to discover obsolete and slow-moving stock, or of plant and depreciation rates, or of the ratio of shareholders' equity to total debt ratio (known as gearing). Such ratios may not matter for short-term planning, but can be of absolutely vital importance to long-term operations.

(TO BE CONTINUED)

## FOREIGN TRADING RIGHTS....

(Contd From Page 5)

Lorand Eotvos University, the University of Medical Sciences in Budapest, the Institute for Pharmaceutical Chemistry, the Szeged University of Medicine, the Postgraduate Medical School, the Biochemical Institute of the Hungarian Academy of Sciences and the National Blood Bank.

We have spoken of Labor Instrument Works, new export rights, its long traditions in production and its highly qualified staff and have not mentioned its products. Their short technical description proves in itself that Labor is an up-to-date major plant which holds its own in the keen competition on the international market.

### The Hungary of Today.....

(Contd from Page 4)

In this connection I would like to mention that early this year an Economic Co-operation Agreement was signed between Hungary and Ceylon, granting a loan of 4 Million Pounds Sterling for the establishment of new industrial projects - complete plants and for delivery of machinery. On the 10th of March of this year another Agreement was signed for Technical and Scientific Co-operation between the two countries. These two agreements have a significant role for the future life of the two countries. I am convinced that the ties between Ceylon and the Hungarian People's Republic will become close for our mutual benefit and for safeguarding the peace in our two countries.

On the occasion of our National Day, I have the pleasure to wish all the best to the Ceylonese people and the United Front wish all the best to the Government for successful development in the economy, for the peaceful future of the country and for the further development of friendship and mutual relations for both countries' benefit.

In the course of the past years Labor Instrument Works have developed for instance,

a whole family of equipment for electrophoresis and chromatography which embody solutions new even on an international scale.

## Under-expenditure at a new peak

(Contd from Page 1)

The Ministries Of Industries and Scientific Affairs and Agriculture and Lands show an under expenditure of Rs. 33 million (or 25 per cent) as Rs. 37 million (or 23 per cent) respectively. In contrast, the actual expenditure of the Ministry of Industries exceeded the original provisions by 12 per cent in 1969/70. The Agriculture Ministry, however, had recorded an under-expenditure of 16 per cent in 1969/70.

The under-expenditure by the Ministries of Housing and Construction, Posts and Telecommunications and Information and Broadcasting in 1970/71 amounted to Rs. 24 million or 41 per cent, Rs. 14 million or 67 per cent and Rs. 11 million or 58 per cent, respectively, whereas in 1969/70 they stood at 21 per cent, 44 per cent, and 23 per cent respectively.

In 1968/69 the Ministry of Housing and Construction was able to spend its allocation in full.

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## More Japanese aid to developing countries

Tokyo

The White Paper on Economic Co-operation, announced by the Ministry of International Trade and Industry, stated that Japan's assistance to developing countries in 1970 amounted to \$ 1,824 million, a jump of 44.4 per cent over the preceding year. Japan became the second largest donor country among the Development Assistance Committee countries after the United States, and its assistance accounted for 0.93 per cent of the GNP as against 0.76 per cent in 1969.

By types of aid, Japan's assistance consisted of \$ 458 million in Government development assistance (up 5.1 per cent), \$ 693 million in other Government funds (up 48.8 per cent). The growth rate of Government development assistance was the lowest, and this type of assistance occupied 25.1 per cent of the total aid, far lower than the average 46 per cent for the DAC member countries. Its ratio to the GNP was 0.23 per cent as against the DAC average of 0.34 per cent.

As to terms of assistance, too, there was much for improvement. The ratio of grant in Government development assistance was 38.7 per cent, and the loan interest averaged 3.50 per cent per annum, the term of deferment 6.8 years and the term of repayment 21.6 years.

The White Paper stated that Japan's low level of Government development assistance is subject to international criticism, and called for expansion of such assistance as the responsibility of an advanced country and also from the standpoint of smoothing out economic exchanges with developing countries.

### W. GERMAN PROJECT ASSISTANCE TO BANGLADESH

Bonn

The Federal Government is ready to resume economic-aid projects that were begun in what was formerly East Bengal, now Bangladesh, the Bonn Foreign Office has stated. Technical details have still to be cleared up.

The Bonn Government has advised Dacca that it is prepared in principle to provide economic aid, although no firm agreements have yet been made. Bonn has supplied considerable amounts of medical and other relief aid over the past months.

Talks began recently in Aachen on relief aid from "Misereor," the Catholic Church organization. This could include equipment for hospitals damaged in the recent hostilities.

### RICHEST AND POOREST AREAS IN E.E.C.

Brussels

Hamburg is the richest area in the European Communities, says a recent publication by the European Commission in Brussels. It has a gross domestic product per capita of roughly DM 16,200 a year.

The EEC listings include seven other areas in the Federal Republic where the gross domestic product exceeds about DM 10,000: Bremen, Cologne, Darmstadt, Düsseldorf, North Württemberg-Rhine-Hessen and Upper Bavaria.

Most of the rich areas listed are either in the Federal Republic or France. The Federal Republic also contains, however, one of the poorest regions in the EEC.

The report also notes that there are strong population movements within individual countries of the Communities. The big shift to the western part of the Federal Republic during the 1950's gave way to a southward movement in the 1960's.

### PROJECT LOAN FOR PAKISTAN

Islamabad.

Britain will lend Pakistan a further million sterling for the Tarbela Dam Project.

The new loan is interest free, like previous ones.

Britain had already provided 6.6 million sterling for the 10



million sterling dam being built across the Indus at Tarbela in Pakistan's frontier province 49 miles north-west of here.

It will be the world's biggest earth-filled dam and will irrigate a large part of Pakistan as well as generating more than two million kilowatts of electric power.

### ITALIAN WORKERS HOLD NATIONWIDE STRIKE

Rome

Over 6,200,000 workers in agriculture and industry went on a joint nationwide strike in Italy last week demanding full employment, higher wages and better working and living conditions.

The 1,700,000 farm workers first downed tools during this nationwide strike as the negotiations for the renewal and improvement of their national labour agreement which started last October failed to achieve any result because the landowners refused to accept the workers' rational demands.

To support the farm workers struggle, 4,500,000 industrial workers from the construction, metal and engineering, chemical, food processing, textile and printing trades went on strike on the same day.

The building workers and farm workers struck for 24 hours, while the strikes of the workers in other fields ranged from several to over a dozen hours. The strikes covered many cities and areas, including Rome, Milan, Naples, Catania, Bologna, Modena, Genova, Palermo and other places.

P.

(Hsinhua)

### SOVIET - EGYPTIAN COOPERATION

Moscow

The Moscow weekly "Ekonicheskaya Gazeta" (Economic Gazette) says that equitable and mutually beneficial Soviet-Egyptian relations which are based on the community of interests, are gradually assuming the character of an ever deepening division of labour between the two countries.

The Soviet Union is rendering Egypt great and wide-ranging assistance in building up its national economy. Almost 77 per cent of the credits extended to Egypt by the Soviet Union are channelled into industry and power engineering and over 17 per cent—into agriculture. Machines and equipment account for about 46 per cent of the Soviet exports to that country. Tens of enterprises have been built in the Arab Republic of Egypt with Soviet assistance. In the past year alone, these enterprises brought in 15.5 million Egyptian pounds in profit while profits from the Aswan hydropower complex nearly reached 150 million Egyptian pounds.

The Soviet Union, for its part, imports great amounts of longstaple cotton, oranges and rice from Egypt.

Egypt also exports to the Soviet Union more and more leather footwear, women's clothes, knitted goods, carpet and other manufactures including those for industrial use. Thus, it helps to supply more fully the growing needs of the Soviet population and national economy.

## THE NEW ROUND OF GLOBAL TRADE TALKS

The new round of global trade negotiations which are expected to begin in 1973 could well be as important as the "Kennedy Round" in the 1960's. But there are likely to be some significant contextual differences.

For one thing, the negotiations beginning in 1973 probably will be much broader in scope than the Kennedy Round negotiations. The Kennedy Round resulted in an average on industrial goods, spread over five annual instalments (the last of which went into effect only at the beginning of this year). But little was accomplished toward liberalizing trade in agricultural goods, and no progress was made in resolving the troublesome problems of non-tariff trade barriers.

Agricultural trade problems and non-tariff barriers are likely to figure prominently in the 1973 negotiations. Joint declarations issued by the United States and Japan and the European community spoke of the need for a comprehensive review which would cover "all elements of trade, including measures which impede or distort agricultural, raw material and industrial trade."

### DIFFERENT APPROACH

The negotiations probably will not be organized the same way as in the last global round. During the Kennedy Round, an attempt was made to put everything together in one big bundle. Within this big bundle, each country tried to assure that trade concessions given to each other country were matched by the concessions by that other country. Under this procedure, nothing could be decided until everything was

decided. It turned out to be an exceedingly complex operation and dragged on longer than anyone had expected. Something different is likely to be tried the next time. No procedures have been set yet, and indeed negotiations over procedures and arrangements are likely to occupy most of 1972. However, William D. Eberle, President Nixon's special representative, has mentioned one possible approach—somewhat similar to the one used at Strategic Arms Limitation Talks (S.A.L.T.). The negotiators would sort out the trade issues into manageable bundles, and dispose of the bundles one at a time.

By Eugene Blake  
IPS Columnist

The aim of the new talks will be to remove obstacles to the free flow of trade among nations. This is clear from the wording of the joint statements, and from a reading of recent documents setting forth U.S. international economic policies.

However, there also is an awareness that it is unrealistic to talk about completely free trade as a realizable objective.

In some areas, governments will decide that social objectives outweigh the economic advantages of completely unrestricted international trade. This is particularly true for agricultural trade policy. Some governments have made it quite clear that they have no intention of abandoning the use of trade restrictions and export subsidies as tools to help carry out domestic farm policies.

There is an awareness, too, that while the benefits of more liberal trade policies outweigh the cost, the benefits are widely dispersed and the costs are often heavily concentrated on certain producing firms, workers, or farmers.

Both as a matter of equity and for the purpose of making liberal trade policies politically viable, the search is for ways to make the transition to freer trade less painful for those who are unable to cope with a sudden surge of foreign competition.

### Williams Commission Recommendations

The Williams Commission, in its report to President Nixon last year on trade policies, recommended a major series of international negotiations "to prepare the way for the elimination of all barriers to the international trade and capital movements within 25 years." But it also suggested that such devices as "orderly marketing arrangements" might be considered in some cases to deal with problems of market disruption, in addition to national "adjustment assistance" programs.

The declarations calling for a new round of trade negotiations did not deal solely with "greater liberalization of world trade." They also specified that the trade talks would aim for "improvement in the standard of living of the people of the world." This goal might be easier to explain and sell to some segments of the public than a goal of "trade liberalization" alone.



# BRITAIN'S ENTRY INTO THE E.E.C. AND ITS IMPLICATIONS FOR CEYLON (II)

## Manufactured Products

Commonwealth preferences in relation to manufactured products have been only of academic interest to us as exporters in this category to U.K. have been minimal. However, Britain's membership of the Community will mean that Ceylon's manufactured product will not receive preferential treatment both in Britain and in the enlarged Community. This will no doubt be a major disadvantage to us as we will now have to compete with similar products originating from the developed Western countries. This changed situation could inhibit the strenuous efforts currently being made to encourage the export of manufactures. However, this disadvantage will, to some extent be mitigated, if the duty-free offer made by both Britain and the Community for manufactured products falling within Chapters 25 to 99 of the Brussels Tariff Nomenclature, is accepted under the proposed Generalised Scheme of Preferences.

In the foregoing paragraphs an attempt has been made to identify and evaluate the impact of British entry into the Community from the point of view of tariff changes in relation to Ceylon's exports. Another aspect that merits consideration is the possible impact of Britain's entry into the Community on her balance of payments and its possible repercussions on Ceylon's volume of trade with Britain.

## The Balance of Payments Impact

Ceylon earned Rs. 455 million on exports to Britain out of a total earnings of Rs. 1,995 million in 1970. Of

this tea was the most important foreign exchange earner from Britain accounting for Rs. 383 million. A recent study of the balance of payments impact of Britain joining the Community indicates that it could result in an overall adverse balance of payments. This may however be only a short run consequence but corrective measures could be expected to fall mainly on imports and may also lead to a cutting down of overseas aid. Ceylon's aid flows from Britain may then be affected.

An adverse British Balance of Payments could have a pervasive impact on Ceylon's export earnings. Cuts may be made in tea and desiccated coconut imports. Further, increased use of synthetic rubber may be resorted to, to the detriment of natural rubber imports from Ceylon. A fall in our trade earnings from exports to Britain would be the inevitable result of such a situation.

This could affect our capacity and may call for import restrictions in order to safeguard our balance of payments position. A further effect of the existence of this situation could be a redirection of an appreciable amount of import buying from the United Kingdom to other areas where there are better prospects of increasing our exports, or where we enjoy more favourable trading conditions.

## Imports from U.K. and the E. E. C.

Ceylon accords preferential duty rates to a whole range of imports of British origin. Ceylon's imports from the U.K. and the Community amounted to Rs. 329.8 million or 14.2

per cent of her total imports and Rs. 283.7 million or 12.2 per cent of her total imports respectively in 1970. The entry of U.K. into the Community will mean a repudiation of these preferences by Ceylon. Without these preferential margins it is possible that goods of Community origin may be more competitive with British goods, thus enabling Ceylon to switch some of her purchasing (e.g., motor vehicles, machinery, textiles) from the U.K. to the Community.

## Strategy to be adopted

The British Government has repeatedly stated that its entry into the Community depends amongst other things on whether satisfactory arrangements can be made in relation to Commonwealth trade. As such in the abovementioned negotiations on Britain's entry into the Community in 1961-63, agreement had been reached on certain provisional proposals as to the treatment that should be accorded to trade between the enlarged Community and India, Pakistan and Ceylon. It had been agreed at that time that on Britain's accession to the Community an enlarged Community would seek to negotiate comprehensive trade agreements with these countries "for the purpose of maintaining and as much as possible increasing the level of foreign receipts in these countries and in general facilitating the implementation of their development plans." The means to be employed to achieve these objectives related mainly to tariff policy, quota policy,

export policy (guarantees to avoid disturbances to the markets of importing countries) and encouragement of private investment and technical assistance.

The agreements were expected to be concluded for a number of years in each case and renewable. The full terms of of British entry into the Community indicate that "for countries like India, Pakistan, Cey-

lon of the Community must be based on one of two assumptions.

(a) that the Community will continue to accord the same treatment as it presently does to our major exports.

(b) that the Community's common external tariffs will apply to our major exports.

Assumption (a) means that our exports of tea in bulk, rubber, copra and natural gra-

By  
**Nihal Wiratunga**  
Senior Economist  
Central Bank of Ceylon

lon, Malaysia and Singapore" solutions possibly in the form of special trade agreements would be negotiated after Britain finally joins the Community. These special trade agreements are intended to complement the Generalised Preference Scheme which the developed countries are now engaged in formulating for the benefit of the developing countries under the aegis of UN-CAD.

It is not possible however to forecast with any degree of certainty what the ultimate terms of the special trade agreements are likely to be. It seems unlikely that the members of the Community will depart in any fundamental way from the basic terms of the Rome Treaty

Any evaluation at present of Ceylon's position in the light of Britain's membership

will be accorded duty-free entry into the enlarged Community with packaged any instant tea, desiccated coconut, coconut oil, cocoa beans and coir fibre attracting import duties. The special problems relating to these commodities have already been highlighted in earlier paragraphs, and what needs consideration here is whether a trade agreement will help accomplish our main aim of preserving our markets. The problems relating to Coconut Oil and Desiccated coconut are so sticky that it is felt that only a binding arrangement between Ceylon and the Community can preserve this market for us. On the other hand Ceylon is essentially attempting to break new ground for Packaged and Instant Tea. This is a highly competitive field and protection will be initially necessary to make headway. It is important to realise that the enlarged Community will

have no commitment towards Ceylon and the absence of such a commitment could prove detrimental to our trade in a highly competitive environment. A trade agreement involving some quota arrangements seems to be the only available means of bringing about such a commitment.

Consideration of assumption (b) only serves to re-inforce the importance of concluding a special trade agreement with the enlarged Community if we are to preserve our trading position in Britain. Being one of the biggest trading blocs the enlarged Community will be under heavy pressure to negotiate special protocols with the developing Commonwealth countries in order to safeguard their balance of payments position and facilitate a smooth progress of their development plans. Most recent indications are that India has requested a commercial co-operation agreement with the Community in a bid to improve its marketing position with the Community. Pakistan has apparently asked for a similar agreement.

## Concluding Observations

The most beneficial form of association with the Community that might have been negotiated for the Asian Commonwealth members would have been one similar to the YAOUNDE Convention. This form of association would have enabled the countries concerned to have duty free access into not only Britain but also the Community for a high proportion of their produce. Further it would have

## Opportunities for small Industrialists :

There are good prospects abroad for sales of Ceylon hand-made batiks, but the market has not been effectively exploited so far because existing batik manufacturing units are not equipped to undertake large and regular orders and are also often confronted with difficulties in obtaining raw materials in time for production.

This scheme has been prepared to encourage would-be investors to take to the manufacture of batiks exclusively for the export market. It suggests the scale on which an economically viable unit should operate.

## EXTENT OF MARKET

Batik production at present is undertaken by 3 units approved by the Ministry of Industries, about 39 smaller manufacturers registered with the Department of Small Industries and a number of other cottage industrial type enterprises scattered throughout the Island.

The output of the 3 Ministries of Industries approved units in 1970 was under 35,000 yards. There are no readily available figures of production of the other smaller manufacturers.

Exports of batiks from Ceylon during 1970 are estimated at under Rs. 200,000 worth of which the share of the 3 units approved by the Ministry of Industries was about Rs. 135,000. The principal batik items exported during that year consisted of wall hangings, scarves, dress lengths, cushion covers, table mats and table cloths.

The more promising markets for our batiks are understood to be West Germany, Sweden and Japan. Other countries where a demand for batiks is known to exist are Canada, Switzerland, Denmark, Australia and the United States of America. None of these countries classifies batiks as a separate item in their trade returns and it is therefore not possible to obtain a reliable estimate of the total demand.

Nevertheless, recent enquiries and market surveys conducted by our Trade Missions abroad and by a local batik artist indicate that buyers are prepared to place regular orders on Ceylonese manufacturers of batiks if these are available in reasonable quantities and deliveries could be effected on schedule. An order from Japan for 10,000 batik shirts in one shipment and another from Canada for 100,000 head scarves are cited as examples of the size of the quantities in which these items would normally be wanted. In the case of the shirt order, existing units were able to execute only a portion of it within the stipulated delivery period.

## Export Incentives

New entrants to the export market for batiks might wish to note that the main competition to their products will be from cheaper machine-made batiks supplied by Malaysia, India, Indonesia and the Philippines.

The following export incentives are at present available to batik manufacturers:

(1) Foreign exchange Entitlement Certificates. Under this scheme, exporters can earn an additional 55 per cent over and above the f.o.b. value of their exports.

(2) Excise duties and Business Turnover Tax are waived on exports.

(3) There is a three year tax holiday on profits from the export trade of manufacturing units approved by the Ministry of Industries.

(4) A priority issue of foreign exchange allocations for raw materials to execute export orders is allowed by the Ministry of Industries on the furnishing of proof of a firm export order.

The Ministry of Foreign Trade is in a position, through its trade missions and embassies abroad, to assist batik manufacturers to enter into business dealings with possible buyers in countries where batiks are in demand. Interested firms should get in touch with the Ministry of Foreign Trade and provide full particulars of their products including their c.i.f. prices destination-wise, quantities available for export, delivery dates, descriptive literature, samples etc., which would assist its missions in making the necessary field enquiries.

## INVESTMENT

The type of batik manufacturing unit envisaged in this scheme would be larger than those in existence at present and should cater exclusively to the foreign market. In order to effectively cope with orders, it would employ a staff of about 200 and have a

capital investment of about Rs. 9 lakhs of which the shares respectively of fixed capital and working capital would be approximately Rs. 153,000 and Rs. 760,000.

## Batiks for the Export Market

The proposed annual output could be as follows:

20,000 men's shirts
20,000 ladies' dresses
2,000 wall hangings
15,000 scarves.

It is of course possible to vary the proportions in which the above items should be produced and also to diversify the product range further to include table mats, table cloths,

## Fixed Capital

	Rs.
Land 1/2 acre at Rs. 100/- a perch	8,000
Building—6,000 sq. ft. at Rs. 20/- per sq. ft.	120,000
Equipment	14,200
Installation of water supply (including overhead tank) and power	7,000
Contingencies	3,500
	152,700

## Working Capital

	Rs.
Stock: Raw Materials (3 months)	223,275
Finished goods (3 months)	453,000
Packing materials	450
Receivables less payables	35,000
Cash requirements (to meet operating expenses)	50,000
	761,725
Total Capital Employed—	914,425

tea-poy covers, cushion covers, bed spreads, sarees etc.

The value of the annual output at f.o.b. prices would be approximately Rs 2 million.

Only about Rs. 14,000 would have to be incurred by way of equipment costs for the proposed unit.

## RAW MATERIALS

The principal raw materials used in the manufacturing process are textiles, dyes, chemicals and wax, all of which would normally be imported by the manufacturer since they are required in sizeable quantities.

Batik dyeing cannot be undertaken on synthetic textiles. Only cottons like poplin, voile and lawn and pure silk are suitable and such materials should be of good quality. Chinese blue line poplin 4,000 is frequently used for shirts, ladies dresses and wall hangings. Lawn is preferred for dresses and voile and pure silk for scarves.

## CAPITAL REQUIREMENTS

A detailed break-down of the capital requirements is provided below:

The approximate yardage of textiles required by each of the proposed units for the production of shirts, ladies dresses, wall hangings and scarves would be 130,250. The average cost per yard of cotton textiles would be about Rs. 3/-.

In view of the high tailoring charges for garments in most of the buying countries, it is now usual to ask the producer to undertake tailoring in conformity with prescribed styles, sizes etc. A sum of Rs. 295.00 has been included (under variable costs in the Profitability Statement provided later on in this report) to meet tailoring fees to be paid by the proposed batik manufacturing unit to be-spoke tailors. At a later stage, the unit might find it



## S IMPLICATIONS

have no commitment towards Ceylon and the absence of such a commitment could prove detrimental to our trade in a highly competitive environment. A trade agreement involving some quota arrangements seems to be the only available means of bringing about such a commitment.

Consideration of assumption (b) only serves to re-inforce the importance of concluding a special trade agreement with the enlarged Community if we are to preserve our trading position in Britain. Being one of the biggest trading blocs the enlarged Community will be under heavy pressure to negotiate special protocols with the developing Commonwealth countries in order to safeguard their balance of payments position and facilitate a smooth progress of their development plans. Most recent indications are that India has requested a commercial co-operation agreement with the Community in a bid to improve its marketing position with the Community. Pakistan has apparently asked for a similar agreement.

## Concluding Observations

The most beneficial form of association with the Community that might have been negotiated for the Asian Commonwealth members would have been one similar to the YAOUNDE Convention. This form of association would have enabled the countries concerned to have duty free access into not only Britain but also the Community for a high proportion of their produce. Further it would have

offered opportunities to receive communal aid from the Community and share in institutional arrangements where their best interests would have been served. This form of association is apparently only open to less developed countries and not developing countries. It would therefore appear that Ceylon and the other Asian Commonwealth members have in fact secured little or nothing specific from the negotiations save a series of assurances.

There is however, room for a degree of optimism when some of the negotiated terms and inherent characteristics of the Community are considered.

(1) From now until the time when the choice is finally made, perhaps between 1973 and 1975 the trade relations between Britain and the Commonwealth will be left untouched. This could be interpreted as an important indicator of the Community's goodwill and sense of responsibility.

(2) The potential for a shared access with Britain to a great and growing market of over 300 million people exists.

(3) A stable market for Commonwealth produce can be envisaged. There is sufficient grounds to hope that its vastness will facilitate and provide opportunities for substantial diversification of our export markets, and increase our trade prospects.

## (CONCLUDED)

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more profitable to have its own tailoring department with the required stitching equipment.

The principal dyes and chemicals used are naphthalenes and several fast salts and caustic soda. In addition, there are fair requirements of rosin and beeswax. Only cold water dyes can be used and they should be of superior quality. The approximate expenditure on these items is Rs. 510,000.

## TECHNICAL PROCESS

The term Batik refers to a certain process by which a pattern is obtained on a piece of cloth. This is usually done on cotton or pure silk fabrics but not on synthetic materials which cannot withstand boiling to which they have to be subjected during processing.

In the first stage, the material is boiled to remove all traces of starch and dirt. After it has been thoroughly dried, the material is placed on a table and the intended design is sketched on it. The artist then decides on the colour scheme. Wax which is kept boiling on a small stove situated at the work-place of the artist is then applied to that part of the design which she does not want to be dyed. The application is by means of a natural fibre brush or a special tool called a tjanting which is used when more intricate designs have to be obtained.

After waxing, the material is immersed in a particular colour dye prepared in a dye bath. When it is intended to dip the fabric in a different colour required for another part of the design, the waxing is again done on that part which is not to be dyed. This

This century has also seen a radical and persistent shift in occupational structure from occupations requiring little education to those requiring more. Much of the advance in education of the labor force has been matched by this shift in occupational structure toward more valuable types of work, in which more formal education is necessary. It appears that two influences are responsible: First, the availability of better-educated labor has itself made possible, and caused, changes in the whole organization of production to take advantage of a labor supply of higher quality. Second, advances in technology and in business administration and organization have been such as independently to shift the pattern of demand toward occupations requiring more education. The course of technological progress has been predominant education-intensive. Without an upgrading of labor, these productivity-raising changes could scarcely have been adopted.

Additional education has other effects. It usually makes individuals more receptive to new ideas and more aware of better ways of doing things. Manual and white-collar workers are less likely to resist abandonment of traditional methods for better ones. Owners, managers, supervisors, and higher professional and technical personnel tend to be more aware of practices followed elsewhere, and more willing and able to adapt and adopt them. Additional education widens the range of choice open to individuals in the selection of an occupation. It

process is repeated for every different colour required for the particular pattern. It is necessary after each dyeing to ensure that the fabric is thoroughly dried before it is waxed again.

Usually between 2 - 5 colours are used in a batik print. Production costs rise with each colour and the price of the finished product is accordingly higher.

## EQUIPMENT

A statement listing the items of equipment required and their costs is given below:

	Rs.
800 tjantings of 4 sizes at Rs. 2/- each (inclusive of replacements)	1,600
200 brushes in various sizes at average rate of Rs. 4/50 (inclusive of replacements)	900
50 Stoves at Rs. 30 each	1,500
8 Dye baths at Rs. 150/- each	1,200
10 Boiling Tanks at Rs. 200/- each	2,000
10 Tables (4' x 6') at Rs. 150/- each	1,500
150 Chairs for workers at Rs. 20/- each	3,000
Office furniture and equipment	1,500
Miscellaneous items inclusive of frames for waxing	1,000
	14,200

Tjantings are now manufactured here and all the other items can also be purchased locally.

## EMPLOYMENT

The minimum staff requirements of the production unit are set out below:

No.	Rs.
1 Chief Designer	800
3 Designers at Rs. 450/- a month	1,350
8 Supervisors at Rs. 300/- a month	2,400
1 Office Manager	500
1 Export Assistant	350
1 Storekeeper cum accounts clerk	300
1 Clerk/Typist	250
184 Skilled & Unskilled workers (at average wage rate of Rs 200/- a month)	36,800
	42,750

For purposes of costing, a monthly average wage rate has been taken into account. The practice in the batik industry at present is to either give workers a monthly wage or pay them on a piece rate basis.

## EVALUATION

- The return on capital employed is 25%
- The payback period on: (a) total capital is 3.8 years (b) fixed capital is .7 month
- Break-even point is Rs. 770,000
- Profit/Volume ratio is .18
- Percentage of net profit to turnover is 11

Since the proposed manufacturing units will be producing only for the export market, it is necessary to ensure that raw materials are available immediately production is undertaken for an export order. The scheme suggested in this report would, therefore, work more effectively if a centralised organisation like the State Trading Corporation is prepared to carry buffer stocks of the more commonly used raw material items in the industry

## Education's contribution to America's economic growth (II)

also enhances their appreciation of alternatives, enabling them to locate and grasp changes for economic advancement as well as to find alternative employment when the demand for a specialized skill achieved through experience or narrow vocational training disappears.

Earnings data provide evidence of the economic value of education. Average earnings rise with amount of education. More educated persons earn more because they produce more the value of their work is greater.

In examining earnings we, must, of course, compare workers who differ only in amount of education, not in other respects as well. Thus, we may start with workers of the same age and sex. We must then compare persons who had similar intelligence test scores in youth, or similar rank-class at certain level of schooling. We must eliminate the effect of geographical, and various other, differences. I have attempted such comparisons to obtain earnings differentials that reflect only the effect of education. Suppose we could the average earnings of workers with eight years of education 100, and measure the earnings of other as a percentage of the eight-year group's earnings. I find that earnings of otherwise similar workers with no formal education are only 71, those with one to four years of schooling 77, and those with five to seven years 90. As we move above eight years of education, earnings continued to rise. On the same scale those with nine

to 11 years earn 110; those with 12 years, who are our high school graduate group, 121; those with 13 to 15 years, 139; and those with 16 or more years, our college graduates, 181.

## Effects on Economic Growth

By combining these data with distributions of labor force by amount of education at various dates, one can estimate the contribution that the increase in education made to our rate of economic growth.

Although the calculations themselves are a bit complicated, the essence of the method can be readily understood. High school graduates earn 121 per cent as much as otherwise similar persons with eight years of education, so they are counted as the equivalent of 121 per cent as much labor. Earnings weights are used similarly for other education groups. One can then compute an index that shows the increase in the average quality of labor as the educational distribution of the labor force changes. Allowance must also be made for changes in school absenteeism and the length of the school term. Such calculations show that additional education is raising the average quality of labor by about 7.5 per cent per decade. One must next allow for the fact that labor is only one of the nation's productive resources, though the largest one, and for some special characteristics of national income measurement. These calculations show that the increase in education has been

raising national income per person employed by about one-half percent a year, both in the period since World War II and over the whole period beginning with 1929. The actual increase in national income per person employed from all sources has been a little over 1.5 percent a year since 1929, so the one half percent ascribed to the rise in education is nearly one-third of the entire increase. Education has clearly been a major source of growth.

Education probably affected growth favourably in another way, although I cannot isolate this effect. We know that advances in managerial and technological knowledge of how to produce efficiently have been another principal source of growth. Indeed, I have estimated that the advance in knowledge has contributed about three-fourths of a percent a year, which makes this the largest single source of productivity growth. Advances in knowledge, and consequently this contribution, might well have been smaller if we had not had an increase in highly educated manpower in general, and possibly in the numbers trained in particular subjects. Some observers place special emphasis on science, engineering, and the mathematics. Others stress what has until recently been almost a peculiarly American institution, the prevalence of schools of business administration at the university level. American business could not operate and progress as it does without the large outpouring of graduates from technical and managerial courses as well as from liberal arts programs.

## CONCLUDED

like cotton textiles, dyes, chemicals and beeswax, which will be released to manufacturers against their requirements.

It will be seen from the Profitability Statement that there is a 25 per cent return on capital to investors who, in addition, will earn 55 per cent over and above the fair value of their exports under the Foreign Exchange Entitlement Certificate Scheme. In certain circumstances, where competition in the market is keener than was originally anticipated, consideration might have to be given to the advisability of parting with a percentage of these earnings, in the form of a discount on the f.o.b. price to the buyer abroad, to ensure continuing business.

The industry is extremely labour intensive and each of the proposed units would provide employment opportunities

## Variable Costs

	Rs.	B/E	2,050,000
Raw Materials (Dyes, chemicals and textiles)...	894,000		
Packing ...	5,360		
Wages ...	441,600		
E.P.F. ...	39,750		
Fuel ...	1,200		
Tailoring charges ...	295,000		
Transport charges ...	2,400		
Contribution —			370,690
Fixed Costs			
Salaries ...	71,400		
E.P.F. ...	6,420		
Sales promotional expenses	50,000		
Replacement of brushes and tjantings	2,500		
General expenses ...	3,600		
Depreciation on: Buildings at 2 1/2%			
Equipment (other than brushes & tjantings) at 20%	2,340		
Net Profit			231,430

## (AN IDB STUDY)

for at least 300 personnel. Substantial foreign exchange earnings would also accrue from an export oriented industry.

## PROFITABILITY STATEMENT

A profitability statement and an evaluation of the scheme follows:

Sales	Rs.
20,000 men's shirts at av. price of Rs. 35/- each f.o.b.	700,000
20,000 ladies dresses at av. price of Rs. 45/- each f.o.b.	900,000
2,000 wall hangings at av. price of Rs. 150/- each f.o.b.	300,000
15,000 scarves at Rs. 10/- each f.o.b.	150,000
C/O	2,050,000*

\*An additional Rs. 1,127,500 will be the earnings under the FEEC scheme.

Rs. B/E 2,050,000





**Message from the Hon. T. B. Subasinghe Minister of Industries and Scientific Affairs**

It gives me great pleasure to send this message of greetings to the Ceylon Tyre Corporation on the occasion of the 5th anniversary of the commencement of commercial production.

During my tenure of office as Ambassador in the Soviet Union from 1962-1965 I was associated with the negotiations of this project and had the opportunity of working in close contact with the Soviet authorities and the Ceylonese personnel then being trained in the Soviet Union for operating the Kelani Tyre Factory.

I am proud of the success that has been achieved by this Corporation during the last 2 years. Production has increased considerably beyond the levels achieved 2 years ago and the Corporation now manufactures over 90% of the car tyres needed for the local market and satisfies fully the local demand for truck and bus tyres.

I am glad that the Corporation is now turning its attention to export markets as well.

Considerable savings in foreign exchange have been achieved by the Corporation during its 5 years of commercial operation, so that the original investment in foreign exchange has almost been completely liquidated now.



**Message from Mr. S. K. K. Sooriyaarachchi Junior Minister of Industries and Scientific Affairs**

It gives me great pleasure to issue this message of congratulations on the completion of 5 years of Tyre manufacture by the Ceylon Tyre Corporation.

# KELANI-

I congratulate every employee of the Corporation, Board of Directors and the Chairman on their achievements to date and wish them continued success in the future

The People's Age is now upon us. Progress manifests itself everywhere. The Nation develops—may be slowly but steadily. This development registers on various aspects of the economic life of our country.



**Message from the Hon. R. S. Perera, Minister of Information & Broadcasting and M.P. for Kelaniya**

One such aspect where great progress has been registered is local industry. New industries were begun and they have flourished. One such industry is the manufacture of Tyres, which is created in my electorate.

The Tyre factory is located on a picturesque site, which was once a flourishing rubber plantation. The immense progress made by this industrial plant is a source of great joy for me.

The Tyre Corporation has proved that latex produced in this country could be utilised for the development of the Tyre industry in this country, thereby saving valuable foreign exchange.

It is said that since the present government took over in 1970, Tyre production has increased ten fold. This is mainly due to the enthusiasm and skill of the present Chairman and the workers. The Tyre Corporation has been able to show profits, whilst handling the largest volume of production among State Corporations. Its profits have been so steady and continuous as to enable the Corporation to give its workers a monthly bonus.

I acknowledge with great joy the fact that our comrades in the Tyre Corporation have proved that the technical talent in this little country is second to none elsewhere in the world.

Let me thank and congratulate the Chairman and his Board of Directors, who after barely 18 months since assuming office, have shown such magnificent results. Let me also thank the workers who co-operated with them.

I am happy to send this message to this supplement, commemorating the 5th year of production in the Tyre Corporation. As the people's representative for Kelaniya, I wish the Corporation greater success in future.



**Message from the Chairman, Ceylon Transport Board**



**Mr. Anil Moonasinghe**

I am very happy to greet the Ceylon Tyre Corporation on its 5th anniversary. During the past 1 1/2 years with the establishment of the new management under the Chairmanship of Mr. Wijeratne I am very happy to state that the quality of Kelani Tyres has improved to such an extent that the mileage we receive from them is equivalent to and in some cases surpasses the mileage obtained from foreign tyres with equivalent specifications. This applies also to the quality of the inner tubes manufactured by the Tyre Corporation which is made entirely of natural rubber and is thus in a position to compete with tubes made from mixtures of natural and artificial rubber.

I wish also to record here that owing to the unprecedented increase in production of tyres at the Tyre Corporation, we have ceased to import foreign makes of tyres to

the Ceylon Transport Board for the year 1972 thus saving a tremendous amount of vital foreign exchange for our country. I hope that the Tyre Corporation will now venture into the sphere of producing various other motor components and will thereby save the Ceylon Transport Board foreign exchange which would otherwise have to be spent to import these items.

It is with pleasure that we remain your biggest customer.

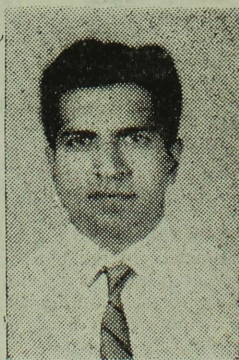
## A LOOK INTO THE FUTURE

The Ceylon Tyre Corporation supplies over 80 per cent of the country's needs of tyres and tubes. This includes all the lorry and bus tyres. In the next few months we shall be making Tractor and Trailer tyres. Scooter tyres and more car sizes are also on our programme of manufacture.

With local demand more or less satisfied further expansion of production becomes possible only if export orders are secured. Trial export orders are just beginning to come in and negotiations are proceeding with other countries towards firm long-term arrangements to export "Kelani" tyres. We are hopeful that these negotiations will yield happy results. Export markets can be won and held only

—Continued on Page 11

by  
**M. S. WIJERATNE**  
B.Sc (Ceylon) F.I.R.I. (Lond.)  
Chairman,  
Ceylon Tyre Corporation.



and workers has been the major contributory factor to this success story. This is indeed a good example for other corporations.

The Tyre Corporation Plant was set up under an Economic Aid Pact signed between Ceylon and the Soviet Union in 1957. Thus it is part of building a wider nations building scheme. I take this opportunity to thank the Soviet Union, for their gracious help in this endeavour.

The utilisation of local raw materials in the manufacture of Tyres and Tubes, has resulted in a foreign exchange saving of 27 million rupees in the year 1971 alone. This year the saving is expected to be in the region of nearly 16 million. The significance of this in the context of our present foreign exchange crisis, cannot be exaggerated.

I am told that mutual understanding and co-operative effort between officers

### CEYLON TYRE CORPORATION — BOARD OF DIRECTORS

Mr. M. S. WIJERATNE, B.Sc. (Cey) F.I.R.I. (Lond) Chairman, Mr. J. DIANDAS, A.C.A., Mr. L. W. PANDITA, Mr. U. N. SIRISENA, B.A. (Cey) ADVOCATE, Mr. R. CYRIL PERERA, Mr. S. ALUDENIYA

# Keeps the Nation Moving



# PROGRESS IN KEEPING WITH A NATION ON THE MOVE

By  
S. Goonetilleka, B.A. (CEY.)  
Marketing Manager

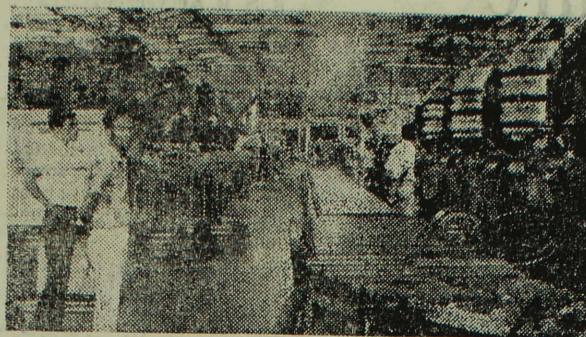
The Ceylon Tyre Corporation commenced its marketing activities almost 4 1/2 years ago. At that time only 4 sizes of tyres and tubes, 2 for cars and 2 for trucks, were being manufactured by the Corporation. The entry of the Corporation into the local market came at a time when new tyres and tubes were in short supply.

The private sector then handled the import and distribution of tyres and tubes in the country. Tyres were imported on a quota basis and the consumer suffered considerable inconvenience in obtaining tyres. Further the black market in tyres and tubes carried out a thriving business.

At the commencement of our marketing activities we manufactured only four sizes of tyres although we endeavoured to make these tyres freely available throughout the country. This was achieved through establishing a retail net work throughout the country. Private traders and co-operative unions were appointed dealers and this

retail net work has kept on expanding together with the Corporation's manufacturing programme.

In 1969 two more sizes - 1 for cars and 1 for trucks were added to the range and the next two years showed a steady increase in the sizes produced. Today the Corporation manufactures 14 sizes of tyres and tubes, 8 sizes for cars 1 for Jeeps and Landrovers and 5 sizes for Trucks and Buses. In the course of this year 1 new size for cars will be introduced and also 2 sizes for the 4 wheel agricultural tractors. These will bring the total of sizes now manufactured to 17.



A general view of the Tyre assembly shop.

This means that 95% of the country's requirement in car tyres and the full requirement in truck and bus tyres will be met by the Corporation. For the first time this year the C.T.B. will not import tyres but instead obtain its entire supply of almost 50,000 tyres from the Tyre Corporation. Whilst the C.T.B. retains its position as our leading customer accounting for almost 50% of our total output our marketing efforts are channelled through a dealer net work of 400 organisations throughout the country. Of this 150 are co-operative unions.

After 5 years of commercial production the Corporation is now in a position to cater to the entire home market. Further in the course of the last 5 years through foreign exchange savings the Corporation has liquidated in full the original foreign exchange investment in the plant. Future expansion of the factory and product development now depend on exports. Over the past 6 months the Corporation has intensified its export promotion campaign. A trial order has already been received from Yugoslavia and further trial orders from other Socialist countries

and the Middle East are expected in the near future.

With the export market taking positive steps the Corporation is carrying out a series of tests towards ensuring better quality. Extensive tyre testing programmes are now under way and these results should help considerably in breaking through and developing overseas markets.

The setting up of the Tyre Factory in this country has been more than justified when one considers the fact that those engaged in transport now have no difficulty whatsoever in obtaining their tyres and tubes at reasonable prices. On the question of prices it must be remembered that our prices were fixed over 5 years ago, before the introduction of the FEEC scheme. Over the past 5 years there has been a steady increase in the prices of all raw materials. These increases, the Corporation has continued to absorb and "KELANI" remains the only industrial product in the country where no price increase has been effected.

## A Look into the Future

Continued  
from Page 10

with high quality and competitive prices. Tyre quality can however be gauged only by actual road tests.

The Corporation is presently engaged on a wide programme to test both car tyres and lorry and bus tyres (truck tyres). The preliminary results coming in from the test runs on buses show "Kelani" tyres performing very well indeed. Included in the tests are radial ply tyres. While substantial claims are made for the radial ply tyres, we are aware that none of the several tyre factories in India have started the manufacture of tyres of this type. In the future we will have to test tyres made of new materials and to new designs. By these means we shall endeavour to give the customer more miles for every rupee he pays for a "Kelani" tyre.

We have reason to believe that one of several reasons for low tyre sales during the past three months is the longer life of present day "Kelani" tyres. By producing better tyres the Corporation sales and pro-

fits may be lowered. Yet the need to save foreign exchange for this country demands that quality improvement be unrelentingly pursued.

### Increasing Productivity

Writing of sales I am compelled to mention that not only has our Corporation pegged down prices on the levels fixed in 1967 but even offered our chief customer, the C.T.B. an additional cash discount of 10 per cent. This we have been able to achieve through better utilisation of existing resources. This subject of increasing productivity is one to which we attach the greatest importance. Studies have already begun on such fundamental topics as the suitability of the present eight hour three shift systems to conditions existing in this country. The preliminary report on this subject was presented to the last annual sessions of the Ceylon Association for the advancement of Science. An Industrial Management Division has recently been set up and will be expanded to

study and locate the areas of our activities where savings in expenditure and more efficient utilisation of machinery and men can be achieved.

Another important task entrusted to our Industrial management Division is that of arranging for the manufacture of as many of the machinery spare parts as possible here. It seems ironical while Ceylonese engineers and technicians cannot find employment in this country it continues to import large quantities of spare parts to be stored away against possible machinery breakdowns.

### Research and Development

Research and Development take high priority in our plans. This Department will help to set a high tone to our activities and will offer scope for the inventive abilities of our staff while yielding rich returns on the investment.

We believe that this country is endowed with rich human talent and that to achieve any degree of progress scope must be provided for this talent to develop. The present Directo-

rate aims to provide opportunities for all employees of the Corporation to develop their inborn skills as far as possible. Indeed training is a corner stone of our policy. While opportunities are being sought for training as many of our personnel as possible abroad and in other Institutions in Ceylon we believe that the Corporation itself must build up a training centre of its own. This idea of a training centre evokes great support at all levels in the Corporation from the Board of Directors downwards. Instruction has to be imparted to all grades of employees. It cannot be restricted to the theory and the practical details of tyre manufacture but must also take in the larger subject of Industrial Management. Particular attention will be focussed on the need for tidiness and meticulous attention to essential details.

### Building Space

Lack of building space has hampered not only the establishment of a training centre but also the general administration and welfare work of the Corporation. The Administration Block provided in the Project Report has not been constructed yet and offices are

located in the building originally meant to be the canteen. In the preparation of our building plans a layout has been prepared for maximum utilisation of the 38 acres of the site. Steps are afoot to obtain for the Corporation the land which it needs for expansion in the foreseeable future.

An area has been demarcated for a playing field to provide recreation for the 1,600 present employees of the Corporation and the many others who will be needed in the future. Opportunities have been provided for Corporation employees not only for sports but other activities as well. We are proud of our Welfare Society which provides benefits not only for their own members but also organises blood donation campaigns and the feeding once a month of two orphanages and the home for the aged in the locality.

The Dramatic Society staged its first effort successfully to an audience of several thousands of visitors. We are hoping that the literary activities find a place in the Welfare Society Library and in a Literary Society which is expected to be established soon.

## TYRE TESTING

By M. Nesadurai  
Tyre Testing Dept.

From the very inception of Tyre production in 1967, the Testing Department has played a very important part in the development of quality Kelani Tyres and Tubes. Adopting internationally accepted methods of testing tyres of commercial production, new designs and reputed brands of foreign tyres are tested round the clock to determine quality.

Three main properties that go to make a good quality tyre are the strength of carcass to withstand heavy strain of loading or overloading, bonding strength between the different components and tread wear which determine tyre life in service.

The carcass strength and the quality of bonding between plies and other components, are determined by quick fatigue tests on a motor driven drum which is run continuously till tyre ruptures. Starting with the normal permissible load, this is increased up to 50 per cent till failure. Heat build up is determined in the different zones of the tyre. High temperatures are undesirable in good quality tyres as it weakens the bonding strength and the materials used. A very close watch is kept for signs of abnormal behaviour and a thorough examination done at the end of test.

A systematic flow of all information is maintained from the Testing Station to the Design, Laboratory and Production Sections for final analysis and study of the properties of the components that go into the tyre. Modifications are made on the basis of these results.

Tests for tread wear characteristics are conducted in the field by controlled tests carried out on a fleet of vehicles which are run almost round the clock. Such tests are referred to as accelerated road tests.

Another type of road test is conducted by enlisting the cooperation of large scale Public and Private transport owners who periodically report to the Testing Department.

(Contd on Page 16)

With Best Wishes  
to the

Ceylon  
Tyre Corporation

from

Eastern Paper Mills Corporation  
356, Union Place, Colombo 2.



# Technology of Tyre Manufacture

The Tyre Technologist and Designer faces the challenge of producing a tyre which could meet with the stringent demands of safety, comfort and speed. In order to meet the challenge, the tyre manufacturer has had to improve the methods of production, technology and design. The sophisticated consumer demand resulting from advances in motor vehicles design has contributed in large measure to the rapid phase of development in the field of tyre industry during the past five years.

The manufacture of the pneumatic tyre involves a complex process. The tyre is made up of a large number of component parts manufactured and assembled together in strict conformity to technical specifications. Prior to manufacture

raw materials entering into the process are tested for quality. In addition, strict inspection of semi-products is carried out at every stage of manufacture. A basic outline of the main stages of manufacture is discussed below.

## Preliminary Stage

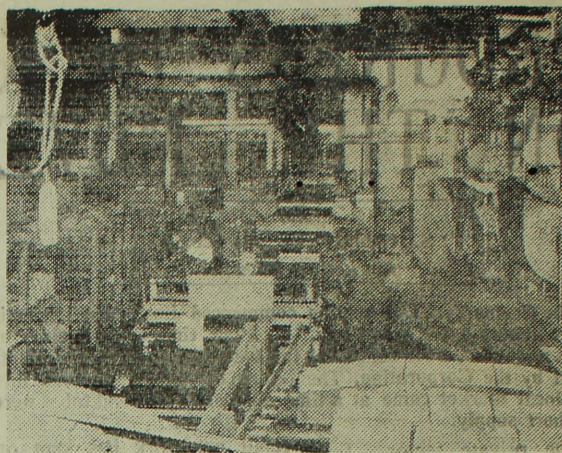
The preliminary stage in the manufacturing process is the making of rubber compounds. Ceylon Tyre Factory uses natural rubber in the form of smoked sheet as the main raw material for compounds. These compounds are made according to given formulations and vary in their composition with regard to the desired properties of the end products. About 12 different compounds are made in the factory. Of these the major items are tread and carcass compounds.

By  
R. S. R. Abeygunewardena  
B.Sc. (Cey)  
Production Manager.

Compounds are made in large machines known as internal mixers. The rubber and other ingredients loaded into these are mixed for specified periods generally about 7 to 8 minutes. These compounds are then sheeted on open mills and kept stored until use. Samples from each batch of compound are analysed in the laboratory for quality. Only batches of the required quality levels are sent for the subsequent stage of production.

## Components

The next stage consists of making the different component parts of the tyre using the compounds described above. The main component is the rubberised cord fabric which forms the body of the tyre. A coating of rubber



This process is known as squeezing of plies

compound is applied on both sides of the cord by means of a machine known as the calender. The rubberised cord is then cut into different sizes at an angle known as the bias angle and fed into assembly machines for building tyres.

The tread of the tyre is manufactured using an extruder. The rubber compound is fed into the heated chamber of the extruder. Inside the chamber is a rotating screw worm which pushes the compound through a die of predetermined shape. In this manner the tyre treads of the required shape and dimension are obtained.

The next important component, known as the bead is made of brass coated high tensile steel wire. This is coated with a hard rubber compound using a smaller type of extruder to the one described above. The bead is made in the form of a ring by coiling rubber coated wires for the required number of tyres on the building machines. The bead ring is finally wrapped with cord fabric.

## Assembly

In the next stage the different component parts are assembled together in the collapsible drum of an assembly machine. In the process of assembly, at first the rubberised cord layers are wrapped round the drum. The beads, treads and other components are next introduced. The building process is a skilled one and the quality of the tyre depends to a large extent on the quality of building.

The assembled tyre which is now removed from the drum is in the shape of a barrel, open at both ends. In the next stage this is brought to a shape closer to that of the finished tyre by a process known as forming. At this stage a curing bag

which is an item similar to a thick inner tube is introduced into the barrel shaped form of the tyre.

The tyre is then vulcanized inside steam-heated moulds under very high pressure. The tyre tread acquires the tread pattern engraved on the mould at this stage.

The process of vulcanization proceeds automatically according to preset regimes. The necessary heat is supplied by means of steam and superheated water that flows into the curing bag introduced during the process of forming described earlier. The mould is heated from outside by means of steam.

After completion of the vulcanization cycle which is about 45 minutes in the case of car tyres and about 80 minutes in the case of truck tyres, the tyres are removed from the moulds, and put through the final operation, such as removal of the flashing. The tyres are then very closely examined for any visible defects by quality inspectors, and handed over for storage.

The main factors which influence the performance of a tyre are the raw materials, the processing methods, the manner of assembly and vulcanization, and the design of the tyre. As such it is clearly seen that the variables that affect the quality of a tyre are numerous and the need for adhering to the manufacturing specifications cannot be over emphasised.

The tyre industry is a dynamic one. All the time newer and better materials, processing methods and concepts of design are being introduced. Every endeavour is made by our factory to keep abreast of these developments in order to satisfy the needs of our consumers.

## A LOOK BACK

By S. A. J. Dias  
General Secretary of the Workers Welfare Society of the Tyre Corporation

Sometime back nearly twelve years ago, this thirty-acre site was strewn with a forest of concrete pillars. They reminded you of some pillar ruins in Anuradhapura. Today these pillars are no more to be seen. They have been absorbed into the main edifice of what now stands as the gigantic Tyre Corporation Factory. This showpiece of industrial Ceylon which now offers employment to a large number of people, was a direct result

of the untiring efforts of the late Mr. S. W. R. D. Bandaranaike, our great and revered Leader, who ushered in a period of transition in Ceylon, in 1956. The present Minister of Information and Broadcasting who was then the M. P. for Kelaniya, was instrumental in getting the factory located in his electorate.

We in Ceylon are today on the threshold of a new industrial era—the people of Kelaniya should be proud to have been

associated so directly with the significant moment in the economic history of our land. The factory which went into operation in 1968, registered steady progress under the previous government, but its progress under the present Government since 1970, has been nothing but meteoric. This achievement was made possible largely to the hard work and devotion to duty shown by our present Chairman, and his team of comrade workers.

It is significant, that on the day we commemorate 5 years of Tyre production, a new electric generator will begin to function, adding a new source of power, needed to boost production. The mutual understanding that seems to exist between the management and the workers, contributed largely to the success achieved by the Tyre Corporation. Here let us also acknowledge with gratitude the encouragement and guidance extended to our association at all times by the Management.

May the bonds of friendship and mutual understanding between the Management and workers grow stronger, and help us to attain new heights in production.

More production through greater unity.

## PEOPLE AT WORK

"If we take people as they are, we make them worse. If we treat them as if they were what they ought to be, we help them to become what they are capable of becoming."

This sums up the personnel function in an organisation like ours. Personnel function is not only the responsibility of the specialists, but of all those who manage people in an organisation. The Management team at the Ceylon Tyre Corporation with this vital responsibility in mind has methodically concentrated on this delicate instrument, the

By  
Lionel Wijesinghe  
B.Com. (CEY)  
Personnel Manager.

human machine.

The efforts on the part of the Management, to develop the employees on effective organisation whereby they could give of their best to the enterprise while achieving the best in them as individuals, have shown fruitful results over the years.

We have to a large extent succeeded in motivating our work force of nearly 1600 employees to develop themselves into a healthy working group with a common objective.

With  
Best Wishes  
to the  
CEYLON TYRE CORPORATION

Mercantile Investments Ltd.  
Galle Face, Colombo 3

## GREETINGS

to the

Ceylon Tyre Corporation  
on their  
5th ANNIVERSARY

from

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# ACCOUNTING FOR EFFICIENCY IN PUBLIC SECTOR CORPORATIONS

By  
**B. HEWAGE**  
Cost Accountant

What is efficiency? How is efficiency measured? Is profit the sole criterion for efficiency in industrial sector?

Efficiency is a form of expressing the relationship between input and output. Thus efficiency of labour may be expressed as the relationship between effort expended in producing a service or product and the quantum of goods or services produced. Efficiency of steam-raising may be expressed as the relationship between the amount of steam produced and the amount of fuel used. Efficiency of an undertaking the sole objective of which is making profit may be expressed in terms of profits earned relative to capital employed. Thus efficiency of any undertaking has to be gauged in relation to its objective or objectives.

Unfortunately a rather myopic view is usually taken of the efficiency of public sector Corporations based on the misconception that profit is the sole objective in the Public Sector Corporations. While recognising the fact that a public corporation, to be economically viable should be commercially profitable, one should not overlook the other objectives of state corporations such as conservation of foreign exchange, providing employment, development of localities etc.

Thus profit is not the cause but the result of industrial activity in the public sector.

To use profit as the measuring rod for determining efficiency in the public sector is to distort the role played by them in industry. We, in the Ceylon Tyre Corporation entrusted with the task of manufacturing and selling of tyres are motivated by two main objectives:

- (a) conserving of foreign exchange.
- (b) ensuring customer satisfaction through quality and price.

In our organisation there exists three distinct key areas where the accounting function could be geared to helping management achieve optimum efficiency:

- (a) Planning
- (b) Control
- (c) Decision-making.

In the Corporation Sector integrated planning normally starts with the Annual Budget. Budget is ultimately designed to achieve the following main management objectives:

- (a) Planning
- (b) Co-ordination
- (c) Control
- (d) Target-setting.

In the Ceylon Tyre Corporation, expenditure is budgeted cost-centre wise and consequently it becomes the responsibility of the manager in charge of each cost centre to account for the expenditure, thus paving the way for

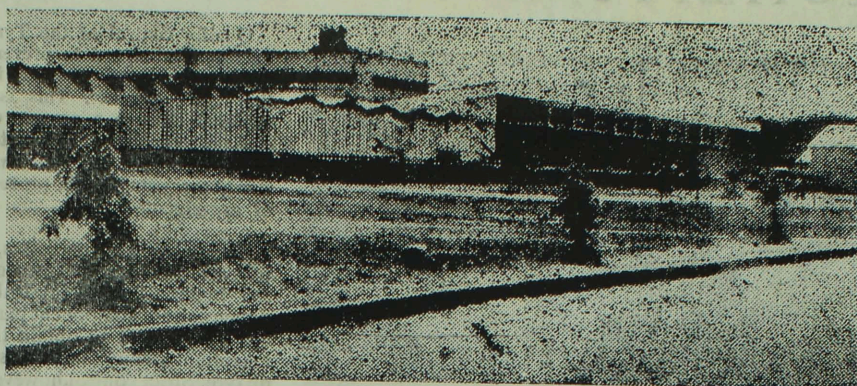
responsibility accounting. Corporation as a whole is demarcated roughly into 20 main cost centres and 80 sub-cost centres, which are under the control of nearly 40 managers at all levels.

Budgetary control is effected through a series of reviews at monthly intervals. An appraisal of the actual monthly results compared with those budgeted is presented to the top management to enable deviations from the plan to be determined and

controlled. This appraisal embraces not only the performance in the sphere of production and marketing but extends to cover cash flow, standard contribution from each product and the total contribution during each month. This information feed-back is considered the most vital aspect of accounting for efficiency and could be diagrammatically shown as below (left.)

Capacity utilisation is another facet on which the attention of the management is drawn and kept continuously focussed. In a factory with an investment of Rs. 67.5 million on fixed assets, marked by the high incidence of fixed overheads, utilisation of capacity to the maximum possible becomes vital for two main reasons. Firstly, maximum utilisation of capacity would contribute to a reduction of unit

(Continued on Page 14)



This attractive building (right foreground) is utilised for the Corporation's welfare activities.

## QUALITY IMPROVEMENTS AND DEVELOPMENTS

By  
**K. C. RASARATNAM**  
B. Sc. (Cey)  
Chief Chemist

It is only 5 years since the first Kelani Tyre—a product of entirely new manufacturing techniques to a Ceylon worker—rolled out of the production line on 20th March 1967. But the techniques have been well mastered and the technical problems have been carefully solved, and today the Kelani tyre is matured enough and is ready to enter the International Market.

No doubt we had many quality hurdles to be cleared at the start, as usual in the case of any new manufacturing organisation. But all those problems such as sidewall cracks of car tyres, ply separation of tyres, blow outs and air bubbles in truck tyres, valve base separation and heat deterioration of tubes were carefully studied and suitable action was taken to improve the quality of our products by eliminating such defects.

More development work is carried out in our Laboratories to make further improvements

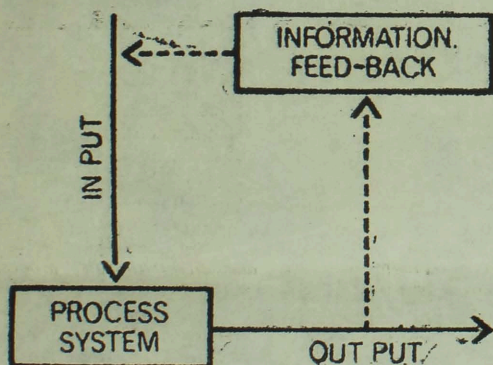
in the quality of our products. There were many who had doubts in their minds as to whether tyres manufactured in Ceylon would perform well, last long and give "citizen Silva" the best value for his money. But they are now baffled to see that Kelani is able to stand even the most severe conditions existing in Ceylon, such as unusually high overloading combined with continuous fast running because our own Natural rubber is suitably compounded with carefully analysed best quality rubber chemicals to maintain a high level of Tensile Strength and Tear Resistance and a low level of Heat Build-up which are some of the most important superior properties of natural rubber.

### Quality Control

Our Control Laboratory which is the nerve centre feeding information regarding suitability of plasticated rubber,

compounded etc. for production, ensures an effective quality control by analysing every batch of rubber compound prepared in the factory. Every batch of rubber compound carries a quality approval certificate from the Laboratory known as "Passport" without which the rubber compounds will not be taken for further processing, in the factory. The control Laboratory works in all three shifts. Other components are also analysed and checked at the semi-finished stage. Samples of tyres and tubes selected statistically from every batch are cut and analysed to check the quality of finished products.

(Continued on Page 1)



Greetings  
and Best Wishes

to the

**CEYLON  
TYRE CORPORATION**

from

**Jayantha Tyre Works**

Authorised Dealers for  
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Colombo 14 — Phone: 24857

Greetings

to the

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**ROTAX LIMITED**  
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Colombo-11.

Greetings and  
Best Wishes

to the

**CEYLON  
TYRE CORPORATION**

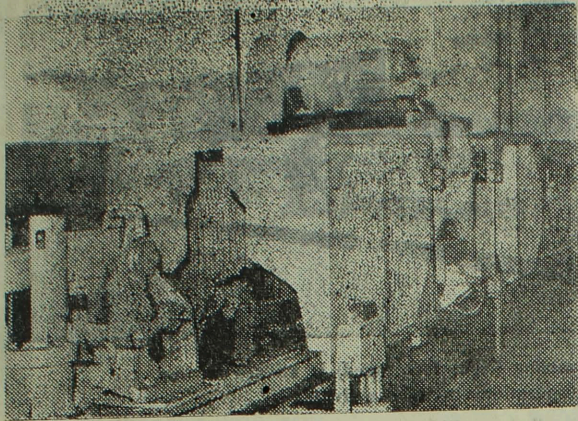
from

**THE COLOMBO TRADERS  
LIMITED**

294, Union Place—Colombo-2.



# QUALITY CONTROL AT THE TYRE FACTORY



This machine is used for testing tyre drums.

Quality control at the Tyre Factory is designed to prevent the occurrence of defects in the final product. This is achieved through a process of elaborate control and systematic feedback of information at every stage in the process of manufacture.

Technological processes, properties of raw and processed materials and physical dimensions of component parts are all designed to obtain the maximum quality in the finished tyre. Strict control, however, is necessary to ensure that these design parameters are maintained within the specified limits. Violations, sometimes do occur, in which case the materials are rejected to ensure that defective materials and component parts are not incorporated in the finished tyre.

BY  
**D. MUNWEERA**  
(B.Sc. Hons. (Cey.))  
*Acting Quality Controller.*

You may already be aware of the various stages in the production of tyres. From the Quality Control angle these stages may be categorised as follows:

1. The materials stage where the raw materials are converted to usable materials.
2. The components stage where components parts are made from the materials.
3. The Assembly stage where the component parts are assembled into raw tyres.
4. The finishing stage where the raw tyres are cured (vulcanised) and trimmed.

Quality Control at the first stage involves sophisticated Laboratory tests where the suitability of a raw material or a processed material is determined after a series of tests. If found unsuitable the material is rejected. Also depending on these test results information is fed back to the processing shop (compound shop) and the supplies department so that immediate corrective measures are taken.

At the second stage Quality control officers perform a 100 per cent inspection of the components and the processes in order to ensure that defective components are eliminated. A

similar quality control process exists for the assembly stage where the defective raw tyres are eliminated. In addition, the process of assembly is strictly supervised so as to minimise the defects.

At the final stage not only the finished tyres are inspected for defects but a close watch is also kept on the curing (vulcanisation) process. Defective tyres are rejected and only the standard products are passed for marketing. In addition destructive tests are performed where tyres are made to run on machines simulat-

ing severe service conditions. The technologists are constantly in touch with the quality control officers so as to ensure rapid feed back of information. Quality control does not end at the factory.

A separate section keeps a close watch on the actual performance of tyres. The information obtained through customer complaints and planned out road tests is well made use of in improving the product.

A similar process of quality control exists for the tubes.

## Accounting for Efficiency

(Continued from Page 13)

costs by the absorption of fixed overheads over a large volume of output, thus exerting beneficial effects on the commercial profitability and the economic viability of the undertaking. Secondly, most of the state sponsored Corporations produce essential consumer goods which would invariably have to be imported if the requirements of the local market are not fully satisfied. Under-utilisation of capacity would therefore result in an avoidable drain of foreign exchange the inadequacy of which is one of the greatest economic tragedies which confronts the nation at present. Thus it becomes the bounden duty of the accounting function to collate, process, tabulate and present information to the management pertaining to the capacity utilisation not only of the whole factory but of each important item of plant and cost centre.

Though the annual capacity of the factory has been estimated as 90,000 Truck Tyres and 160,000 car tyres and an equal number of tubes from each category, effective capacity is much less and is determined by the range of moulds available.

In our Corporation direct material cost accounts for nearly 50% of the total cost. Variance analysis is therefore another tool employed by the accounting function to guide the management by spot-lighting inefficiencies and wastes. Material variances calculated and presented to the relevant level of management at suitable intervals help management measure deviations from standards and initiate timely remedial measures.

The responsibility of providing information to management at all levels devolves on the accounting function. Provision of timely and accurate information helps the manager in his decision making process.

It has, however, been recognised that processing and feeding of information should result in satisfying a need. Management information system in the Corporation which is operated mainly through the accounting function is therefore designed to fulfil the following functions:

- (i) exhaustive communications
- (ii) responsible self-appraisal.
- (iii) decision-making.
- (iv) Co-ordination.
- (v) Control

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AND  
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TEAM  
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## Quality Improvements and developments

(Continued from Page 13)

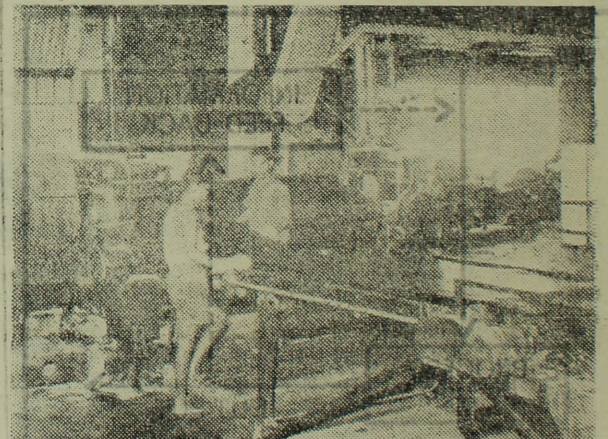
Besides production control work, our Laboratory is equipped with additional modern testing machines and instruments necessary to carry out product development work as well. We are working at present on the introduction of some new materials to give better performance qualities such as higher mileage to our tyres and tubes. We have placed an order for some new testing machines and we also hope to increase our cadre in the Research and Development Unit very soon.

There are only a few Soviet Specialists working with us now, but there are many highly qualified and experienced Rubber Experts in the Moscow

Tyre Research Institute ever-ready to work in collaboration with us and help us.

Programming of our product development work is partially based on the information fed back to us by customers regarding failures and performance problems encountered with our products and we welcome all customers to co-operate with us by feeding more information in this regard. We do not fear, but we invite criticism which forms the base for further product development.

We venture to serve our customers as in the past and our motto is to make Kelani to mean excellent quality



Rubber compounds come off this machine in sheeting prior to the capping process.

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Best Wishes  
to the  
**CEYLON TYRE CORPORATION**  
on their  
**5th ANNIVERSARY**  
from  
**RAJA CORPORATION**  
60 & 62, Dam Street,  
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Greetings to the  
**Ceylon Tyre Corporation**  
on their  
**5th ANNIVERSARY**  
**W. M. A. WAAS & CO.**  
515 Darley Road,  
Colombo-10.



# WORKERS COUNCILS HELP STEP UP TYRE PRODUCTION

On the 23rd of March the Tyre Corporation completed 5 years of active production. In keeping with progressive policies of the present Government, Workers Councils were formed in the Tyre Corporation, on the 21st of January, 1971, to eliminate corruption and waste, to streamline the administration thereby ensuring a more efficient service to the country.

As the President of these Workers Councils, I must express my gratitude to those who invited me to contribute this message.

Once upon a time, we exported raw rubber sheets, and then re-imported them to our country in the form of tyres and tubes and such finished products, thereby spending a considerable amount of precious foreign exchange. With the launching of the Tyre Corporation this pattern changed. This attempt to be self sufficient in our requirements for tyres, is part of a larger move towards economic self-

sufficiency, and an ultimate future prosperity.

In spite of fierce and determined efforts by foreign vested interests, to frustrate our ambitions, we have surely and steadily forged ahead, and today the Tyre Corporation is on the threshold of going into exports. This progress has been registered within one year of the forming of Workers Council.

At present we manufacture 14 different tyre sizes, and tubes in 16 different sizes. We have now launched ourselves into the second phase of production which is expected to take us towards complete self-sufficiency in our requirements for tyres and tubes.

Our past sales figures, and the present stocks we hold, reflect a steep rise in production. This is the result of a collective endeavour on the part of our present Chairman and Board of Directors, the higher officials and the trade unions. It is, needless to say,

By H. EDMUND  
Chairman, Workers Councils  
Ceylon Tyre Corporation

that industrial development, is a prime requisite of future national prosperity.

In conclusion may I add a comment on the delicate question of employer-employee relationship. In the Public Sector both employer and employee, are in the final analysis being paid by the State. Thus in terms of responsibility, both enjoy equal status, and both are entitled to equal rights. It was the present Minister of Industries & Scientific Affairs, who expressed this idea, when he addressed a Conference of Workers Councils, recently. Thus a closer understanding between these two sections, and an active participation of the workers, could always bring about good results. If we keep these lofty ideals in view, to spur us towards greater efforts, we are certain to achieve our production targets.

## Improvement in Kelani Tyre performance

The pneumatic tyre has gone through a series of changes from the early days of its development. In the early days comfort had been the main consideration. Then came the need for improving the structural performance of the tyre and better tread life. The tyre industry had to keep pace with the growth of the automobile industry which had been tremendous. There was the need for better road-holding properties and vehicle stability because of the increased speeds of automobiles.

The areas in which the tyre development is focussed are comfort, durability, tread life and vehicle stability. Steps are being taken to improve the load deflection characteristics of our tyre so as to reduce the low frequency large amplitude vibrations arising out of large irregularities in the road surface. This had been made possible because of the availability of better cord material and improved rubber compounds. The high frequency small amplitude vibrations arising out of small and contin-

uous irregularities in road surface can also be reduced by the use of better materials in tyres. For any further reduction in vehicle vibrations, the tyre and the suspension system have to be taken together and studied as one unit.

by  
V. J. A. Mariathasan  
B.Sc. (Cey.)  
Senior Designer

It has been observed that radial ply tyres tend to give a harsher ride at low speeds. If the suspension system can be modified to suit the radial ply tyres, the harshness in ride can be reduced. In fact, this has been done in most modern vehicles. Non-uniformity is the other factor that affects comfort. The Ceylon Tyre Corporation cannot afford to go in for highly sophisticated machinery that is now available for the manufacture of better uniform tyres. We have to depend entirely on the skill of the worker to produce uniform tyres. With specially trained and experienced operators available here, we are able to

produce tyres that compare well with most of the imported tyres in uniformity. As long as tyres remain a delicately balanced engineering construction, made of many elastic components, non-uniformity will always be a problem for the tyre designers.

In addition to providing comfort, the tyre should be durable i.e., it should be free from tread separation, ply separation, sidewall cracking, etc. Two main factors that contribute to the above defects are flexing and heat build-up. Repeated flexing and heat adversely affect the physical properties of the material. The problem has become acute with increased speeds associated with modern vehicles. From the design angle many changes in the tyre construction have been made to minimise the strain cycle within the tyre components and the mass of the material used which would reduce heat build up.

The other area in which much work is being done is the tread life. Unlike in the case of rigid wheel there is a constant slip between the tyre and the ground every time it comes into the contact area. This is due to the deformation which takes place in the

## Fifth Anniversary of the Tyre Factory

The fifth anniversary of the commissioning of the biggest state enterprises in Ceylon - the Iron and Steel Works and Tyre Factory fell on the 20th and 23rd of March this year.

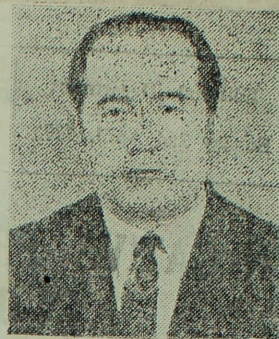
In connection with this anniversary the State Committee of the USSR Council of Ministers for foreign economic relations effecting economic and technical co-operation in foreign projects construction and V/O "Neftekhimpromexport" and "Tiajpromexport" convey their congratulations to the leadership of the Ministry of Industries and Scientific Affairs, to the management, workers, technicians and engineers of this Corporation on the remarkable date - the 5th anniversary, and wish them further success in their work for the benefit of the Ceylonese people.

The Tyre Factory which was set up with Soviet assistance is a striking example of the implementation of Lenin's policy in foreign economic relations, an example of friendship and co-operation between the USSR and developing countries.

The foreign economic policy of the USSR is directed towards furthering the economic progress of developing countries. It helps them

to do away with their dependence on foreign capital, develop national productive forces and raise their standard of living.

By



V. A. Kalinin  
Counsellor for  
Economic Affairs of the USSR  
Embassy in Ceylon.

The characteristic feature of Soviet economic and technical assistance to the developing countries is that it is directed towards establishing and strengthening the public sector in their economies. Existence of the

(Contd, on Page 16)

tyre, within the area of contact. In the time taken for a point in the circumference to describe the periphery, the wheel will not have moved forward a distance equal to the periphery. Hence, there is slip between the surfaces which results in abrasion. Steps are being taken to minimise abrasion. In addition to changes in compound formulations, new types of tread patterns are being developed to realise the optimum values for abrasion, skid resistance and road holding properties.

The other method to improve tread life is to increase the lateral stiffness of the tread in order to reduce the lateral movement of the tread. This method is fully exploited in tyres with radial ply construction. The Designs Department is now studying the possibility of making radial ply tyres and work on this new design of radial ply tyre will commence shortly.

When talking of vehicle control, tyres play a unique and indispensable part. If not for tyres, vehicles could not have been controlled on the roads. It is the area of contact between the tyre and road

surface that serves to accelerate, decelerate and negotiate a bend. It is in this area of contact, the necessary forces are produced. Therefore, the vehicle control can be improved by the proper choice of the contact area and thereby the contact pressure. The shape of the contact area and the lateral stiffness of the tread have been carefully chosen to get the optimum performance.

The other aspect of vehicle control—the wet road holding property of tyres has also attracted the attention of the tyre designers. New tread patterns have been developed which facilitate easy removal of water between the tyre and road surfaces.

The present trends in tyre design indicate that radical changes will take place in the tyre shape. New materials will be used with a view to bringing down the cost of production while maintaining the equality of performance at a high level. As long as the automobile industry keeps advancing, development in tyre construction will have to go on so as to meet more exacting requirements of the automobile.

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With Best Wishes

to the

**CEYLON  
TYRE  
CORPORATION**

on the occasion of

**The 5th ANNIVERSARY**

of the commissioning of the

**TYRE FACTORY**

**HEMAS (DRUGS) LTD.**

P. O. Box 911  
COLOMBO.



# THE ECONOMIC TIMES

Editorial Department  
Sunday 2nd April, 1972

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

## NEGATIVE PERFORMANCE IN 1971

ON TAKING A CLOSER LOOK AT THE ECONOMIC INDICATORS AND THE COMMENTS OF THE MONETARY BOARD OF THE CENTRAL BANK, GIVEN IN THE ANNUAL REPORT FOR 1971, ONE COULD NOT RESIST COMING TO THE CONCLUSION THAT THE ECONOMY OF CEYLON PLUNGED INTO ITS LOWEST DEPTHS DURING THE YEAR UNDER REVIEW.

The only factor that gives some sort of smug satisfaction is that the balance of payments situation was "somewhat more comfortable than in previous years," but, "at the expense of economic growth and domestic consumption." The reduced deficit in the current account does not give cause for satisfaction because the deliberate policy of import restrictions has affected intermediate and investment goods and slowed down economic activity causing a decline in production, while the consumer too has been hard hit by the resulting scarcities in various essential items.

One cannot escape the fact that the economy suffered a severe set back in 1971. The growth rate was only 0.9%, population grew by 2 per cent. Consequently, per capita real income showed a negative growth rate of 1.1 per cent. Investment declined in both public and private sectors. The terms of trade moved even more adversely than in the previous year due to higher import prices reinforced by lower export prices. The value of total exports declined by Rs. 53 million, and after three years of continuous growth export proceeds of minor products declined in 1971. Thus the major obstacle to economic development in Ceylon continues to be the shortage of foreign exchange.

The question of foreign exchange leads us to the problem of foreign borrowings and the debt servicing burden. Over the period 1966/1967 to 1970/71 there had been a steady increase in the foreign debt component of gross debt from 13.9 per cent to 20.5 per cent. In 1970/71 this increase in foreign debt was Rs. 19 million higher than the respective increase recorded in the previous financial year. Thus, the tendency for the nation to live beyond its means continued in a bigger way throughout 1971.

THE INCREASING RELIANCE ON EXTERNAL RESOURCES, BOTH FOR CONSUMPTION AND DEVELOPMENT PURPOSES, MIGHT BE CONSIDERED A NECESSARY EVIL, BUT IN VIEW OF THE GROWING DEBT SERVICING BURDEN OUR PLANNERS MUST TAKE MORE MEANINGFUL STEPS TO SHIFT THE EMPHASIS FROM AID TO TRADE. THIS HAS BEEN TRIED FOR WELL OVER A DECADE WITH LITTLE OR NO RESULTS. AS THE CENTRAL BANK REPORT STATES: "EXPORT PROMOTION AND GROWTH ARE NOT MATTERS TO BE TREATED WITH INDIFFERENCE." IN ORDER TO REACH THE AMBITIOUS EXPORT TARGET SET OUT IN THE FIVE YEAR PLAN "AN ENTIRELY NEW APPROACH TO THE PROBLEMS OF THE EXPORT SECTOR IS REQUIRED." AND THIS MUST COME FROM THE PLANNERS WHO ALSO COMPRISE THE BUREAUCRACY.

## Balance of Payments Under Strain - Economic growth suffers

Ceylon's balance of payments position continued to be under severe strain in 1971, despite a reduction in the current account deficit.

There was an improvement in the net external assets position due mainly to the slackening of demand for imported goods as a result of the slow growth of the economy and the tight import restriction programme as a matter of deliberate policy, according to the Central Bank Annual Report.

The other factors responsible for the rise in net foreign assets were the continuation of the system of deferred payments; an accumulation of short-term credit for imports and an appreciable increase in foreign finance including a

cash loan from the Peoples Republic of China. Nevertheless, the balance of payments on current account indicated a deficit of Rs. 209 million in 1971, compared to the deficit of Rs. 350 million in 1970.

According to Customs data there was a decline in the import value of investment goods by Rs. 127 million. The atti-

tude of the private sector in the context of existing uncertainties combined with slow economic growth made this sector invest less.

"The increase in external assets occurred not only at the expense of domestic consumption, but also at the expense of economic growth," the Central Bank Report adds.

## Downward trend in population growth continues

It is estimated that the population of Ceylon rose by 2.0 per cent to 12.67 million in 1971.

During the last five years the population growth rate dec-

lined as follows:

	1967	2.4	per cent
	1968	2.3	" "
	1969	2.2	" "
	1970	2.1	" "
	1971	2.0	" "

## FIFTH ANNIVERSARY OF THE TYRE FACTORY....

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public sector makes it possible to mobilize resources as a nation and utilize them for the purpose of development and strengthening of the national economy.

700 projects are being constructed in developing countries with Soviet assistance. 350 of them have been put into operation.

More than 70% of the amounts agreed to between the USSR and the developing countries are to be invested in the development of industries and half of this amount is to be utilized on the construction of heavy industrial enterprises.

Before the Tyre Factory was put into operation Ceylon, being the fourth world's biggest producer of natural rubber was compelled to import automobile tyres and tubes, which meant she exported her natural rubber and had to import at high prices a part of the same rubber in the form of ready-made tyres and tubes.

The Tyre Factory is at present capable of producing 14 sizes of tyres and tubes sufficient to meet the country's full requirements, saving considerable sums of foreign exchange on imports.

Ceylonese organisations have a high opinion about the construction works and the

Soviet equipment installed in the Tyre Factory. They think much of the efforts of Soviet specialists who helped during the construction and commissioning of this factory.

During 1971 the Ministry of Industries and Scientific Affairs as well as the Management of the Tyre Factory paid much attention to the operation of these enterprises. This and the satisfactory performance of Ceylonese engineers, technicians and workers assisted by Soviet specialists has enabled maintenance of adequate levels of production.

In 1971 the Ceylon Tyre Corporation doubled its production and sales as against 1970 and reached the first stage of the designed capacity. In the same year the Ceylon Steel Corporation increased its production by more than 10% as against 1970. This resulted in the Corporation earning higher profits.

The benefits of the project does not end with the earning of profits and saving of foreign exchange. The operation contributes to greater employment in the country and marks a further step in her industrialisation and development of an independent economy.

## Tyre Testing..

(Contd from Page 11)

ment the performance characteristics of these test tyres. Such tests are regularly conducted in order to assess the tread wear and the improvement in performance under normal service conditions is a result of changes brought in the Design, formulation of Technology. Both serially produced and standard tyres of other makes are used in this test.

At present testing of tyres manufactured with a superior tyre cord is in progress. These tyres have already shown much better performance results than the normal tyres, in the Drum Testing machine described earlier. The road tests results of these tyres are therefore, anxiously awaited.

Another function of the testing department has been the collection of data from a large number of tyre users. Periodic visits are made to vehicle owners in various areas and information regarding performance

of tyres and tubes in these regions obtained.

Being data of tyre performance under normal running conditions this information is of great value to us. Drivers opinion on the running characteristics like braking efficiency, stability and cornering power, riding comfort and skidding resistance on wet roads are also obtained.

It has however been observed that though a few customers maintain records of the tyres and look after them carefully the majority do not realise the benefits of proper tyre maintenance and records.

Tyre performance is best only when two elementary requirements—correct load and tyre pressures are maintained.

We are handicapped greatly by lack of correct information and a great deal would therefore depend on how successful we are in collecting this data. A little help from the consumers would go a long way in correctly assessing and improving our tyres. It is co-operation and offer of assistance that can make the Kelani tyre move forward.

## Less Strikes in 1971

In 1971, the number of strikes in the plantations sector was 125 as compared with 254 in 1970. In the category of "other employments" too, the number of strikes was less in 1971. There was also a decrease in the number of workers involved in strikes in 1971.

In comparison with the figure for 1969 there was an increase of about 80 per cent in the total number of strikes in 1970. In 1971, however, the situation changed completely and the number of strikes fell by 54 per cent from that of 1970.

The total number of Strikes that took place in 1971 in plantations and other employments was 157 of which 93 occurred during the first 3 months of the year.