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With:
on:INTERNATIONAL LABOUR OFFICE
INDIA BRANCHIndustrial and Labour Developments in
February 1965.N.B.- Each Section of this Report may be taken
out separately.Contents.Pages.CHAPTER 1. INTERNATIONAL LABOUR
ORGANISATION.11. Political Situation and Administrative Action:New Cabinet formed in Orissa: Labour
Portfolio for Shri Nilamani Routroy. 112. Activities of External Services: 213. Press and Opinion: 3CHAPTER 2. INTERNATIONAL AND NATIONAL
ORGANISATIONS.21. United Nations and Specialised Agencies:United Nations Mission to Study
India's Population Problems. 425. Wage-Earners' Organisations:New Delhi for Labour Demanded by
I.N.T.U.C. 528. Employers' Organisations:Twentieth Congress of the International
Chamber of Commerce, New Delhi,
6-13 February 1965. 6CHAPTER 3. ECONOMIC QUESTIONS.32. Public Finance and Fiscal Policy:(a) Railway Budget for 1965-66: Revenue
Surplus of Rs.292.4 Million estimated:
Slight Increase in Fares and Freight
on Heavy Merchandise. 7-18(b) Central Budget for 1965-66 presented:
Excise Duty on Many Consumer Goods
abolished: Tax Relief for All Income
Groups: Net Surplus of 37.8 Million
Rupees. 19-47(c) President of India's inaugural address
to the Budget Session of Parliament:
Economic Situation Reviewed. 48-50

<u>Contents</u>	<u>Pages</u>
34. <u>Economic Planning, Control and Development:</u>	
Bank rate increased from 5½ to 6½: Finance Minister's Statement in the Lok Sabha.	51-52
36. <u>Wages:</u>	
Annual Report on the Working of the Payment of Wages Act 1936 in Mines for the Year 1963.	53-55
<u>CHAPTER 4. PROBLEMS PECULIAR TO CERTAIN BRANCHES OF THE NATIONAL ECONOMY.</u>	
42. <u>Co-operation:</u>	
Meeting of Registrars of Co-operatives Societies: Consumer Societies do increased Business in 1964.	56-57
<u>CHAPTER 6. GENERAL RIGHTS OF WORKERS.</u>	
60. <u>General:</u>	
Labour Minister stresses Greater Association of Workers in Management of Industry: Speech at Seminar on Industrial Relations.	58-61
64. <u>Wage Protection and Labour Clauses in Employment Contracts with the Public Authorities:</u>	
Payment of Wages (Amendment) Act, 1964 to come into effect on 1 February, 1965.	62
<u>CHAPTER 8. MANPOWER PROBLEMS.</u>	
81. <u>Employment Situation:</u>	
(a) Employment Exchanges: Working during December 1964.	63-65
82. <u>Vocational Guidance:</u>	
Draft Outline for Technical Education in Fourth Plan period approved.	66-67
83. <u>Vocational Training:</u>	
Labour Ministry's Training Schemes: Working during December 1964.	68-70

<u>Contents.</u>	<u>Pages.</u>
<u>CHAPTER 11. OCCUPATIONAL SAFETY AND HEALTH.</u>	
<u>111. General:</u>	
International Seminar on Health and Productivity, Bombay, 14-22 February 1965.	71
<u>CHAPTER 12. INDUSTRIAL COMMITTEES.</u>	
<u>121. Special Information:</u>	
Fourth Session of Industrial Committee on Mines other than Coal.	72-74
<u>BIBLIOGRAPHY - INDIA - FEBRUARY 1965.</u>	75

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CHAPTER 1. INTERNATIONAL LABOUR ORGANISATION.

INDIA - FEBRUARY 1965.

11. Political Situation and Administrative Action.

New Cabinet formed in Orissa: Labour Portfolio
for Shri Nilamani Routroy.

Following the resignation of the Chief Minister of Orissa, Shri Sadashiva Tripathy was elected leader of the Congress Party of the State Assembly and sworn in as Chief Minister on 21 February 1965. In the new Ministry Shri Nilamani Routroy (Deputy Chief Minister) will be charge of the portfolios of Political and Services, Home, Supply and Labour. Shri Chandra Mohan Singh is the Deputy Minister for Labour and Jails.

(The Hindustan Times,
22 February 1965).

2

12. Activities of External Services.

India - February 1965.

Meetings:

During the period under review the Director attended -

- (a) The xxth Congress of the I.C.C. held at New Delhi from 6 to 13 February 1965.
 - (b) A Seminar on Industrial Development in a developing economy held at New Delhi on 27 February 1965. The Seminar was organised by the Shri Ram Centre for Industrial Relations and inaugurated by the Union Minister for Labour and Employment.
 - (c) A Seminar on Personnel Management and Industrial Relations held at Chandigarh from 20 - 22 February 1965, organised by the University of Punjab.
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13. Press and Opinion.

India - February 1965.

In addition to the attached clippings the following references to the activities of the ILO appeared in Indian journals received in the Office:

1. Writing about the international seminar on health and productivity organised by the Society for the Study of Industrial Medicine, held at Bombay, the 'Commerce' in its issue of 20 February 1965, mentions that the second joint ILO/WHO Conference on Occupational Health had spelled out a definition for "industrial health".
2. 'The Indian Worker', dated 22 February 1965 under its column 'World Labour Digest' refers to a resolution adopted by the Malaysian Trade Union Congress approving the ILO's action with regard to South Africa's apartheid policy.
3. 'The Indian Worker' dated 1 March 1965 refers to the international seminar on industrial health and productivity organised by the Society for the Study of Industrial Health which was held in Bombay, recently. Note is taken of ILO's participation in the meeting.
4. The same issue of the journal refers to the selection of a Regional Secretary of the INTUC for attending a course organised by the ILO's International Institute for Labour Studies.
5. 'The Indian Worker' dated 6 March 1965 refers to a statement by the Union Labour Minister about the verification of membership of various trade union organisations. An incidental reference is made to the ILO.

4

CHAPTER 2. INTERNATIONAL AND NATIONAL ORGANISATIONS.

INDIA - FEBRUARY 1965.

21. United Nations and Specialised Agencies.

United Nations Mission to Study India's
Population Problems.

At the request of the Government of India, the United Nations has appointed an expert technical assistance mission to help India extend its current efforts to solve population problems involved in economic and social development.

As suggested by the Government, the team will have these assignments:

- To make a general review of the progress and effectiveness of the family planning programme launched by India in 1952 and, in keeping with the established goals and principles of the programme, advise the Government on ways of accelerating popular acceptance of the idea of smaller families, practice of family planning and reduction of the national birth rate.
- To advise the Government on a longer-range programme of action and research, while concentrating primary attention on immediate steps.
- To consider not only the needs for action within the family planning programme itself but also the problem of coordinating that programme with efforts in related social fields, including health, education, community development and the status of women.

The mission will stay in India for about two months and work with a counterpart team of Indian professional personnel.

The mission which has Sir Colville Deverell, Secretary-General of the International Planned Parenthood, as its chairman, is the first comprehensive mission provided by the United Nations in response to a request in the family planning field. Previously, smaller missions have worked on particular aspects of population problems relating to economic and social development.

5

25. Wage-Earners' Organisations.

India - February 1965.

New Deal for Labour Demanded by I.N.T.U.C.

The Indian National Trade Union Congress has called for a bold approach in regard to labour policies and programmes in the fourth Plan.

The INTUC has said that labour will not be content with the existing approach to its problems. The acceptance of democratic socialism as the nation's objective makes labour's expectation for a "new deal" justified.

The new deal, it said, should ensure among other things: a national wage policy to ensure the need-based minimum for all; linking of wages to prices; progressive rise in real wages; subsidised labour housing; a quick machinery for settlement of disputes; arbitration as the main plank for settling disputes; subsidised supply of essential items of food; promotion of a single strong central trade union organisation for the country and recognition of trade unions on the basis of quality plus numbers.

In a publication containing suggestions on labour policies and programmes for the fourth Plan, the INTUC has said that there should be an effective national wage policy guaranteeing a certain minimum to every citizen. It also demanded the appointment without further delay of wage boards for industries still left out.

Regarding industrial policy, the INTUC said that the public sector should function as an ideal employer. There should be a ceiling both on income and holdings - urban and rural. Planning should be employment-oriented so that the problem of unemployment and under-employment was reduced in size progressively.

The number of companies under individual control, should be "severely limited".

(The Hindustan Times, 12 February 1965).

6

28. Employers' Organisations.

India - February 1965.

Twentieth Congress of the International
Chamber of Commerce, New Delhi, 6-13
February 1965.

The XXth Congress of the International Chamber of Commerce was held at New Delhi from 6 to 13 February 1965. The theme of *was* the Congress, world progress through partnership. The Congress was attended by over 1,000 delegates from 45 countries. The Director of this Office represented the I.L.O.

Inaugurating the Congress, the Prime Minister appealed for greater inflow of capital into developing countries and the removal of barriers in the way of their trade.

(Relevant documents of the proceedings of the Congress have been sent to Geneva under this Office Minute No.F.35/654/65 dated 2 March 1965).

(The Statesman, 9 February 1965).

7

Chapter 3. Economic Questions

32. Public Finance and Fiscal Policy.

India - February 1965.

Railway Budget for 1965-66: Revenue Surplus of Rs.292.4 Million estimated: Slight Increase in Fares and Freight on Heavy Merchandise.

Shri S.K. Patil, Union Minister for Railways presented the Railway Budget for the year 1965-66 in the Lok Sabha on February 18, 1965. An increase in passenger fares as well as a "modest" rise in freight rates on a few items of heavy merchandise which bear comparatively low rates at present and move in large quantities were proposed by the Minister. The budget estimates the surplus for the coming year at 292.4 million rupees - against the actual surplus of 492.4 million rupees achieved in 1963-64. The table below shows the main features of the Budget as also the previous year's account:-

(Please see the table on the next page)

(Rupees in Millions)

	Actuals, 1963-64.	Budget, 1964-65.	Revised Estimate, 1964-65.	Budget, 1965-66.
Gross Traffic Receipts.	6,322.1	6,680.0	6,600.0	7,169.0*
Ordinary Revenue				
Working Expenses Net, i.e., after taking credits or recoveries.	3,921.3	4,146.8	4,326.8	4,578.4
Appropriation to Deprecia- tion Reserve Fund from Revenue.	800.0	830.0	830.0	850.0
Appropriation to Pension Fund.	--	190.0	115.0	120.0
Net Miscellaneous Expenditure (including cost of works charged to Revenue).	148.9	172.2	158.1	160.2
Total:	<u>4,870.2</u>	<u>5,339.0</u>	<u>5,429.9</u>	<u>5,708.6</u>
Net Railway Revenue.	1,451.9	1,341.0	1,170.1	1,451.4
Payment to General Revenues:				
(a) Dividend on Railway Capital-at-charge (@ 4.25 per cent for 1962-63, and @ 4.50 per cent for 1963-64 and @ 5.75 per cent on fresh capital for 1964-65 and 1965-66).	834.5	907.3	920.2	1,034.0
(b) In lieu of Passenger Fares Tax for Transfer to States.	125.0	125.0	125.0	125.0
Net Surplus:	492.4	308.7	124.9	292.4

*This includes 210 million rupees expected as additional revenue, as a result of the adjustments proposed in fares and freight rates, made up of 135.0 million rupees under Passenger, 69.0 million rupees under Goods and 6.0 million rupees under Other Coaching Earnings.

9

Railway Minister's Speech.- Presenting the Railway Budget, Shri S.K. Patil, the Railway Minister spoke of the steady progress on the railways' plans to meet all the requirements of the coming year and of the fourth Plan period. He said a modest increase in freight rates on a few items of heavy merchandise, which bear comparatively low rates at present and move in large quantities, as well as some increases in passenger fares had been proposed in the budget.

These increases were necessary, the Railway Minister pointed out, to meet at least in part the additional commitments; these had already increased during the current year 1964-65 by 180 million rupees over the level postulated in the budget, on various accounts, including the effect of the increase in dearness allowance announced in May 1964 and again in January 1965, following the Das Commission recommendations, and the educational concessions introduced with effect from May 1964. The wage bill and total expenses would inevitably be at a still higher level in 1965-66 on account of the impact of the Das Commission recommendations for full 12 months instead of only six months in the current year.

In freight rates, the enhancement, which will be effected by a few selective adjustments in classification, will be between 4 and 7 per cent on commodities like iron and steel, cement, stone, limestone, ores, etc., and about 8 per cent on non-dangerous petroleum products.

The proposed adjustments in the freight rates are expected to provide a net additional revenue of 69 million rupees.

The Minister said that the increase and adjustment of passenger fares are expected to yield additionally an increase of 130.6 million rupees next year after allowing for a slight check in the rate of increase in traffic such as had occurred in 1962-63. He explained that the proposed increase was very small in relation to the increase in cost. The average third class ordinary fare, including the tax element, has risen only by 19 per cent; the third class fare mail fare by 26 per cent; the second class fare by 25 per cent and first class fare by 35 per cent.

10

The cost of passenger services in relation to 1951-52 had on the other hand increased in 1963-64 by more than 50 per cent and further in 1964-65.

The cost will be still higher in 1965-66 for the additional expenditure to be incurred on different accounts particularly on dearness allowance and other allowances to the staff.

Revised Estimates, 1964-65.- In presenting the Revised Estimates for 1964-65, the Railway Minister stated that during the year the railways had provided all the goods transport needed and added substantially to the number of passenger trains. Although the railways had prepared themselves to move 17 million tonnes of more goods traffic in 1964-65 than in the previous year, the extra traffic did not materialise to that extent owing to slackening of demand for transport Coal traffic during the first nine months of this year was nearly less than $2\frac{1}{2}$ million tonnes in comparison with the corresponding months of last year. Raw materials traffic to steel plants also dropped slightly during this period while the increase of export ore was hardly one-fourth of the extra one million tonnes anticipated. The increase in other revenue earning traffic of about $1\frac{1}{2}$ million tonnes up to December was much less than the 5 million additional tonnes envisaged for this year. "There have been signs of revival of traffic in the last few weeks but we may at the best close the year with an increase of about 3 million tonnes over last year."

Under the circumstances, a shortfall of about 250 million rupees was likely on the budget estimates of 4,320 million rupees for goods earnings. This has, however, been compensated to an appreciable extent by a heavy increase in passenger earnings, which were likely to touch the figure of 2,000 million rupees against the estimated 1,840 million rupees, other coaching earnings and sundry earnings were expected to approximate closely to the budget estimates. In the net traffic receipts were palced at 6,600 million rupees, which was 80 million rupees, or about $1\frac{1}{4}$ per cent less than the budget.

Working expenses on the other hand have increased by 180 million rupees over the budget of 4,146.8 million rupees and are now estimated at 4,326.8 million rupees. This is almost entirely attributable to the increase in the wage bill during the year.

11

There have been two revisions in the rates of dearness allowance since the budget - one announced in May 1964 with effect from February 1, 1964 and the other last month with effect from October 1, 1964. Their impact on the working expenses for the current year is 65.8 million rupees and 82 million rupees respectively. Taken together with the post-budget Central Government Scheme for reimbursement of school fees, the cost of these measures is 160 million rupees even in the current year. In addition, there has been a revision of the rates of running mileage and over-time allowances at a cost of 14.4 million rupees. In all, the increment of staff costs in working expenses has gone up by 190 million rupees.

There have been four successive additional additions to the cost of coal during the year and with the sales tax and excise duty on it, this accounts for an increase of 11.9 million rupees. There have also been increase in civil engineering works undertaken for the protection of the track, restoration of the Pamban bridge, extra costs on retrospective upward revision of the tariff for electric power for traction, 'on account' payment of 15 million rupees for the rental for telegraph and telephone wires and other minor sundry items.

Although these have been partially offset by the reduction due to economy measures and lower expenditure due to the level of traffic being below anticipation, the net effect is an increase in working expenses of 180 million rupees for which supplementary demands are being presented. While there was a reduction of 15 million rupees in the allotment for open line works, and lesser appropriation to the pension fund, based on actuarial calculations using recent data about options by staff, the dividend payable to general revenues increased by 13 million rupees, owing to higher capital expenditure, resulting in shrinkage of the surplus from 308.7 million rupees anticipated in the budget to 124.9 million rupees only.

Works Expenditure.- In the context of the current economic situation, the programme of works and other capital expenditure has been fixed at a level of 3,650 million rupees which is 50 million rupees less than what was provided for in the budget and 150 million rupees less than what was further contemplated.

12

In recent years, substantial improvements in operation and increase in efficiency enabled the railways to absorb a fair proportion of the increase in the cost of staff, capital equipment and stores. Better utilization of locomotives, required for instance, has reduced the number of goods locomotives required for moving one million nettonne kilometres per day from 25 in 1950-51 to 20 in 1963-64. On the metre gauge the number has come down from 65 to 42. Wagon utilisation improved by over 36 per cent resulting in saving in additional capital investment for doubling traffic capacity.

The incentive scheme in railway workshops and the rationalisation coupled with mechanization of traffic accounting and statistics are similar instances of obtaining larger output by keeping down at the same time the number employed.

Accounts for 1963-64.— The financial results for 1963-64 showed an improvement of over 50 million rupees in passenger earnings and over 35 million rupees in goods earnings, as well as a reduction of 13 million rupees in suspense awaiting realisation, bringing the gross traffic receipts to nearly 100 million rupees, i.e. 1.6 per cent more than the revised estimates. On the expenditure side, there was a marginal saving of 12 million rupees or about one-fourth of 1 per cent on working expenses and a saving of about ten million of rupees on works charged to revenue, which was virtually offset by an equivalent increase in the dividend payable to general revenues. The year's working thus showed a surplus of 492.4 million rupees (which was credited to the development fund) as against the revised estimate of 377.5 million rupees.

Turning to budget estimates for 1965-66, the Minister said that an increase of about 10 million tonnes in originating revenue traffic has been tentatively estimated which includes half a million tonnes of finished steel and pig iron, about 2½ million tonnes more of raw materials for steel plants including coal, a million tonnes more of export ores and another million tonnes of cement. At the present levels of freight, goods earnings on this extra traffic would be about 280 million rupees and the total of goods earnings would be about 4,360 million rupees.

In view of the faster rate of growth of passenger traffic this year, an increase of about 4 per cent could be postulated in the budget year. At the present level of fares, this would mean an increase of 80 million rupees in passenger earnings. On this basis, gross traffic receipts would be 6,960 million rupees, i.e., 360 million rupees more than the current year.

From these increased earnings expected in 1964-65 have to be met the additional dividend on the increased capital (115 million rupees), the additional depreciation provision (20 million rupees) and the additional expenditure on maintaining the increased assets and operating the additional services to earn the estimated 360 million rupees (180 million rupees approximately on the assumption of no increase in the principal items of cost such as fuel and per capita staff costs).

In fact, however, provision has to be made in 1965-66 for the full 12 months for the cost of educational concessions introduced on 1 May 1964, and for the increase in dearness allowance following the Das Commission's recommendations which have been in operation only for half of the current year. These alone add 90 million rupees to the working expenditure of 1965-66 over and above the level of 1964-65.

These increases add up to over 400 million rupees in the current year, so that, on this reckoning, the surplus at the end of the year will be only 80 million rupees. This is roughly one-fourth of the annual expenditure of about 300 million rupees to be met from development fund that can be fed only from surpluses. A surplus of 350 million rupees has to be earned in order to finance works chargeable to the development fund and to enable railways to maintain a reasonably satisfactory return on the present enhanced capital. On the otherhand, although a surplus of 300 million rupees was budgeted for, ultimately no more than 124.9 million rupees is now expected this year. This underlines the need for adopting suitable means for raising the surpluses to a satisfactory figure and explains the proposed increase in freight rates and passenger fares.

The budget estimates for works expenditure have been placed at 3,450 million rupees - 200 million rupees less than the revised estimates for the current year. The total expenditure on works during the Plan will thus amount to 16,420 million rupees - an addition of 610 million rupees (3.9 per cent) to the approved figure of 15,810 million rupees. The addition is attributable to the increase in costs mainly as a result of statutory increases in prices (for example, of steel and cement), enhanced Customs and excise duties (for example, on rolling stock), and changes in Central sales tax affecting the Railways' capital programme for works including permanent way and rolling stock, etc.

The foreign exchange requirements of railways during the third Plan period are being mostly covered under assistance obtained from the World Bank and its affiliate, the IDA and from some friendly countries.

The Chittaranjan Locomotive Works, which had by 1964 manufactured 1,681 steam, 21 D.C. electric and 2 A.C. electric locomotives, is scheduled to turn out 153 steam locomotives and 27 electric locomotives this year. In keeping with the progressive transition for steam to electric and diesel traction, the production of steam locomotives at the works will be gradually tapered off during the fourth Plan. Work is already in progress for equipping the workshop adequately for the manufacture of electric locomotives, including traction motors and ancillaries.

The production in the Integral Coach Factory, which has turned out over 4,000 coach shells and furnished over 2,000 of them, has been diversified. In addition to luggage and brake-vans and third-class sleepers, it has turned out A.C. electric multiple unit coaches, etc.

The Diesel Locomotive Works at Banaras has already assembled 12 diesel locomotives from imported sub-assemblies and turned out four with chassis and superstructures fabricated at the factory.

Progress of Railway Plan.- The Railway Minister gave an account of steady progress on the programme for increasing capacity to meet all the requirements of the coming year and of the next Plan period.

The conversion of the Silguri-Haldibari section to broad gauge, decided upon in the wake of the emergency, has been completed and opened to traffic. The broad gauge line up to Jogighopa is expected to be completed by the middle of this year. The ferry capacity between Farakka and Khejuria ghat will be doubled by the middle of the year and good progress has been made on the doubling of the Sahibganj loop between Sainthla and Barharwa. In addition to effecting a very large increase of rail capacity on the Assam route, this will help free flow of traffic also on all metre-gauge routes via Barauni and Katihar to Assam, particularly after the installation of centralized traffic control on the metre gauge section between Bongaigaon and Changsari, which is being taken in hand.

Substantial doubling has been carried out on various trunk routes between Delhi-Madras, Delhi-Bombay, Delhi-Calcutta and Calcutta-Nagpur-Bombay. To cope with the increase in freight traffic following the development of the Pench, Chanda and Singareni coalfields, diesel traction will be introduced on the Grand Trunk route.

By about April, 1966, there will be electric traction all the way from Calcutta docks to Kanpur via the grand chord with a few long-distance passenger services also hauled by electric locomotives.

For the fast developing traffic in the Delhi area, terminal facilities are being augmented and avoiding lines for goods to bypass the congested section around Delhi and New Delhi are under consideration, including a second bridge over the Jumna river.

On the east coast, 650 kilometres of track on the Howrah-Madras trunks and further route has already been doubled and further doubling of the route has been sanctioned with the provision of a second rail bridge on the river Godavari at a cost of 69 million rupees.

Dieselization is extending fast in the southern zone and is expected to cover freight services to Cochin next year. The Kotavalasa-Bailadilla line, which is being constructed to carry about 6 million tonnes of iron ore a year to Visakhapatnam port, will be completed on schedule. Iron ore transport has already started over part of the new broad-gauge line from Hospet to Guntakal. Metre-gauge diesel locomotives are being provided for movement of this traffic to Hubli for onward movement to Karwar and Mangalore-Hassan line to connect the new port is under

construction. For the new Bokaro steel plant a major marshalling and exchange yard is being provided at Marapahari.

Several surveys for possible new lines are either in progress or already sanctioned. Some of them relate to new projects to be considered in the Fourth Plan depending on the resources available and the relevant factors that determine priority.

Out of 3,600 kilometres of new construction, including the 1,000 kilometres in progress at the beginning of this Plan, 2,100 kilometres of new line will be opened by the end of the coming year.

The progressive substitution of diesel and electric traction for steam is continuing and by the end of this Plan the Indian railways are expected to have 460 diesel locomotives operating over 6,000 kilometres on the broad gauge and 174 diesel locomotives operating over 2,000 kilometres on the metre gauge. The number of electric locomotives is expected to rise to about 380 broad gauge and 22 metre gauge. The proportion of through goods traffic, hauled by electric and diesel locomotives, which was 2 per cent in 1955-56 had risen to 37 per cent at the end of 1963-64 and will go on increasing in the coming years.

The Minister also gave details of the efforts being made to improve the quality of service both for passenger and freight traffic.

Referring to accidents the Minister said that the drive for inculcating safety consciousness among railway staff through propaganda, instructions and specially organised safety camps continued unremittingly during the year.

In 1963-64 there were only five serious accidents to passenger trains against an average of 9 to 25 in the previous years - the lowest figure in the last 20 years. This trend continued during the current year.

The Minister made a reference to the toll of death and devastation due to the cyclone which hit the south-east coast of the peninsula in December 1964 when a passenger train on the Rameswaram island was engulfed by a high tidal wave of which there could be no forewarning. Restoration of the two-kilometre Pamban bridge is being tackled on an urgent basis and is expected to be completed by June.

The modernization of signalling system, the extension of automatic signalling, track circulating and the installation of route relay interlocking at a number of important stations are improving the factor of safety. A proposal is in the final stages of consideration for setting up a modern signal equipment factory in collaboration with experienced manufacturers.

Staff Position.- At the end of 1963-64, the number of staff of Indian railways stood at 1.27 million and the average wage was 1,994 rupees per year. With the changes in dearness allowance and other increases mentioned in the budget, the annual wage per head is likely to rise by nearly 250 rupees excluding the "fringe benefits" such as subsidized housing, free medical aids, educational facilities and other staff welfare measures, etc. More than 14,700 staff quarters were constructed during 1963-64 and another 17,500 are expected to be added this year, and an equal number in the budget year raising the total number of staff quarters to nearly 476,000.

The Minister made an appreciative reference to the railwaymen's performance in the field of sports, in addition to annexing several national championships, railwaymen had the distinction of representing India in teams participating in International contests. Eleven railwaymen were in the Indian contingent to the World Olympic Games at Tokyo, five of whom were members of the team which regained the world hockey championship. A lady railway employee received the Arjuna Award.

In conclusion, referring to the "vitality and organisational efficiency of the Indian railways undertaking", the Railway Minister said: "The industry and discipline of our one and a quarter million railwaymen, the calibre, enthusiasm and devotion of their officers, the leadership and forward-looking planning and direction of the Railway Board have all contributed to put the Railways in the enviable position of being not only the largest but also, perhaps, the most successful undertaking in the public sector in the country".

(The Statesman, 19 February 1965;
Text of Speech of Railway Minister
received in this Office).

Central Budget for 1965-66 presented:
Excise Duty on Many Consumer Goods
abolished: Tax Relief for All Income
Groups: Net Surplus of 37.8 Million
Rupees.

Shri T.T. Krishnamachari, Union Minister for Finance, presented to Parliament on 27 February 1965, the Central Budget for 1965-66. Placing the Budget in the Lok Sabha the Finance Minister estimated the revenue for the next financial year to be 23,530 million rupees and expenditure at 21,160 million rupees leaving a revenue surplus of 2,370 million rupees at the existing level of taxation. After meeting disbursement on capital account, the Minister estimated the overall surplus at 100 million rupees, which after taking into account the proposed changes in the taxes and the shares of the States stood at 37.80 million rupees. Shri Krishnamachari estimated an overall deficit of 800 million rupees in the current year's budget as against the original anticipation of 970 million rupees.

Defence expenditure during the next financial year will be 7,490 million rupees - 320 million rupees more than in the current year - but actual rupee expenditure will not increase so much because purchases of stores and aircraft are being made on a deferred payment basis. Civil expenditure will increase by 850 million rupees to 13,670 million rupees.

The provision for capital outlay is estimated at 11,140 million rupees, representing an increase of 1,040 million rupees over the current year, mainly on account of larger provision for food purchases, defence and the Industrial Development Bank.

The total Plan outlay of the Centre and the States next year will be 22,250 million rupees, which is 2,410 million rupees more than the current year's budgeted outlay of 19,840 million rupees. The States' plans of 10,270 million rupees will be financed ~~for~~ to the tune of 6,500 million rupees from Central assistance. A contribution of 1,600 million rupees from Hindustan Steel and other public sector enterprises has been taken into account in the Centre's Plan.

A summary of the final estimates is given below:-

REVENUE BUDGET

(In Million of Rupees)

	Budget 1964-65	Revised 1964-65	Budget 1965-66
RECEIPTS			
Customs	3,363.7	3,850.0	4,050.0 (+145.0*)
Union Excise duties.	7,695.4	7,730.5	8,271.7 (-79.8*)
Corporation Tax.	2,966.7	3,420.0	3,860.0 (-144.0*)
Taxes on income.	2,472.8	2,680.0	2,940.0
Estate duty.	74.0	70.0	74.0
Taxes on wealth.	102.0	110.5	120.0 (+0.150*)
Expenditure Tax.	15.5	7.5	15.5
Gift Tax.	31.0	31.0	31.0
Other heads.	215.7	219.3	238.7
Debt services.	2,521.4	2,655.7	2,867.3
Administrative services.	89.8	91.3	95.1
Social & development services.	281.3	304.0	235.7
Multi-purpose river schemes etc.	1.1	1.2	1.3
Public works etc.	37.5	39.0	39.4
Transport & communications.	68.1	71.4	67.5
Currency and mint.	537.3	521.1	616.9
Miscellaneous.	172.9	213.8	254.7
Contributions & miscellaneous adjustments.	310.8	327.1	348.1
Extraordinary items.	1,431.1	1,246.2	605.0
Deduct - Share of income tax payable to States.	- 1,074.9	- 1,237.7	- 1,229.3
Deduct - share of estate duty payable to States.	- 72.2	- 67.8	- 71.7
Total.	21,243.0	22,284.1	23,530.9 (-63.8*)

DISBURSEMENT

Collection of taxes, duties and other principal revenues.	253.4	264.1	288.8
Debt services.	3,184.1	3,176.1	3,561.1
Administrative services.	818.4	821.7	913.6
Social & Development services.	1,681.4	1,651.1	1,846.6
Multi-purpose river schemes etc.	18.4	13.3	19.8
Public Worksetc.	202.1	206.6	229.8
Transport & communications.	101.8	103.7	106.2
Currency and mint.	173.3	153.6	164.0
Miscellaneous.	985.1	951.7	1,162.7
Contributions and Miscellaneous Adjustments:			
Grants to States & Union Territory Governments.	2,890.8	2,885.6	3,271.1
States' share of Union excise duties.	1,409.8	1,273.4	1,408.4
Other expenditure.	41.3	43.2	46.9
Extraordinary items.	1,475.2	1,280.4	658.4
Defence services.	7,178.0	7,168.1	7,487.4
Total.	20,413.1	19,992.6	21,164.8
Deficit (-) or Surplus (+)	(+) 829.9	(+) 2,291.5	(+) 2,366.1 (-63.8*)

* Effect of Budget Proposals.

21

CAPITAL BUDGET

(In Million of Rupees)

	Budget 1964-65	Revised 1964-65	Budget 1965-66
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RECEIPTS:

Revenue surplus.	829.9	2,291.5	2,366.1 (-63.8*)
<u>Public Debts:</u>			
Raised in India .	3,000.0	2,977.0	2,700.0
Raised abroad.	6,969.7	6,539.2	6,688.6
<u>Repayment of Loans & Advances:</u>			
States & Union Territories.	2,389.2	2,313.1	2,736.9
Others.	460.3	700.0	600.0
Small savings (net).	1,250.0	1,350.0	1,350.0
Provident Funds (net).	542.9	496.2	546.6
Income-tax annuity deposits (net).	670.0	650.0	650.0
Deposits of P.L.480 Fund (net).	- 688.4	110.0	1,910.0
Railway & P.& T. funds (net).	431.2	178.1	482.3
Special development fund (net).	2,976.5	2,755.0	1,431.6
Other debt, deposits etc. (net).	1,258.6	516.9	377.4
Total.	19,929.9	20,877.0	21,839.5 (- 63.8*)

DISBURSEMENTS:

Revenue deficit.	-	-	-
<u>Capital Expenditure:</u>			
Civil.	3,860.1	3,429.6	3,597.3
Defence.	1,361.0	1,179.5	1,300.5
Railways.	2,530.0	2,519.2	2,400.0
P. and T.	205.9	265.9	328.3
<u>Repayment of Debt:</u>			
Raised in India.	1,920.0	1,915.4	1,700.0
Raised abroad.	672.6	851.1	9.72.9
<u>Loans and Advances:</u>			
States.	6,217.1	7,079.2	7,120.7
Union Territories.	2,382.2	2,710.1	3,518.2
Total.	19,148.9	19,950.0	20,937.9
Add - national transfer to loan assistance to the Special Development Fund.	1,747.8	1,730.0	800.0
Total Disbursements.	20,896.7	21,680.0	21,737.9
Overall deficit (-) or Surplus (+).	- 966.8	- 803.0	+ 101.6 (-63.8*)
To be met by:			
(i) Expansion(+) Contraction(-) of Treasury Bills.	+ 960.0	+ 720.0	- 100.0 (+) 70.0*
(ii) Drawing down of cash balance.	6.8	83.0	1.6 (- 8.2*)
Total.	966.8	803.0	- 101.6 (+ 63.8*)

* Indicates effect of Budget proposals.

New taxation proposals.- An all-round reduction and readjustment of direct and indirect taxes to curb inflation, promote production, boost exports and generate savings were the main features of the Finance Minister's taxation proposals. The tax concessions, though marginal, are extensive and are designed to relieve the common man of the pressure of rising prices and the corporate sector of the high incidence of taxation, inhibiting capital formation. The net loss in revenue on account of the new concessions will amount to 63.8 million rupees, and, as a result, the overall surplus of 100 million rupees in the current year will be reduced to a net surplus of 37.8 million rupees in the next financial year.

The following are the taxation proposals:

Indirect taxes:-

1. Excise duty on footwear, cycle parts, tyres and tubes, printing and writing paper used in the publication of registered dailies, including their weekly issues, will be removed.

2. Effective rates of fabric duty on price-controlled varieties of grey as well as processed coarse and medium cloth will be reduced by 50 per cent.

3. Duty on rayon yarn of coarser and industrial deniers and cellulosic staple fibre will be reduced. There will be a marginal reduction of duty on staple fibre yarn. Duties on a few other items such as silk fabrics, gramophones, cigars and silver are also to be removed.

4. The duty on copper and copper alloys in crude form will be raised from Rs.300 to Rs.1,000 a tonne and on circles and sheets from Rs.500 to Rs.1,500 a tonne.

5. The duty on steel ingots, plates and rails and sleeper bars will be raised by Rs.10 a tonne, on semi-finished products and bars rods and structurals by Rs.15 a tonne, on black sheets and hoops by Rs.40 a tonne, on skelp by Rs.50 a tonne, on scrips by Rs.90 a tonne and on galvanised plates and sheets by Rs.100 a tonne.

6. The effective duty on tinsplate and tinned sheets will be raised from Rs.165 to Rs.225 a tonne.

7. The regulatory Customs duty of 10 percent. of the value of imported goods imposed 10 days ago will continue.

8. The import duty on stainless steel plates and sheets will be raised from 30 per cent to 100 per cent. and ad valorem and the duty on steel tin plates from Rs.100 a tonne plus 5 per cent. to Rs.325 a tonne, continuing the present preference of Rs.20 a tonne where it is applicable.

9. The duty on paints, colours and painter's materials not otherwise specified will be raised from 60 per cent. to 75 per cent. on sodium hydrosulphite from 40 per cent. to 100 per cent., on essential oils and perfumery not otherwise specified but excluding newsprint and printing and writing paper from 50 per cent. to 75 per cent.

10. The statutory import duty on raw cotton will be raised to 50 paise per kilogram.

11. To encourage exports tax credits up to 15 per cent. of the value of exports will be offered.

Corporate Taxation:-

12. Industries already eligible for tax benefits will be enlarged to include limestone, flame and drip-proof meters, malleable iron and steel castings, calcium ammonium nitrate and ships.

13. Manufacturing companies will be given certain tax concessions to enable them to build up adequate reserves.

14. Special concessions have been offered to shift from overcrowded major cities. In the case of public companies refund of tax will be made on any capital gains made on sale of land and building in such cities to the extent that capital gains are reinvested in new areas.

15. The standard rate of development rebate will be reduced to 15 per cent. from 20 per cent.

16. Tax credit certificates up to 25 per cent. of the Central excise duty will be paid on additional production over a specified base year production.

24

17. The recommendations of the tea finance committee will be accepted in a modified form.

18. ~~The recommend~~ Companies will be allowed certain tax deductions on expenditure incurred by them in encouraging family planning among the employees.

Personal Taxation:-

19. An additional wealth tax will be levied on vast accumulation of urban property in towns on the basis of population. The additional wealth tax will range from one per cent. to four percent. on successive slabs of the total market value of property.

20. Exemption from wealth tax for five years for equity investment in new industrial companies will be restored.

21. The tax discrimination against unmarried persons is to be eliminated. Incomes in future will be chargeable to tax subject to relief on account of personal allowance for every individual of Rs.2,000 with an additional allowance of Rs.1,500 for married individual and Rs.400 for each dependent child up to a maximum of two children. For a married individual with two children no tax will thus be payable up to an income of Rs.4,300 as against Rs.4,000 at present.

22. Another change relates to simplification of tax deductions on contributions to provident fund, insurance premia and the accumulative time deposit scheme. Apart from raising the money limit for concession from Rs.10,000 to Rs.12,500 for individuals, it is proposed to give the concession by a straight deduction from income of 50 per cent. of the amount contributed to the items eligible for relief.

23. The highest marginal rate on earned income will go down from 88.25 per cent. to 81.25 per cent. and that on earned income from 82.5 per cent. to 74.75 per cent. as a result of streamlining the tax structure.

24. In respect of estate duty and gift tax, some of the existing concessions will be enlarged, taking into account the difficulties caused by hardships.

Finance Minister's speech.- The Finance Minister, in his speech said that the Budget forecast an overall uncovered gap of 970 million rupees. It now looks as if the deficit will be somewhat smaller at about 800 million rupees. This has been possible in spite of sizable increases in expenditure in certain directions, both revenue and capital. Thus, relief and rehabilitation of refugees has claimed 120 million rupees more. Increased of dearness allowance have raised expenditure this year by 380 million rupees. On the capital side, apart from larger provision for the purchase of fertilisers and for the Food Corporation of India, there has been a sizable increase of 850 million rupees in loans to State Governments due mainly to larger ways and means advances, and increased Central assistance for Plan schemes, particularly for agriculture, irrigation and power. These additional outlays have been offset by reductions in expenditure under other items and by improvement in revenue collections. The reduction in the capital outlay of the Centre relates mainly to the steel plants, defence and net outlay on food purchases. Details of variations in expenditure are given as usual in the Explanatory Memorandum.

Revenue collections are expected ~~to show~~ to show an improvement of 490 million rupees under Customs and 660 million rupees under Income and Corporation Taxes. Excise receipts are expected to be about the same as budgeted. Together with a reduction in revenue expenditure of 420 million rupees spread over many heads, the revenue surplus is now expected to be 2,290 million rupees as against the Budget Estimate of 830 million rupees.

Under capital receipts, collections under small savings have been encouraging this year and are now estimated at 1,350 million rupees as against the Budget Estimate of 1,250 million rupees. The Railway funds deposited with Government, however, show a decline in relation to Budget Estimate and receipts from foreign loans are likely to be lower by 430 million rupees.

Turning to development in the economy, the Minister said that agricultural production recovered somewhat during the 1963-64 season from the low level in the preceding year. During the current year, there is every likelihood of total production of foodgrains and commercial crops showing a further and substantial increase.

Under normal circumstances, the improvement in agricultural production should have led to a decline in prices from the high levels already reached. The prevalence of inflationary pressures at different levels in the economy and speculative withholding of supplies have, however, prevented prices from falling to the extent that they should have. The fiscal and monetary measures which had been taken and are now taken would, bring about a fall in prices to the extent economically justified. Care, however, would be taken to ensure that the agencies that have been created for the purpose purchase of food grains will maintain prices at levels remunerative to the farmer, so that he will have a continuing incentive for producing more. These agencies will at the same time take advantage of the current improvement in supplies to build up buffer stocks so that, in future, we shall be able to deal better with any fluctuations in agricultural output.

Industrial production.— The Minister said: "Industrial production has been rising at the rate of 8 to 9 percent. per annum for the last two years. During the first half of the current year, there were some signs of a slackening in the pace of production. But industrial production is expected to recover during the second half of the current fiscal year and the increase in production for the year as a whole should be of the order of 8 per cent. Taken together with the improvement in agricultural production, the growth rate of the economy in 1964-65 should be higher than in 1963-64 when national income in real terms is estimated to have increased by about 4½ per cent.

"In a number of important industries such as steel, cement, aluminium, cotton-spinning, etc., further increases in production would depend on the establishment of new capacity. Programmes of expansion in the Public sector in steel, machine-building, fertilizer production, etc., are making progress, and these should result in improvement in supplies over the next two or three years. Indian industry has now reached a stage, when it can, and must, branch out into new and complex lines of development. The expansion of capacity we need now, both in the public and the private sector, has to take place not only in established industries but even more so in new activities where requirements of capital and technical know-how are heavy. We have taken several measures to encourage greater ploughing back of profits for investment as well as ~~profits for~~ to provide greater loan finance to private industry.

It is equally important to encourage a larger flow of individual citizens in the growth of industry. The new financial institutions that we have created can assist in this process, by dissemination of information and otherwise enable individuals to judge better the kind of industry that they should invest in. But the primary objective must be to raise the capacity for individual savings and to improve the performance of industry so that it is able to earn and offer an attractive return on the capital invested.

" Efficiency in the running of enterprises, whether public or private, depends to a great extent on the one hand, prices paid by industry for scarce resources and materials it uses should reflect their true scarcity. At the same time, the prices charged by enterprises for their products should provide sufficient resources to industry for expansion without exploitation of the consumer. We are attempting to evolve a price structure for agricultural commodities in keeping with these general principles. In regard to industrial products also, we have endeavoured to raise the cost of capital and of imports in keeping with the scarcity of savings and foreign exchange in the economy, while permitting increases in the prices of final products wherever necessary. Despite continuing difficulties in regard to raw materials and the general upward pressure on prices the policy of decontrol initiated in 1963 has been carried forward, particularly in respect of steel products. We have also raised the prices to the extent necessary of a number of basic commodities, such as coal, from time to time.

"Improvement in productive efficiency and appropriate pricing policies are as much important for public sector enterprises as they are for private industry. In my last Budget speech, I had drawn attention to the importance of a careful choice of projects, after a detailed examination of costs and benefits. Careful selection of projects, quick implementation, efficient working, appropriate pricing policies and adequate returns on investments are all integral parts of the process of ensuring rapid growth. It is in this sense that we have to devote increasing attention to planning in depth. Maximizing the fruits of past investment offers the best scope for further advance. Consolidation and expansion, a firm foot on the ground and sights set high, are not thus conflicting but complementary objectives. "

28

Monetary expansion and credit.— "In the field of money and credit", the Minister said, it is a matter of some satisfaction that the pace of monetary expansion which was very rapid in 1963-64 has slackened somewhat during the current year. Expansion of bank credit to Government has been somewhat less this year. Over the past few years, a part of the market loans floated by Government has had to be subscribed by the Reserve Bank. To this extent, a part of our long-term borrowing represents deficit financing rather than mobilization of the voluntary savings of the people. This form of deficit financing must also be necessarily reduced, and indeed eliminated, if we are to make a decisive impact on the forces of inflation in the economy. For this reason, our borrowing programmes in future, both at the Centre and the States, will have to be based on a strictly realistic assessment of the flow of genuine savings. Greater efforts must be made at the same time to mobilize larger amounts from the people by way of small savings and subscription to market securities. Honourable Members are aware that we have taken steps to increase interest rates in the economy to a significant extent over the past year. I propose to introduce a new series of Small Savings Certificates with a higher rate of interest than at present. Interest on the new certificates will be taxable, unlike in the case of existing instruments, which also will be continued. The availability of yet another instrument at a higher, though taxable, rate of return will, I am sure, provide a greater inducement for saving to people of small and medium income, whose tax liability is also of a small or medium order.

The expansion of bank credit to the private sector during the current busy season has been somewhat smaller than in the corresponding months of the preceding busy season. The current busy season, however, has several weeks to go yet. It is my expectation that the measures that the Reserve Bank announced ten days ago will act as a brake on the expansion of bank credit during the coming weeks. The contraction in the bank credit during the slack season this year will also have to be large enough to ensure that the total increase in credit over the year is just sufficient to meet the requirements of growing production. Monetary expansion during the Third Plan period so far has kept ahead of the growth in real production. This situation cannot be allowed to continue any further. In future, expansion of bank credit both to the public and the private sector will have to be so limited that the increase in money supply is no more than what is warranted by realistic expectations regarding the growth of output.

29

The State Governments also have an important role to play in strengthening fiscal and monetary discipline in the country. Some of the State Budgets for the coming year which have been presented so far reveal deficits. I propose to have discussions with State Governments to make sure that their operations are generally in line with our policy of curbing inflationary pressures in the economy.

Proper monetary management in the country has been rendered difficult for some time by the existence of unaccounted income and wealth in the country. This unaccounted income and wealth, which is derived mainly from tax evasion and from violations of price control measures, has been responsible to a considerable extent for speculative activity and for bidding up the prices of goods and property in general. Apart from the measures we have already taken including searches, stricter enforcement and more severe penalties. I propose to take some additional measures to mitigate substantially the ~~mischie~~ mischief of unaccounted incomes and wealth already in existence and to reduce the scope and incentive for their accumulation over the years to come. I propose also to take some measures to discourage excessive investment in urban property, which comes in the way of adequate resources being available for more productive purposes.

Exchange position.- The Minister underlined the fact that our foreign exchange reserves have been depleted to such an extent that we are unable at present to withstand any small pressure on these reserves, without running into a critical situation. Some strengthening of our foreign exchange reserves is, therefore, a matter of vital importance. We have made considerable progress in reducing our reliance on imports in a number of fields. Our export promotion during recent years is also a matter of some satisfaction. Even so, given the necessity to strengthen the reserve and to meet the requirements of imports in a growing economy, the need for vigorous export promotion remains as great as ever.

We have been receiving sizable assistance from friendly foreign governments and international institutions. Honourable Members will, I am sure, join me in expressing once again our gratitude to our friends abroad for giving us a helping hand.

The Aid-India Consortium organised by the World Bank pledged a further sum of \$ 1,028 million last year in support of the third Five Year Plan. A significant portion of this assistance is not tied to specific projects but is intended for import of materials, components and spares in general. This kind of assistance is of special importance to us in the context of current balance of payments difficulties and I have every hope that Consortium assistance during the coming year will include even larger sums for purposes which give immediate relief to the balance of payments. Outside the Consortium, we have received generous assistance from the United States for the import of foodgrains and other agricultural commodities under the PL 480 programme. Countries which are not members of the Consortium have also provided additional assistance in 1964. More recently, we have concluded an agreement with the USSR for the Bokaro Steel Plant. I should not fail to mention also the gift of 150,000 tons of wheat from Australia which was announced only a few days ago. This generous and timely gesture is a matter of particular satisfaction to me as, I am sure, it augurs well for increasing co-operation between our two Commonwealth countries.

Considerable progress has been made in the utilization of external assistance, which has now reached a rate, when it practically equals the commitment of new assistance. Even so, a part of the assistance committed, during the current Plan period will necessarily be carried over into the fourth Plan. We are currently reviewing our foreign exchange requirements during the fourth Plan period and we hope, during the coming year itself, to initiate discussions with friendly foreign governments and institutions to secure advance commitment for our requirements to the maximum extent possible. It is only on the basis of such advance planning for foreign aid that we can be confident of beginning the fourth Plan without any hiatus in the process of growth.

Assistance to other countries.- Shri Krishnamachari added that in some measure India has also been endeavouring to assist other developing countries. India's aid to Nepal next year, for example, is estimated to be 85 million rupees. Assistance for Sikkim and Bhutan will be of the order of 62 million rupees. The Government was also endeavouring to facilitate joint ventures in a number of African countries for the establishment of industries such as sugar, cotton textiles, cement and vegetable oil. During the next year, it was proposed to provide 4.6 million rupees for technical assistance to countries in South and South-East Asia and Africa and 14.3 million rupees by way of contribution to the United Nations Expanded Programme of Technical Assistance and the

United Nations Special Projects Fund. He continued: "There has been a great deal with of discussion in India in recent months about the role of private foreign investment in our plans for development. We have recognised for a long time that private foreign investment has a role to play not only as an essential supplement to assistance from friendly foreign governments and international institutions but also as a catalyst for the development of technical skills and enterprise among our own people.

For this reason, we have encouraged private foreign investment in association both with the public and private sector. All the incentives and facilities that we have given to Indian enterprise for promoting investment are available equally to private foreign enterprise and we give every facility for repatriation of profits to foreign investors. This policy of hospitable and fair treatment will be continued in future; and our general policies, whether in regard to taxation, industrial licensing or price controls must be consistent with our desire to harness every possible source of dynamism and enterprise, whether domestic or foreign, public or private, to the task of rapid economic growth."

Fourth Plan burdens.— The Minister said that the fourth Five-Year Plan would involve large investments in the public and the private sector. The first and foremost precondition for mobilization of resources for financing these investments is the maintenance of an environment of financial and monetary stability. It was only then that voluntary savings could be encouraged and directed to productive uses. Equally important was a degree of stability in taxation policies. In the ultimate analysis, the resources available to the public sector and to the private sector, the resources available by taxation, by mobilization of savings or by realization of adequate profits, were all part of the same pool. Particular source could not be tapped without affecting other sources or diverting more to one particular without affecting what is left for other purposes. More production, and restraint on consumption, avoidance of waste and efficient use of scarce resources, were the only ultimate instruments for promoting higher savings and investment. Budgetary policy, therefore, was not simply or even primarily a matter of balancing receipts and expenditures.

It was no doubt of paramount importance to keep deficit financing within safe limits and, indeed, to avoid it altogether. But the level at which the budget was balanced and the manner in which this balance was secured were even more relevant to the flow of savings and investments and to the performance of the economy as a whole.

Referring to the budget estimate for the next year, the Finance Minister said that his proposals had been framed with these considerations in mind. He said the "expenditure on revenue accounts is estimated at 21,160 million rupees, which is estimated at 1,170 million rupees more than the revised estimate for the current year. At existing rates of taxation, including 10 per cent. surcharge on imports, I announced ten days ago, the total revenue is expected to be 23,530 million rupees. The revenue surplus will, therefore, be 2,370 million rupees, i.e. 80 million rupees more than in the current year.

"Of the total revenue expenditure of 21,160 million rupees next year, 7,490 million rupees will be for Defence Services. This is 320 million rupees more than in the current year. But actual rupee expenditure will not increase quite so much because purchases of stores and aircraft, the full value of which is included in the expenditure estimate are being made on deferred payment terms. Expenditure under civil heads is estimated at 13,670 million rupees, which is 850 million rupees more than in the current year. If the amounts transferred to the Special Development Fund in respect of PL-480 grants are disregarded, the actual increase in civil heads would, in fact, be greater. The major part of the increase is explained by the additional provision of 380 million rupees for debt servicing, 390 million rupees for grants-in-aid to States and Union Territories, 90 million rupees for Administrative Services, particularly under Police and 200 million rupees for Social and Developmental Services.

"The revenue next year is expected to increase by 1,250 million rupees. Here again, if PL-480 grants, which are of a self-balancing nature, are left out, the actual increase would be greater. As usual, the principal heads of revenue account for most of the increase: 700 million rupees under Income and Corporation Tax, 540 million rupees under Union Excise Duties and 200 million rupees under Customs. In addition, interest receipts from State Governments and public sector enterprises and surplus profits of the Reserve Bank will show an improvement of 390 million rupees.

"The provision for capital outlay, including all loans except those to the State Governments and Union Territories, representing is estimated at 11,140 million rupees, representing an increase of 1,040 million rupees over the current year. This is accounted for mainly by larger provision of 240 million rupees for roads, 230 million rupees for food purchases, 150 million rupees for Atomic Energy, 120 million rupees for Defence and 160 million rupees for the Industrial Development Bank. Loans to State Governments and Union Territories are estimated at 7,120 million rupees, practically at the level of the current year. Loans for Plan assistance, however, will be 280 million rupees more, and ways and means loans correspondingly less.

"The total Plan outlay of the Centre and the States next year will be 22,250 million rupees, 2,410 million rupees more than the current year's budgeted Plan outlay of 19,840 million rupees. The State Plans will account for an outlay of 10,270 million rupees and the Central Plan for 11,980 million rupees. Of the total States' outlay, 6,500 million rupees will be financed by Central assistance and 3,770 million rupees from the resources of the States themselves. The Centre's Plan, it may be noted, will be financed partly by the 1,600 million rupees of contribution from the internal resources of Railways, Posts and Telegraphs Department, Hindustan Steel and other public sector enterprises. To this extent, therefore, a provision in the estimates of the Central Government is not necessary. For the balance of 16,880 million rupees, inclusive of 3,000 million rupees on revenue account and assistance to States, provision has been made in the Budget. Honourable Members will be glad to note that the contribution of 1,600 million rupees from the Railways, Posts and Telegraphs and public sector enterprises will be 450 million rupees higher than in the current year. With more public sector enterprises coming into production and beginning to yield surpluses, they should be able to contribute increasingly to the growth of the economy without putting an additional strain on the budget.

"I have referred earlier to the need for keeping public borrowing within the limits set by a realistic expectation of the flow of genuine savings. In keeping with this principle, I have provided for public borrowing at 2,700 million rupees next year as against 2,930 million rupees in the current year. For the same reason, receipts from small savings have been assumed at the level of the current year, namely, 1,350 million rupees.

Receipts from foreign loans will, however, be higher and are estimated at 6,690 million rupees.

"To sum up the overall position for next year, there will be a surplus of revenue account of 2,370 million rupees at existing rates of taxation. The total disbursement on capital account of 20,940 million rupees, inclusive of debt repayment of 2,670 million rupees, will be met, apart from the revenue surplus, by internal and external borrowings of 9,390 million rupees, collections under small savings of 3,340 million rupees, investment of PL-480 funds of 1,910 million rupees, annuity deposits of 650 million rupees, and receipts under miscellaneous debt and deposit heads of 2,030 million rupees. In the aggregate, Honourable Members would be happy to know that for the first time in many years, the Budget for the next year, at existing rates of taxation, is expected to show a small overall surplus of 100 million rupees."

Giving details of revision of excise duties, the Minister said that the net effect including Customs and Excise will be a small increase in revenue of 150 million rupees in 1965-66.

Corporate Tax Structure.— The Finance Minister said: "In my last budget, I had introduced several changes to reduce the severity of our corporate taxation. I am well aware that the feeling still persists that corporate taxation in India is high and that some of its features inhibit the progress of the corporate sector. I have carefully examined the incidence of the different taxes which are now on the statute book and I have come to the conclusion that there is need for some modification of the present structure of corporate taxation without altering its essential features which are sound.

"The dividend tax, for example, has come in for a great deal of criticism. Experience so far has shown that it has not materially affected the distribution pattern of dividends. I cannot help feeling, however, that in the present context, when we have to do everything possible to combat inflationary pressures in the economy and to generate sufficient resources for investment in the corporate sector, there is continuing need for a degree of restraint on dividend distribution.

"Similarly, we have not yet had time enough to assess the full effects of the surtax and there is, therefore, little reason for making any material change in this particular aspect of corporate taxation also. However, I have decided to make a number of changes in the general scheme of corporate taxes which, I hope, will meet at least a part of the difficulties of the corporate sector.

"Industries producing articles mentioned in Part IV of the First Schedule to the Finance Act, 1964, are entitled to certain tax benefits. I propose to enlarge that list by the addition of lime stone, flame and drip proof motors, malleable iron and steel castings, calcium ammonium nitrate and ships.

"I had announced last year that Section 104 companies wholly ~~manufacture or process~~ or mainly engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power whose whole income did not exceed 0.5 million rupees will be liable to tax at 50 per cent. on the first 0.2 million rupees of income.

"I propose now to enlarge this concession. All such companies - except foreign companies - will under my proposal be liable to tax at 50 per cent. on the first 1 million rupees of their income irrespective of the total size of their income. Under section 104, for certain types of companies, the penalty rate of taxation for non-distribution of profits at present is 37 per cent. I propose to reduce this rate to 25 per cent. for companies other than trading companies.

"In the case of manufacturing companies, we have given certain concessions to enable them to build up adequate reserves. For non-trading companies, e.g., companies part of whose business is in the manufacturing field, companies providing various services and companies engaged in constructional activities, I propose to provide that the higher statutory percentage of 90 per cent. for ~~companies~~ compulsory distribution of profits will be attracted only if the accumulated profits and reserves exceed twice the amount of their paid up capital and loan capital, or the value of their fixed assets.

"At present, where in a public company 51 per cent. or more of the shares are held by another company in which the public are substantially interested or by a 100 per cent. subsidiary of such a company, the first mentioned company does not qualify for being regarded as a company in which the public are substantially interested. It is proposed to change this position and to treat such a company as one in which the public are substantially interested.

"Overcrowding has become a serious problem in many of our major cities. Some incentive is, therefore, required to induce big factories to shift from such cities. I propose, therefore, in the case of public companies to refund the tax on any capital gains made on sale of land and buildings in these cities to the extent that the capital gains are re-invested with prior approval of Government in land and building including housing for the employees in a new area.

"I had stated that last year that I propose to revise the rate of development rebate under Section 33 of the Income Tax Act. Honourable Members will recall that the general rate of development rebate now is 20 per cent. It has been suggested that the development rebate should be applied in a selective manner and we have already sought to do so to some extent in the case of coal mining machinery and for ships.

"I propose now to reduce the standard rate of development rebate to 15 per cent. except in the case of industries included in a new Fifth Schedule to the Income Tax Act. Industries included in this Schedule will be entitled to claim a development rebate of 25 per cent.

"The rebate for coal mining machinery and for ships will continue at the rate of 35 per cent. and 40 per cent. respectively. The undertakings for which the development rebate is now being reduced will, however, continue to enjoy the existing benefit of 20 per cent. up to 31 March 1967.

"Often it is said that the total incidence of income-tax and sur-tax on companies reaches very high levels having the effect of inhibiting investment. I do not think that it is so, but to allay any misgivings on this score, I propose to provide a ceiling limit to the income-tax, including the tax charged with reference to distribution of equity dividends, and surtax at 70 per cent. of the total income of companies.

"Any excess of the aggregate tax liability in respect of these taxes otherwise chargeable from the company. This provision will apply to Indian companies and any other company declaring its dividends within India in which the public are substantially interested.

"The various changes in taxation affecting the corporate sector that I have outlined should go some way in meeting the genuine difficulties of this sector. I also propose to take some additional powers to stimulate production and to provide resources for the expansion of industry. Given the needs of the State, I cannot do so by giving up existing sources of revenue.

"A part of the improvement in revenues, however, could well be utilized for meeting the requirements of industrial expansion and for providing a stimulus to greater production from existing investments. I propose, therefore, to take powers to provide that tax credit certificates to the extent of 25 per cent. of the Central Excise Duty paid by any manufacturing unit on production in the base year may be issued to the unit.

"Similarly, I propose to take powers to provide for issuing tax credit certificates for 20 per cent. of the additional Corporation Tax including surtax paid by any manufacturing company over the corresponding tax paid during the base year. This would be further subject to the limit of 10 per cent. of the overall tax for the year concerned.

"These certificates are meant to be used for purposes relevant to the expansion of the industry or redemption of debentures or repayment of loan from approved institutions.

"The Government had recently set up a Tea Finance Committee and that Committee had made certain recommendations for relief in direct tax for tea companies. I propose to accept these recommendations in a modified form and the necessary provisions have been included in the Finance Bill.

"I also propose to allow in the case of companies a deduction for expenditure incurred by them for payment towards family planning amongst their employees. Where such expenditure is of a capital nature, it will be allowed as a deduction over a period of five years."

Personal Taxes.- Regarding his proposals for personal taxes the Finance Minister stressed the need for curbing excessive investment in urban property which has been rising rapidly in value due to a variety of reasons. Without such a curb, investment in more productive directions cannot be encouraged. He said the best way of dealing with it through a fiscal measure is by way of an additional wealth tax on such properties. The tax will apply to urban property in towns with a population of ~~one~~ 0.1 million or more.

In view of differences in urban property values in towns of different sizes, ~~diff~~ for different exemption limits according as the population of the town has been provided. The exemption would vary from 0.2 million rupees in the smallest of these ranges to 0.5 million rupees in the highest of these ranges. He added: "It is not possible for me now to estimate precisely the revenue from this source, but as at present I would put down the additional revenue expected at 15 million rupees in 1965-66. I would like to emphasise, however, that the purpose of this levy is as much to raise revenue as also to achieve wider social purposes.

"It may be that as a result of this measure, property owners may transfer properties to corporate bodies which are not now liable to the wealth tax or property-owning companies may come up. If this tendency develops, Government will deal with it at the appropriate time.

"I propose now to restore the exemption from wealth tax for five years for equity investment in new industrial companies. This concession will apply ~~in~~ respect of companies issuing capital for the first time after the 28 February 1965. "

Continuing, the Finance Minister said: "The companies issuing bonus shares pay a tax of 12½ per cent. on the face value of these shares. It stands to reason that if a person pays capital gains tax on bonus shares issued to him some part of the tax paid by the company on the same issue should go to mitigate his liability for capital gains tax. I propose, therefore, to allow a rebate of up to 10 per cent. of the face value of bonus shares from the capital gains tax on such shares.

39

"In the region of personal taxation of incomes, the first need is for simplification of the tax structure. For one thing, the distinction between income-tax and super-tax is something of an anachronism and the manner in which we allow for various deductions as at present is also not conducive to either simplicity or comprehension of net incidence.

"I have endeavoured to simplify the whole tax structure by integrating super-tax with income-tax and in other ways. This simplification will cost something to exchequer for a little while. But it will improve tax administration and help to modify the attitude of the ordinary citizen towards his tax liability.

"Basically, I wish to provide for a system in which the present free allowance for purposes of income-tax will be discontinued, thus eliminating inter alia the element of acute discrimination against unmarried women and bachelors.

"Incomes in future will be chargeable to tax, subject to relief on account of personal allowance for every individual of 2,000 rupees with an additional allowance of 1,500 rupees for a married individual and 400 rupees for each dependent child up to a maximum of two children.

"For a married individual with two dependent children no tax will thus be payable up to an income of 4,300 rupees as against 4,000 rupees as at present. The relief by way of personal allowances will, at the new rate, amount to the same absolute sum of 215 rupees as a maximum for all assessees. This simplification will entail a loss of revenue of 36.4 million rupees.

"Another change in the direction of simplification that I wish to make relates to deductions in respect of contributions to provident fund, insurance premiums and Cumulative Time Deposit Scheme. Apart from raising the money limit for concession relating to these items from 10,000 rupees to 12,500 rupees for individuals, it is proposed to give the concession by a straight deduction from income of 50 per cent. of the amount contributed to the items eligible for the relief.

"This measure, I am sure, will facilitate the calculation of tax liability by each individual, I am also introducing a new provision for exempting ~~a new pf~~ from tax income up to 2,400 rupees on account of institutional care of handicapped dependents. In the case of non-institutional care the limit will be 600 rupees. Honourable Members would agree with me that a measure of relief in this respect is justified on social grounds.

40

"While streamlining the tax structure, and replacing the present taxes by a revised and unified schedule, I have lowered taxes at all levels of personal incomes. In the new schedule, the highest marginal rate of taxation on earned incomes which will be reached at over 70,000 rupees will be 65 per cent.

"At the same time, the surcharge on earned income has also been regarded at 5 per cent. for incomes between 0.1 million rupees and 0.2 million rupees, 10 per cent. for incomes between 0.2 million rupees and 0.3 million rupees and 15 per cent. for incomes above 0.3 million rupees.

"In our scheme of taxation, we have come to regard an income of 15,000 rupees as the dividing line for various purposes.

"The Annuity Deposit Scheme, for example, does not apply to incomes upto 15,000 rupees. I have also decided that the same limit should be considered as the free limit for purposes of the unearned income-tax surcharge.

"The present limit for this purpose is proposed, therefore, to be raised from 10,000 rupees to 15,000 rupees. With the base for unearned income-tax surcharge being lowered by this measure as well as by the reduction in tax rates in general, there is a case for increasing the surcharge on unearned incomes.

"Accordingly, I propose to levy a surcharge on the tax at the rate of 20 per cent. on unearned incomes between 15,000 rupees and 50,000 rupees and at the rate of 25 per cent. on such incomes above 50,000 rupees.

"The changes proposed will mean a reduction in tax at all levels of personal income. The highest marginal rate on unearned income will go down from 88.125 per cent. to 81.25 per cent. and that on earned income from 82.5 per cent. to 74.75 per cent., i.e., the peak taxation will be reached in respect of income above 0.3 million rupees of earned income and above 70,000 rupees of unearned income.

"For a married individual with two dependent children, the tax on earned income of 5,000 rupees will go down from 60 rupees to 35 rupees, at 10,000 rupees from 685 rupees to 535 rupees, at 20,000 rupees from 2,360 rupees to 2,085 rupees, at 40,000 rupees from 10,340 rupees to 9,285 rupees, at Rs.70,000 rupees from 26,590 rupees to 23,585 rupees and at 100,000 rupees from 44,615 rupees to 39,160 rupees.

"This has been worked out after taking into account tax benefit on the relative Annuity Deposit. Despite these reduction, our tax rates will still be higher than in countries like the United Kingdom and the United States of America at corresponding levels of income. I make, however, no apology for not reducing personal income taxation in India to the levels prevailing in other countries.

"For one thing, the same level of income in India and United States of America does not imply the same level of absolute well being. Much less does it imply the same relative position in society as a whole. For a country like India, an income of 0.1 million rupees or 0.2 million rupees represents economic power which is much greater than that enjoyed by people of the same income in more fortunate lands.

"The loss of revenue as a result of the reduction in tax rates and the changes in surcharges will be of the order of 206.9 million rupees in a full year. During 1965-66, there will be an additional loss of 150 million rupees on all types of direct taxation in respect of advance collection of taxes.

"I have, however, every hope that apart from giving a measure of relief to people in the lower middle income groups, the changes I have made will stimulate a greater flow of personal savings and reduce the scope and incentive for tax evasion.

"Apart from the major changes I have described earlier, I propose to make some other changes in the income-tax provisions. I had announced on 24 December, 1964, my intention of giving tax credit certificates to individual investors in equity issues of new industrial undertakings, of exempting interest income from funds brought to India and invested in banks in non-resident accounts and exemption of interest on Government securities from the unearned income surcharge."

Concessions for Foreign Experts.- The Finance Minister said that it is "also proposed to extend the rebate on donations of ~~place~~ to amounts given for renovation of places of public workshop approved in this behalf and also to exempt such gifts from gift tax. The annuity received in respect of the Annuity Deposit Scheme is proposed to be treated as earned income.

"The present tax concessions in favour of foreign technicians whose contracts have been approved by Government is for a period of three years with a grace period of two years where the employer pays the tax. For certain industries and sophisticated processes, the services of such technicians have to be retained for a longer period.

"It is, therefore, proposed that the second period of two years can be extended by a further period of three years with the approval of Government. During the extended period also the tax may be paid by the employer without attracting tax on tax.

"Representations have been received from professional persons like Chartered Accountants, Architects and Solicitors for tax relief to enable them to make some provision for a super-annuation scheme.

"Recognising the need for this, I propose to give tax relief to partners of firms engaged in the profession of Chartered Accountants, Architects, Solicitors and Lawyers on amounts spent for the purchase of life annuities, commencing at an advanced age, under an approved annuity scheme or sums contributed by them to an approved fund for providing retirement benefits.

"This relief will be in the form of a straight deduction of such payments from their total income subject to a limit of 10 per cent. of the total income or 5,000 rupees whichever is lower.

"In order to provide a disincentive for repatriation of funds by foreign investors who sell out their interest in industrial holdings, it is proposed that when such persons reinvest the sale proceeds in approved industrial securities, rebate of capital gains tax, if any, due on the original investment will be allowed in proportion to the amount reinvested.

"A change is being introduced in the basis of charging taxes on non-resident assesseees as well as resident assesseees who are not ordinary resident. In order to remove some of the present complications and reduce the rigour of the tax burden, these assesseees will be charged to tax from the assessment year 1965-66 on their income assessable in India at the rates applicable to residents but without deduction of personal allowances. The concept of world income is being dropped in their case. The loss of revenue in this case is not material."

Estate duty and gift tax.- So far as Estate Duty and Gift-tax are concerned, Shri Krishnamachari said that he proposes "to enlarge some of the existing concessions and also to amend certain provisions where I find that their interpretation has been causing undue hardship to assesseees.

"For example, when a person gifts any property during his life time, the property will be liable for inclusion in the estate on his death under certain circumstances, namely, if he dies within two years after making the gift or if he has possession or enjoyment of the property or any benefit out of it during the two years immediately preceding his death.

"This requires to be remedied in the light of our present rates of Gift Tax and Estate Duty. I, therefore, propose to reduce the period of two years to one year and further to provide that where Gift Tax has been paid at the enhanced rates of Gift Tax in force from 1964-65 on any gift of property to the wife, son or other close relative, there will be a total exclusion of such property from the estate of the donor if he dies after five years from the date of gift.

"I also propose to make a provision that if the donor stays in a house which he has gifted to his wife, son or other close relative and there is no right of residence of any benefit reserved to him under the deed of gift, or under any collateral disposition, the property will not be included in the estate if the donor dies after one year from the date of gift.

"Again, when a pension is given to the family of a deceased employee by Government or by some other body or out of a superannuation fund created by an employer and approved under the Income-tax Act or out of a similar fund maintained by any of the international agencies, the capitalized value of the pension attracts Estate Duty. It is considered necessary to rectify the hardship arising in such cases by exempting such pension from Estate Duty.

"The loss of revenue as a result of these measures will be nominal. Further, I propose to make a provision for the allowance of stamp duty paid on an instrument of gift as a deduction from the Gift Tax subject to certain limits and conditions.

"I now come to my proposals in regard to unaccounted incomes and wealth, as I have already mentioned, are a source of considerable mischief in the economy. The question of how to mitigate this evil is a baffling and difficult one.

"We have already taken a number of measures, apart from intensification of searches and the like, to encourage voluntary disclosures. Amounts so disclosed are being exempted from penalty. These measures have had some success in encouraging voluntary disclosures particularly from people who have comparatively small and medium incomes to disclose.

"Various suggestions have been made from time to time to encourage disclosures on a larger scale and to give an opportunity to those who wish to turn a new leaf to do so without undue harassment.

"I have every hope that with the reduction in tax rates that I have already proposed, the scope and incentive for tax evasion in future would be reduced. The present time, therefore, offers a good opportunity to enable people who have evaded tax in the past to come out and make a clean breast of it.

"I recognise that it is not at all an easy matter to devise a solution which would at the same time be fair to people who have paid taxes honestly in the past and reasonable enough to encourage voluntary disclosure on an adequate scale on the part of those who wish now to be relieved of their past evasion.

"I have attempted to devise a solution bearing in mind all the complex economic, social and moral considerations that underlie the phenomenon of unaccounted income and wealth. I can only hope that honest tax-payers will not be aggrieved by what I propose to do and that those who have been misled in the past would find it reason enough to return to the path of civic responsibility.

"My proposal in brief is this. Those persons who have undisclosed income to declare can make a declaration with relevant particulars and at the same time deposit in cash at the Reserve Bank of India sixty per cent. of the income declared.

"The remaining 40 per cent. of the income so declared can be taken to the assessee's books under intimation to income-tax authorities. No further question of assessment in regard to the income so disclosed by this process will arise and the identity of the persons will not be revealed. This offer will be open only for three months from now, till the end of May. In order to induce people to come out quickly, a rebate of 5 per cent. of the tax on all incomes declared and tax paid thereon in the month of March will be given.

"In other words, in such cases, the effective tax rate will be 57 per cent. Those who feel that their tax liability in respect of amounts to be disclosed would be less than 57 or 60 per cent. would be free to resort to normal disclosure and have the income so disclosed taxed at the appropriate rates by income tax authorities after proper assessment.

"Appropriate provisions are being made in the Finance Bill to give effect to the scheme I have just outlined. I need hardly add that we propose to continue with our searches. It is incumbent upon the Government to use all the legal weapons at its command to deal with those who spurn this particular opportunity of making voluntary disclosures.

"I also propose simultaneously to float once again the Gold Bonds. On the last occasion when we issued such a bond, the response did not come up to our expectations. The new bonds will be issued on exactly the same terms as the old bonds except in one respect.

"In view of the increase in interest rates since the last issue was made the new bonds will carry interest at 7 per cent. per annum."

Summing up the total effect of the changes proposed the Finance Minister said: "The overall surplus at existing rates of taxation of 100 million rupees will be augmented to the extent of 15 million rupees as a net result of changes in indirect taxation. The loss in revenue of 295 million rupees as a result of reduction in excise duties on a number of items of daily consumption will be offset by revenue from technical adjustments in respect of cigarettes and tyres of 7.5 million rupees, yield of additional excise on copper, steel products and tin plates etc., of 157.5 million rupees, and increase in Customs Duties of 145 million rupees.

"Among direct taxes, the loss of revenue on account of the introduction of personal allowances will be 36.4 million rupees and on account of adjustments in rates 200 million rupees making a total of about 236.4 million rupees.

"Modifications in surcharges on earned and unearned income will involve a loss of revenue of 6.9 million rupees. The concessions to Section 104 companies will cost to the exchequer 27.3 million rupees. Other miscellaneous concessions amount to 23.4 million rupees.

"In addition, there will be a loss of another 150 million rupees in 1965-66 in view of the fact that all the new rates in this year will apply both in respect of income taxable during the year and income on which tax might be paid in advance.

"The wealth tax on urban property will yield a revenue of 15 million rupees. Thus, as a result of all the changes in direct taxation, including changes in corporate taxation, the total loss to revenue in 1965-66 will be 429 million rupees.

"The estimated income under direct taxation from all sources for the year 1965-66 has been put at 7,040.5 million rupees. Out of this 429 million rupees will have to be deducted as a loss because of the concessions mentioned earlier. However, because of the perceptible lowering in personal taxation and improvement in tax collection, I shall take a credit of 300 million rupees making the total estimate of income from direct taxation from all sources 6,911.5 million rupees.

"This leaves a deficit of 129 million rupees in direct taxation as against the budgeted figure. As against this, there is a surplus of 15 million rupees in indirect taxes. Taking this into account and the effect of the States' share in excise duties, there will be a loss of revenue of 63.8 million rupees, which together with the overall surplus at the existing levels of taxation will give a net surplus of 37.8 million rupees.

"I have taken no credit for receipts under the voluntary disclosure scheme. Indeed, it is my hope that the entire loss in respect of direct taxation will be more than made up during the year not only by improvement in tax collection resulting from the changes made, but also because of receipts under the voluntary disclosure scheme.

"It may, therefore, well be expected that we might end up next year with a larger surplus. It is with this in view that I have not estimated any diminution in the States' share of direct taxes revenue.

"On the other hand such increases in the States' share of income-tax revenue as would accrue would be in my view more than compensate the reduction in the States' share in the revenue from Excise Duties.

"It is a matter of some satisfaction to me to be able to present this Budget which holds every promise of being a balanced one - if not a surplus one - taking both the Revenue and Capital accounts together.

"Honourable Members, I hope will also find similar satisfaction in the fact that we have been able to present a balanced budget while providing for the needs of the Plan and giving a measure of relief in direct and indirect taxation.

"In conclusion, I would appeal to Honourable Members and to all those affected by our tax system that they should treat the present Budget as an earnest of our desire to put the tax structure in this country on an enduring and rational basis."

(The Hindustan Times, 28 February, 1965).

46

President of India's inaugural address
to the Budget Session of Parliament:
Economic Situation Reviewed.

Addressing the joint session of the two Houses of Parliament, on 17 February 1965, the President, Dr. Radhakrishnan, said that looking back on the past 12 months notice can be taken of several achievements, which should inspire hope and confidence. National income increased at the rate of only 2.5 per cent. per annum during the first two years of the third Plan. In 1963-64, with an increase of 9.2 per cent. in industrial output, the figure rose to 4.3 per cent. An increase of about 8 per cent. in industrial production is expected during the current year. Many public sector undertakings, in which heavy investments had been made during the third Plan, commenced production. They include the heavy engineering plant at Ranchi, the mining machinery plant at Durgapur, the refinery at Barauni and the machine-tool factories at Pinjore and Kalamasseri. Although production in some of these establishments was still at a pilot stage, a steady increase in their contribution to the economic development in the years to come, could be expected.

Regarding power development the President said the country has been making steady progress. The number of electrified villages has gone up from 4,000 at the beginning of the first Plan to nearly 40,000. Power generation by the end of the third Plan is expected to amount to 11.7 million kw. as against 5.6 million kw. at the end of the second Plan.

Shipping tonnage at about 1.4 million GRT has already exceeded the third Plan target. Railways have adequate capacity to meet our ^{the} current needs and further development is in progress. New oil discoveries were made in Gujarat and Assam and India has secured rights of exploration in the off-shore islands of Iran. In the New and workable deposits of uranium have been found and our reserves of uranium are substantial.

A plutonium plant, entirely designed and built by the scientists and engineers of the Trombay establishment is now in operation. The construction of atomic power stations at Tarapur and Rana Partap Sagar has commenced. The use of atomic energy for peaceful purposes will steadily expand in the future, based increasingly on indigenous supplies, technology and research.

Referring to the food situation, the President said that a number of steps had already been taken and some were in the process of implementation. The farmer has been assured of minimum prices, which have been fixed at economic levels and an agricultural prices commission has been set up to keep the situation under constant review. Special attention was being given to the timely supply of fertilisers and other requirements to the farmer. Quick maturing minor irrigation schemes would be implemented on a priority basis. The President also referred to greater availability of certain consumer goods of interest to the common man.

Regarding the Fourth Five Year Plan, the President said the most important objective of the fourth Plan would be a substantially higher rate of growth with the most effective utilization of resources. For this task, the Government propose to strengthen the machinery of planning. Emphasis in the Plan will be on agriculture, a balanced development of heavy and other industries, creation of large employment opportunities, advancement of the rural sector and narrowing down of social and economic disparities. Special attention is proposed to be given to schemes, which will mature quickly. Public sector projects will be implemented with greater speed and they will be ~~We have to aim at~~ designed to give quick returns to the community in the shape of production and profits. Advance action in respect of many fourth Plan projects will be taken in the course of this year. To meet shortages in the supply of cement, a corporation for the production of cement has been set up in the public sector.

The role of the private sector in the fourth Plan will also be important. It will be Government's endeavour to provide reasonable facilities to the private sector to enable it to fulfil its assigned role efficiently and effectively.

The importance of accelerating the rate of growth in both agriculture and industry is heavily underlined by the increase in our population. Between 1951 and 1961 the population of the country increased from 360 million to 440 million. At the present rate of growth, the population will be 490 million by the end of the third Plan and 550 million by the end of the fourth Plan.

About the industrial peace, Dr. Radhakrishnan said: "Our Government attach the greatest importance to the maintenance of industrial peace through the code of discipline and through the various instruments of negotiation, conciliation and adjudication, which exist. Fullest attention is also being paid to measures to promote labour welfare by setting up new wage boards for industries and deciding on the recommendations of the Bonus Commission, and by the establishment of consumer co-operatives and fair price shops in industrial establishments and the expansion of the workers education programme. It is unfortunate that industrial relations in certain sectors during 1964 were somewhat disturbed. It is our Government's earnest hope that both employers and employees will recognise the supreme importance of maximising output by working together, with a sense of national purpose."

(The Hindustan Times, 18 February 1965).

34. Economic Planning, Control and Development.

India - February 1965.

Bank rate increased from 5 % to 6 % :
Finance Minister's Statement in the
Lok Sabha.

The Union Finance Minister, Shri T.T. Krishnamachari announced in the Lok Sabha on 17 February 1965 an increase in the Bank rate from 5 per cent. to 6 per cent., certain other changes in interest rates and the levy of a "regulatory customs duty" of 10 per cent. on all imports except food grains, fertilisers, pesticides, books, and accessories for family planning. Shri Krishnamachari said the measures were intended to correct inflationary pressures in the economy and arrest the deterioration in the foreign exchange situation. He told the House that the custom levy, which comes into effect immediately, is meant to bring about "utmost economy" in imports.

He said that in view of the difficult payments position and the continuing shortage of imported raw materials and components, it was proposed to request the Aid India Consortium for larger non-project assistance and for immediate relief to the balance of payments in other ways. He also informed the House that the International Monetary Fund was being requested for a standing credit "to tide over our immediate difficulties".

Shri Krishnamachari disclosed that the Reserve Bank was to announce certain measures to bring about an orderly increase in interest rates and to slow down the pace of monetary expansion. Simultaneous with the 1 per cent. increase in the Bank rate, it has been decided to make stiffer the terms governing the borrowings of scheduled banks from the Reserve Bank. Banks will hereafter be able to borrow at the bank rates only when their net liquidity ratio comes to 30 per cent. or more as against 28 per cent. at present. The borrowing rate of the individual scheduled bank will increase by $\frac{1}{2}$ per cent. for every 1 per cent. 4 percent. for savings deposits has been prescribed.

52

The ceiling limit to the lending rates of banks has been raised from 9 per cent. to 10 per cent. The Reserve Bank lending rate to co-operative banks will also be higher by 1 per cent. Some changes in other interest rates, including those paid and charged by Government and other financial institutions, are also being made.

(The Hindustan Times, 18 February 1965).

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36. Wages.

India - February 1965.

Annual Report on the Working of the
Payment of Wages Act 1936 in Mines
for the Year 1963*.

The following is a summary of the annual report on the Working of the Payment of Wages Act, 1936 in Mines for the year 1963, which has appeared in the Indian Labour Journal, February 1965.

Introduction.- The two main objects of the Payment of Wages Act are (i) to ensure disbursement of wages actually payable within the prescribed time limit and (ii) to prohibit unauthorised deductions from wages. The Act applies to all persons employed in mines drawing wages below Rs. 400 per month. The Payment of Wages (Mines) Rules, 1956, framed by the Central Government also apply to all persons employed in mines either by the owner or by the contractor.

Machinery for Enforcement.- The administration of the Act has been entrusted to the Central Industrial Relations Machinery. Inspections and enforcement work is mainly done by the Labour Inspectors and Junior Labour Inspectors. The Regional Labour Commissioners and Conciliation Officers also carry out inspections occasionally for the enforcement of the Act and for test-checking the inspections carried out by Labour Inspectors and Junior Labour Inspectors. The Inspectors give their inspection reports enumerating the irregularities detected to the ~~employment~~ employer at the spot alongwith a notice to show cause against legal action.

* Indian Labour Journal, Vol.VI, No.2, February, 1965, pp. 143-144.

Inspections and Irregularities.- The number of inspections carried out during the year under report were 4,884 as compared to 3,755 during the previous year; the number of irregularities detected were 18,698 as against 10,913 detected during the previous year. Out of these irregularities, 14,945 (79.9 per cent.) were rectified during the year under report. The largest number of irregularities detected related to non-display of notices of dates of payment and lists of acts and omissions for imposition of fines. The other types of irregularities which were quite large in number in the years 1962 and 1963 were those of non-maintenance of registers, improper maintenance of registers, and non-payment of wages. The irregularities relating to delayed payment of wages during the years 1962 and 1963 accounted for 3.1 per cent. and 6.7 per cent. of the total number of irregularities.

Of the 18,698 irregularities detected during 1963 as many as 14,945 (79.9 per cent.) were got rectified by the employers; 610 (3.3 per cent.) were contested by the employers and the remaining 3,143 (16.8 per cent.) could not be got rectified during the year under review. Of the 14,945 irregularities which were got rectified during the year, as many as 12,536 (83.9 per cent.) were got rectified in 3 months' time; 1,966 (13.1 per cent.) in 3 to 6 months' time and remaining 443 (3.0 per cent.) in 6 to 9 months' time.

Claims.- The number of claim cases pending at the beginning of the year 1963 was 355. During the year 1963 another 102 cases were filed before the authorities regarding non-payment of wages and illegal deductions. Thus the total number of cases requiring disposal during the year was 457. Of these, only 191 cases were disposed of during the year. Of these, 146 were ~~remaining~~ decided in favour of the employees and 23 against the employees and the remaining 22 cases were withdrawn. In 146 cases, which were decided in favour of the employees, the total amount awarded to them was Rs.40,101.58.

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Annual Returns.- As required under Rule 18 of the Payment of Wages (Mines) Rules, 1956, during the year 1,425 (47.4 per cent.) mines, employing 395,155 workers (out of 3,008 working mines) submitted such returns as against 1,835 (57.9 per cent) mines employing 534,523 workers during the previous year. The total wages paid to these workers amounted to about Rs.503,417,357. Deductions of Rs.610.80, 8,107.50, and 104.97 were made from wages of the workers due to fines imposed, damage or loss and breach of contract respectively. Disbursement of Rs.942.80 from the fines fund was also made during the year.

Conclusions.- As compared to the previous year the enforcement of the Act and Rules was quite effective and purposeful during the year under report. The number of inspections carried out increased substantially from 3,755 in 1962 to 4,884 during the year under report. The number of irregularities got rectified by the officers had also gone up from 8,132 in 1962 to 14,945 during the year.

56

Chapter 4. Problems peculiar to Certain Branches
of the National Economy

42. Co-operation.

India - February 1965.

Meeting of Registrars of Co-operative
Societies: Consumer Societies do Increased
Business in 1964.

A report presented to a meeting of Registrars of Co-operative Societies held at New Delhi on 24 and 25 February 1965, says that consumer co-operatives showed a four-fold increase in business in December, 1964, as compared with December, 1963, but they have run into difficulties in dealing with in foodgrains for which statutory prices have been fixed.

According to the report, the private trade was disregarding the statutory prices and was buying grains paying "substantially higher prices".

But, for obvious reasons, co-operative societies could not pay anything above the statutory prices. As a result consumer co-operatives "were being starved" of foodgrains in many places.

Consumer co-operatives did a business of 80 million rupees in December 1964 as compared with only 20 million rupees in December 1963. During the year they transacted business worth 1,000 million rupees; it is proposed to double the volume of trade during 1965. This would mean a take-over by the co-operatives of 10 per cent. of the total consumer trade in the country.

Even so, the performance of co-operatives fell somewhat below expectations. This was because while in certain States they exceeded their targets, in certain others they were the victims of the traditional indifference of the State Government concerned. This explains the non-utilization of part of the 100 million rupees allotted by the Centre for the consumer co-operative movement in 1964 and also some of the unspent amounts of foreign exchange allotted to it.

The most encouraging feature of the movement, which was also stressed by Shri S.K. Dey, Union Minister for Community Development and Co-operation, in his address to the Registrars, was the scheme to start processing industries by consumer co-operatives "in a big way" during the current year.

A list of 16 industries which the co-operatives could start has been drawn up. These include flour mills, rice mills, edible oil units and several other trades such as starting of servicing and gas stations for cars and scooters. A number of facilities for financing and equipping such ventures have been provided by the Government.

It is also proposed to spread the consumer co-operative movement to urban areas. About 200 wholesale and 4,000 retail stores were opened in 1964 and, it is claimed, there are very few towns with a population of over 50,000 not already covered by the movement.

(The Statesman, 26 February 1965).

CHAPTER 6. GENERAL RIGHTS OF WORKERS.

INDIA - FEBRUARY 1965.

60. General.

Labour Minister stresses Greater Association
of Workers in Management of Industry: Speech
at Seminar on Industrial Relations.

Inaugurating a Seminar on Industrial Relations in a developing economy, held at New Delhi on 27 February 1965, under the auspices of the Shri Ram Centre for Industrial Relations, Shri D. Sanjivayya, Union Minister of Labour and Employment said that for ensuring greater association of workers in the management of industry, a suggestion had occurred to him to give the workers a direct interest in the enterprise by making them share-holders.

He added that this suggestion had not yet been fully examined nor had its implications been worked out. But he hoped that the deliberations of the Seminar would throw some light on different aspects of this question.

The Minister added that the scheme of workers participation in management which was in operation in a number of selected units was proposed to be progressively extended.

Speaking about voluntary arbitration, he said that there had been some progress in the application of this principle as a means of settling industrial disputes. But some hesitation on the part of employers still remained. This was being slowly overcome and he hoped that the employers would continue to make earnest efforts to get over their reluctance to accept this principle.

Referring to the role of trade unions, the Minister said that historically, trade unions in the so-called free economics had to enter into unequal competition with the vastly superior economic strength of owners of capital. Militant union action to safeguard their rights and interests often appeared to be the only way of survival for them. Even this was not always easy to achieve. Unions had often to come up against the opposition of the State itself. In a situation like this, it was only natural that the unions should develop a militant posture and a defensive strategy. The policies and programmes of the trade union movement in India had also been modelled, by and large, on these traditional lines. This might have been valid in the peculiar social context in which these were devised. Today India was a free and democratic country, having chosen democracy and socialism as the cardinal points of national policy. And promotion of workers' wellbeing was a major pre-occupation of this policy. Its basic aims have been clearly set out, the construction itself. These require the State to endeavour to secure for all workers: work, a living wage, human conditions of work, a decent standard of living and so on. He emphasised that the socialist order of society which India has accepted as the goal of national policy can be realised only if the trade unions cooperate fully in implementing the plans of economic development, assuming increased responsibility for the success of the productive effort. This clearly called for some rethinking on the part of the trade union movement in India. A merely agitational approach - barren militancy - had little relevance and would seem to be out of tune in the new social context.

If it was high time for the trade union movement to start re-thinking on some of its basic assumptions, the managements too had to take a fresh look and start looking upon workers as partners in a joint enterprise.

Continuing the Minister said: "Rivalry between unions has been constant source of friction in the field of industrial relations. To mitigate the adverse effects of inter-union rivalry a code of conduct was adopted in 1958 by all the central organisations of workers.

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This code provides that every member should be free to join unions of his choice and organisations should not exploit the ignorance of the workers in their efforts to extend their influence. It also requires that democratic practices should be followed in the formation and functioning of trade unions. A suggestion in this regard, which has at times emanated from the employers' side, is to have in India a slight single organisation like the British TUC at the apex. I wonder whether this would be a practicable proposition in the context of the existing conditions in our country."

Shri Sanjivayya added that bonus and wages questions were some issues which had often been a source of friction in the industrial field. In the field of wages Government had been slowly trying to evolve a system which takes the contentious wages question away from the heat of controversy and makes its consideration possible in a calm and objective manner. In the tripartite wage boards which have been set up for individual industries, the parties directly involved sit on these boards with experts and try to reach mutually acceptable solutions to problems which vitally affect all of them.

An essential feature of these arrangements has been that parties meet here not merely to carry on an argument but actively work for an understanding and try to reach mutually agreed solutions. This spirit of mutual understanding and joint endeavour to reach agreed solutions was, he thought, the essence of these arrangements. Without this he wondered whether the mechanism of tripartite wage boards and other similar arrangements would at all have been a practicable or viable proposition. He felt that mechanism of wage boards which was a sort of half-way house between collective bargaining and judicial determination of wages, eminently suitable and increased reliance was, therefore, being placed by Government on the mechanism of wage boards in the matter of effecting wage revisions.

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On the question of bonus too Government's main effort had been to have suitable norms worked out which should govern bonus payments. Government was also contemplating legislation to give effect to the recommendations of the Bonus Commission as accepted by Government.

(Press Release issued by Press Information Bureau, Government of India, 27 February 1965).

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64. Wage Protection and Labour Clauses in
Employment Contracts with the Public
Authorities.

India - February 1965.

Payment of Wages (Amendment) Act, 1964
to come into effect on 1 February 1965.

In exercise of the powers conferred by sub-section (2) of Section 1 of the Payment of Wages (Amendment) Act, 1964 (No.53 of 1964) (vide page 66 of the Report of this Office for January 1965), the Government of India, by a notification in the official gazette, has fixed 1 February 1965 as the date on which the said Act shall come into force.

(Notification No.536/1/60/Fac;
the Gazette of India, Part II-
Sec.3(ii), dated 30 January 1965).

CHAPTER 8. MANPOWER PROBLEMS.INDIA - FEBRUARY 1965.81. Employment Situation.Employment Exchanges: Working during
December 1964.

According to a Review of the principal activities of the Directorate-General of Employment and Training for the month of December 1964, the following was the position of registration, recruitment, live register, vacancies notified and employers using employment exchanges.

Item	November 1964.	December 1964.	Increased(+) or Decreased(-)
Registrations. ..	260,936	313,177	+ 52,241
Placements. ..	49,318	48,754	- 564
Live Register. ..	2,535,633	2,492,874	- 42,759
Vacancies Notified..	73,969	72,886*	- 1,083
Employers using Exchanges. ..	13,391	13,903	+ 512

* Included 1,207 vacancies notified by private employers falling within the purview of the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, against which submission action was not required.

Shortages and Surpluses.- Shortages were experienced during the month in respect of engineers, draughtsmen, doctors, stenographers, nurses, midwives, compounders, electricians, turners, fitters, overseers/accountants, trained teachers and fast typists, while surpluses continued to persist in respect of clerks, untrained teachers, unskilled office workers and unskilled labourers.

Gorakhpur Labour Organisation.- The Labour Depot, Gorakhpur recruited 1,551, workers during the month of December, 1964.

Employment Market Information.- At the end of the December 1964, Employment Market studies were in progress in 266 areas in different States.

Vocational Guidance and Employment Counselling.- National Committee to examine the Status of Educational and Vocational Guidance in the country and to make recommendations for its Development in the future has been constituted. Quarterly bulletin on job opportunities in India for the quarter ending September 1964, was published and distributed to concerned agencies.

Deployment of Surplus and Retrenched Personnel.- During the month under review 56 persons were retrenched from River Valley Projects, 56 were registered and 6 were placed in Employment. The detailed information is given below:-

(Please see the table on the next page)

Name of Project.	No. awaiting assistance at the end of November, 1964.	No. ret-ched during the month.	No. of ret-ched persons (including those left voluntarily) registered during the month for employment assistance.	No. placed during the month.	No. left indicating no desire for assistance.	No. awaiting assistance at the end of the month.
1	2	3	4	5	6	7
1. Damodar Valley Corporation.	203	17	17	2	-	218
2. Bhakra Nangal Project.	8	37	37	-	1	44
*3. Bhilai Steel Project.						
*4. Durgapur Steel Project.						
5. Special Cell of the Ministry of Home Affairs.	311	2	2	4	-	309**
TOTAL.	522	56	56	6	1	571

* Reports for the month of December, 1964 have not been received.

** Class II - 51; Class III & IV - 258.

Note:- Total of columns 2 and 4 is equal to the total of columns 5, 6 and 7.

(Monthly Review of the Principal Activities of the Directorate-General of Employment and Training for the month of December 1964; Issued by the D.G.E. & T., Ministry of Labour and Employment, Government of India, New Delhi).

82. Vocational Guidance.

India - February 1965.

Draft Outline for Technical Education
in Fourth Plan Period approved.

The All-India Council for Technical Education at a meeting held at New Delhi on 4 February 1965 approved the draft outline of technical education in the Fourth Five-Year Plan.

The draft provides for a target of 35,000 admissions at the Degree level and 72,000 admissions at the Diploma level per year in various engineering and technological courses during the Plan period.

For the remaining period of the current Plan, the Council approved a programme which would enable the training of additional 1,550 students at the Degree level and 2,550 students at the Diploma level per year.

By the end of the Third Plan, the rate of annual admission would be 25,000 at the Degree level and 50,000 at the Diploma level.

To achieve these targets, the Council agreed that the existing institutions would be expanded to the maximum extent. Part time and correspondence courses would also be introduced for which extensive facilities were proposed to be organised.

At the Post-Graduate and research level, the aim is to provide facilities for 20 per cent. of the output of Graduates in engineering.

Addressing the Council the Education Minister pleaded for co-operation and help from industry in meeting the need of technical education in the country.

"I have a feeling", Shri Chagla said, "industry has not done all it could have done to help technical education in the country". Besides research and training facilities, the Minister added that he would like industry in India to follow in the footsteps of the countries of the West where teams of industrialists go round the universities and pick up talents for future recruitment.

The Union Education Minister's appeal to the industry for help and co-operation was readily responded to by categorical assurances given to the Council on the spot by Messrs. Surottam Hatheesing (Chariman)(Textile Technology and Sookmal Ghosh Federation of Indian Chamber of Commerce).

They were prompt in acknowledging the role the Union Education Minister expected the industry to play and offered whatever help the Government would require of them in the matter.

(Amrita Bazar Patrika,
5 February 1965).

83. Vocational Training.

India - February 1965.

Labour Ministry's Training Schemes:
Working during December 1964.

According to the Review on the Principal Activities of the Directorate-General of Employment and Training for the month of December 1964, there were 298 institutes for training and 31 centres holding part-time classes for industrial workers. The total number of seats introduced stood at 93,984 and the number of persons undergoing training under the craftsmen training scheme and part-time classes for industrial workers was 80,559.

Central Training Institute for Instructors.- Session which commenced on 1 May, 1964, at all the Central Training Institutes for Instructors is in progress. The present admission position in each Central Training Institute is as under:-

C.T.I. for Instructors, Calcutta.	408
C.T.I. for Instructors, Bombay.	282
C.T.I. for Instructors, Kanpur.	250
C.T.I. for Instructors, Madras.	198
C.T.I. for Instructors, Hyderabad.	105
C.T.I. for Instructors, Ludhiana.	142
C.T.I. for Instructors, Curzon Road, New Delhi.	105

Sanction of Seats under the Training Schemes.- During the month of December, 1964, 16 seats were sanctioned under the Craftsmen Training Scheme during the Third Five Year Plan. The progressive total number of seats sanctioned so far is given below:-

	Seating Capacity at the end of		
	November 1964.	December 1964.	Increase(+) or Decreased(-).
1	2	3	4
a) Craftsmen Training Scheme.	66,062	66,078	(+) 16
b) National Apprenticeship Scheme.	4,387	4,387	-
c) Part-time Classes for Industrial Workers.	4,255	4,255	-
d) Number of New I.T.Is. sanctioned.	156	156	-

National Council for Training in Vocational Trades.- A meeting of the Special Committee was held at Central Training Institute for Women Instructors, Curzon Road, New Delhi on 14, 15 and 16 December, 1964 to finalize the Schemes for the Gradation of Workers, Part-Time Classes for Industrial Workers and Progressive Trade Tests.

Equipment.- The Central Training Institute for Instructors at Calcutta, Kanpur, Madras, Hyderabad, Ludhiana and Bombay are being assisted by foreign aid programmes. These Projects functioning under Craftsmen Instructors Training Scheme are being aided by Special Fund Programme of the United Nations Organisation except the one at Bombay, which is being assisted by the AID Agency of the United States. The progressive receipt position of equipment upto December, 1964 is tabulated below:-

(Please see table on the next page)

Name of Centre.	Value of aid. (In Millions)	Receipt upto November, 1964.	Received during December, 1964.	Total receipt upto December, 1964.
1	2	3	4	5
C.T.I., Kanpur.	1.390	1.311	0.013	1.324
C.T.I., Madras.	1.390	1.368	Nil	1.368
C.T.I., Hyderabad.	1.390	1.370	0.004	1.374
C.T.I., Ludhiana.	1.390	1.312	0.013	1.325
C.T.I., Bombay.	1.704	1.495	Nil	1.495

It may be mentioned that Central Training Institute for Instructors, Calcutta has received all the equipment indented for. As regards Central Training Institute for Instructors for Bombay out of the savings of previous Project Indent Orders two fresh Project Indent Orders amounting to \$ 28,000 have been issued and equipments against few Acceptance of Tenders are still awaited.

Apprentices Act, 1961.— The number of apprentices undergoing training under the Apprentices Act was 14,130 at the end of September 1964, of which 10,883 were full-term apprentices and 3,247 short-term apprentices. These apprentices were engaged in 1,414 establishments.

(Monthly Review of the Principal Activities of the Directorate-General of Employment and Training, for the month of December, 1964: Issued by the D.G.E. & T., Ministry of Labour and Employment, Government of India, New Delhi).

CHAPTER 11. OCCUPATIONAL SAFETY AND HEALTH.

INDIA - FEBRUARY 1965.

111. General.

International Seminar on Health and Productivity,
Bombay, 14 - 22 February 1965.

An International Seminar on Health and Productivity, organised by the Society for Study of Industrial Medicine, India, was held at Bombay from 14 to 22 February 1965.

The nine-day seminar was attended by several foreign and Indian delegates and representatives of I.L.O. (Dr.L. Permezziani) and W.H.O. Dr. K.M. Bhansali, president of the organising committee, said in his welcome address that this was the first time that a gathering of this kind had taken place where institutions like the Union Ministries of Health and Labour, the Productivity Council, the National Safety Council, management associations, trade unions, the family planning authorities and industrial physicians had come together to discuss problems affecting the health of the industrial worker. He hoped that the discussions would help the worker to increase productivity.

Governor's address: Need for Industrial Health Services stressed.- The Governor of Maharashtra, Dr. P.V. Cheria, inaugurating the Seminar, emphasised the need to make a beginning though on a small scale, in providing industrial health services. Dr. Cheria said that the Governments, both Central and State, were big employers and the responsibility would lie on them equally. The Governments and the more enlightened employers should set examples for others.

(The Times of India, 15 February 1965).

CHAPTER 12. INDUSTRIAL COMMITTEES.

INDIA - FEBRUARY 1965.

121. Special Information.

Fourth Session of Industrial Committee on
Mines other than Coal.

The 4th Session of the Industrial Committee on Mines other than Coal was held at New Delhi on 20 February 1965.

Inaugurating the Session the Union Minister of Labour and Employment, Shri D. Sanjivayya said that Government had accepted the recommendations of wage boards for the grant of interim wage increases to workers employed in iron ore, lime stone and dolomite mines. Necessary instructions had been issued to the employers to implement these.

Referring to the abolition of contract labour, the Minister said that this had been engaging Government's attention for a long time. The Government's policy on this issue was very clear namely the abolition of this system wherever possible and to give legislative protection to contract labour where such abolition was not feasible. He added that with this aim in view a draft bill for abolition and regulation of contract labour was prepared and circulated to the employing ministries, State Governments, workers' and employers' organisations etc. for comments. It was considered at the last session of the Standing Labour Committee. The sub-committee examined the draft bill and details of the proposed legislation were being settled in the light of these discussions. But in the meantime, steps must be taken to prevent the extension of the contract system in non-coal mines.

Speaking about the safety of workers in mines, Shri Sanjivayya said that the protection of the life and the limb of the workers was the prime concern of the government as well as the mine owners. Ways and means would have to be devised by which better conditions could be ensured to the workers without any loss of time.

Referring to the recommendations made at the last session of the Committee, the Minister said that in pursuance of the wishes of the Committee, the mines rules have been amended, providing for the appointment of medical officers in mines employing more than 150 workers. Also, necessary instructions have been issued by the Chief Inspector of Mines to the mine owners, agents and mine managers for supply of hard hats to certain specified categories of workers, free of cost.

So far as the question of providing protective footwear was concerned, the Government had appointed a technical committee in June, 1963. The report of the Technical Committee was before the Committee and the Committee would have to decide who would bear the cost of the footwear to miners and in what proportion. One of the conclusions related to the setting up of a welfare fund for the manganese mines and the appointment of a tripartite committee to go into the affairs of these mines. The Government had fully examined the matter but felt that in view of the prevailing conditions in the international market for manganese, it was not the appropriate time for imposing a cess for setting up a welfare fund. Enquiries were being conducted by certain research organisations into the various aspects of the manganese industry. The results obtained by these studies, would help in deciding on the next step. The question of setting up a common welfare fund for non-coal mines as a whole had also been considered in consultation with the interests concerned. The views expressed by the industry, State Governments etc., had now to be considered by the present session.

On the question of wages, the Minister said the last session of the committee had laid down three stages for the establishment of a wage fixation machinery for workers in non-coal mines. Wage boards were set up for iron ore mines and lime stone and dolomite mines in May 1963. These two wage boards made certain recommendations for the grant of interim wage increase to the workers employed in these mines. The Government had accepted these recommendations and necessary instructions to the employers had been issued to implement them.

Conclusions: The following decisions, among others, were taken by the meeting:-

Welfare fund for manganese mines.- It was agreed that a tripartite sub-Committee consisting of 9 members should go into the question of the feasibility of constituting such a fund at this stage. The sub-Committee should examine, inter alia, the interests of ferro-manganese industry. The sub-Committee would also consider whether such a welfare fund could be combined with the existing iron ore welfare fund. The sub-Committee would submit its report within a period of 3 months.

Supply of Safety Hats free of cost to Mines workers.- It was agreed that safety hats should be supplied free of cost and without security deposit.

Establishment of a common welfare fund covering all non-coal mines.- It was agreed that a general legislation, if possible, like a Minerals Welfare Act should be undertaken so as to enable Government to apply it to different mineral industries, as and when feasible. It was noted that the question of covering lime stone and dolomite mines was already under consideration. It was agreed ~~with~~ that while the welfare cess should be imposed by the Centre, the administration of the welfare fund should be decentralised to the extent practicable.

(Press Release dated 20 February 1965, issued by the Press Information Bureau, Government of India;

Text of Main Conclusion received from the Ministry of Labour and Employment, Government of India, New Delhi).

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