Weekly Notes

Steel Price

THE increase in the retention price of steel annouced last week is a routine adjustment, according to the escalator clause which was tagged on to the retention price fixed in 1955. The price then, fixed was to cover the five year period ending March 31, I960. It was agreed at that time that the price would include an 'element' to provide for a surplus of Rs 14 crores for Tatas and Rs 4.82 crores for Indian Iron during the five-year price period. To ensure that the producers are in fact able to get this surplus, the last week's is the fourth increase given since the initial price fixation, to meet increases in cost due to changes in railway freights, statutory price of coal and other fuel, prices of materials and changes in labour costs arising from labour legislation or adjudication or conciliation awards.

The total increase in costs on, the above accounts amounts to about Rs 35 per ton, spread out on the production assumed for the five-year period.

The volume of production assumed as the basis for price fixation, it should be noted, has remained unchanged in all the subsequent revisions. The realisation of the producers, however, will naturally depend on the actual production and not on this assumed norm. To the extent that the producer is able to achieve or surpass the volume of production assumed as the basis for determination of price, the producer will be able to derive the full benefit of the price fixed; to the extent that production during the five years falls short of the norm, it will lose. Broadly speaking, Indian Iron retrospectively would appear to be in a better position than the Tatas in this respect. The uniform retention price fixed for the two producers, it was agreed, would enable Tatas to double their capacity to 2 million tons ingot steel and Indian Iron to increase theirs from 0.87 to 1 million tons; though both the units have completed their expansion plans, none has been, able to achieve full production for one reason or another.

This is not the feature of steel price, however, which is most difficult to understand. One would not go far wrong perhaps in assuming that broadly over the five-year period, the price now finally fixed will enable the two steel companies to pay for the expansion in their production capacity. Nor does the increase in excise duty which is added to the price create any obscurity. What does is the surcharge which is added to the retention price to determine the price for the consumer. From Rs 393 per ton fixed five years ago, the retention price, including the increase in excise duty of Rs 10 imposed in 1957, has gone up to Rs 474.74. To this, a surcharge of Rs 100 per ton is added, raising the price to the consumer to Rs 574.59 per ton. Now the surcharge, and the purpose of the equalisation fund could be understood when the cost of imported steel and the retention price had to be averaged out in order that steel could be sold to the consumer at a uniform price. This is no longer the objective of the surcharge which is still retained; so is the equalisation fund though it is no longer a separate fund either, having been made a part of the consolidated funds.

Greater Calcutta

THE World Bank Team Report is a highly confidential document. Even in Washington, its copies circulate only among high level officials of the Rank and the Fund, and each copy is numbered and has to be returned. The report is circulated to member-Governments concerned but what happens to it after it is submitted to Delhi, is no concern of the World Bank.

The report, as is by now well known, had lots to say about Calcutta. In fact, this was the most important and significant part of the report—the rest was more or less a routine affair. Yet though the rehabilitation of Calcutta was the most outstanding and striking part of its recommendations, the West Bengal Government or its Chief Minister was not supplied by Delhi with a copy ! Why leave West Bengal and its Chief Minister in the dark about what concerns the State so vitally? Ask me another. If Bengalees feel that they are not trusted, if Dr B C Roy feels that he is left out or kept at a distance by the Planning Commission and the Government of India, can either be blamed? This was a fit enough occasion for Dr Roy to lose his temper in a grand manner; it would be some consolation to know that he did, during one of his visits to Delhi.

The inexplicable manner—mischievous, if not worsen—in which Delhi has handled it and the unconscionably long time that it sat over the report must be the reasons why nothing has been done so far in regard to these recommendations. But at long last, things seem to have started moving. Dr B C Roy has asked the Ford Foundation for a team of experts to draw up a proper plan for Greater Calcutta. He has also taken up the question with the. various Ministers in Delhi but whether he has succeeded in persuading the Central Government to accept "a direct and special responsibility for the improvement of the conditions in the City"—that is the first condition laid down by the World Bank team—on that, press reports are silent. This is not the place or perhaps the occasion to go into Calcutta's development problems. At the present moment, however, attention needs to be focussed on two points execution and financing. For the first the creation of an Authority for Greater Calcutta is essential. What lends overwhelming importance to it is the past record of and the present scandalous state of affairs in the Calcutta Corporation.

The second question is that of finance. The development of Greater Calcutta with its high industrial potential is the type of project that should easily qualify for IDA loans- in fact this is the sort of thing for which the IDA has been set up. Development of its road system would similarly qualify for World Bank loans. particularly since the Hoffman Report has been so critical of the inadequacy of road development in the Third Plan. Finance, therefore, should not be a handicap, provided a proper organisation can be set up.

The Hoffman Team had suggested an investment of the order of Rs 200 crores and innocently added that this was no more than the cost of a steel plant. There was no sting in this. There is no other single project in the Third Plan which one can readily think of which has this cost figure. But some have read into this comparison a meaning which was just not there. They have jumped to the conclusion that the World Bank Team wanted the Government of India to scrap the fourth steel plant and substitute for it the development of Greater Calcutta. And of all people, the Bengal papers have fallen into this trap. This lie has to be squarely nailed but who will do it when Delhi sits on the report and keeps even West Bengal's Chief Minister in the dark?

From the Payments End

THERE is an aspect of Government purchases, a very trifling one in terms of magnitude, which raises none of the larger questions of policy, but which is nevertheless vitally important to small men, such as the publishers of small papers, like The *Economic Weekly,* This is distressingly unpleasant, and its impact is not unlike that of being hit on the head by a flying missile. Different Ministries have their own different methods of payment, and the External Affairs. Nehru's own Ministry, easily takes the palm. *This* Ministry that is its usual language of communication does not believe in advance payment. So, after placing a subscription order, the Ministry insists that the bill be presented after a year has passed and all the issues for which it is billed have actually been delivered. When some State Government Departments put on such airs, and behave high and mighty, as they sometimes do, one could dismiss it offhand as exhibition of bad manners, arising from ignorance or lack of contact with the genteel world of publishers. But what has one to say of the External Affairs Ministry? It will *not* pay for what it has not received. And yet. believe it or not, while acting high and mighty withholding bills. External Affairs can sink low enough to ask for a commission! Effrontry is not toned down by love of filthy lucre. It demands commission as a matter of right, forgetting that no self-respecting publisher, however small or indigent, would sink that low and offer commission except to the trade.

The Ministry of Commerce and Industry, less truculant, is more suspicious and terribly, terribly security minded. Before paying for the subscription, it insists on half-a-dozen papers being signed, indemnifying the Ministry against double payment and so on. When all these formalities have been gone through, it posts a letter of which the following is a specimen:

Registered A.D,
No. Cash. 1/Cont/74-TS(CA)/60-61
Government of India,
Ministry of Commerce and Industry,
Udyog Bhavan,
New Delhi, the 4-11-1960.

Dear Sir

I am directed to send herewith a receipt and a contingent Bill No. 74-TS((;A)/60-6) in order to enable you to present the same at the counter of (he Treasury Office, New Delhi, duly filled in between 10-30 A M to *2.30 P* M on week days and from 10-30 to 12 noon on Saturday and to obtain a Crossed cheque for Rs 24/- (Rupee Twenty four only) in respect of the contingent Bill of this Ministry drawn in your favour.

This payment is towards the discharge of your undermentioned bills*

S. No.	*Bill Nos,*	*Date*	*Amount (Rs)*
1	SB -299	20-4-1960	24.00

In this connection it may be mentioned that the receipt should be affixed with a 0.10 N.P. revenue stamp, where necessary- and where a messenger/Agent is authorised to collect the cheque, the signature of the messanger duly attested by you should be recorded on the receipt.

The receipt of this letter and the (Contingent bill mentioned above may kindly be acknowledged.

Yours faithfully.
Sd/-
Under Secretary to the Government of India, Ministry of (Commerce and Industry.

Copy forwarded for Information to the Treasury Officer. New Delhi for necessary action.

The Best That...

THE cream of youth, only those who secured top marks in their examinations used to be appointed to the Indian Audit and Accounts Service in the old days, and that too, after a stiff competitive examination. Senior ones among them, who have spent years in service, have a ready excuse for all this. They are not ashamed that one should be asked to go all the way from Bombay to New Delhi Treasury Office to collect a crossed cheque for the paltry sum of Rs 24. They may not even know that the fully vouched contingent bill mentioned in the letter—sent by Registered A D at Government expense—is not encashable at or cannot be collected through banks. When the present system of Government accounts was drawn up. India did not have many banks and out of dire necessity, the Gorvernment of the day had to set up treasuries and institute a system of treasury challans. Those who are in charge of the payment arrangements of the Government still believe that this is the. best that can be devised by human intelligence. They are incapable of imagining that this system can be changed even a wee bit. say, to the extent of paying for subscription to a magazine by a cheque!

And no Ministry or no Department of Government, not even the semi-official ones will pay money order commission or commission on outstation cheques. Even those who are gracious enough to pay by money order, invariably deduct the money order commission.

Thus, it goes on. Each Ministry and each Department has its own particular system of payment and its own procedures from which one can deviate only at one's own peril. Is it difficult, then, to understand why those who have large dealings with the Government have to have their private channels of collection, and to maintain such channels? In order to be able to stay in business, they have to keep these channels going and keep them smooth by liberal and regular applications of lubricants, without which the channels would soon dry up!

* Attention is invited to the date of the hill and the date of this communication,

Not Ready for *Bancors Yet*

The advocate for gold revaluation writes :

THIS Harrodian has so little to disagree with your Keynesian that, as yet, I think there is no controversy between us. Nor am I certain that Sir Roy would support any argument that I put forward in these columns. However, he might be tempted to say to our Keynesian: "I agree with all you say; I fully appreciate that, raising the price of gold would give much benefit to South Africa —which is politically disagreeable to the Commonwealth -and to Soviet Russia—which is politically disagreeable to America".