Some belated recognition of the need for positive action is noticeable now. Government has set up a Cement Corporation but it will take time to deliver the goods. The development rebate has been raised from 20 per cent to 25 per cent which is equivalent, in event of expansion of fixed assets, to an increase of about Rs 6 per tonne of cement. Now, with effect from June 1, the ex-works price allowed to producers will be raised by Rs 4 per tonne and the selling price by Rs 8.35 per tonne. The price increase is meant to offset rise in costs, as laid down by the Tariff Commission formula. Previous increases were sanctioned in June 1963 and June 1964, aggregating Rs 4 per tonne against a cost increase of Rs 5.91 in 1961, claimed by the industry. The industry now claims that the cost increase between May 1964 and March 1965 has been Rs 217 per tonne, exclusive of higher railway freights since April 1965 and the rise in interest rates on borrowings. Since the latest increase of Rs 4 per tonne, like the earlier one, has no retrospective effect, the industry is not terrible enthusiastic about it,

A comparable situation was allowed to develop in the steel industry in the early fifties and had to be set right at great cost later. Spokesman of The cement industry have been demanding an expansion allowance in the price *on* the basis allowed to steel companies. The Tariff Commission is slated to make a fresh inquiry into the industry next year, but there is a case for not waiting that long. A number of steps can be suggested. Retention prices can be increased at the expense of the margin allowed to the State Trading Corporation and a large part of this increase segregated in a special development reserve. Or, following the Raj Committee scheme and on the analogy of sugar, Government and high priority users should get a specified percentage of the output of each producer and the balance of production should be decontrolled.

From Port to Consumer

THE shortage of middle distillates, kerosene and high speed diesel, threatens to upset the precarious stability of prices which had been established in the last few months in vulnerable areas. The reason for the shortage is two-fold; delays at Barauni which was expected to supply a large part of the eastern and northern markets, and the denial of. foreign exchange to the Western oil companies for the import of these deficit products during April-September 1965. Unless Cochin and Koyali are commissioned on schedule —which is unlikely to happen—the shortage will continue into 1966, As the foreign exchange position got tighter and the demand for kerosene and HSD increased rapidly, Government had two alternatives. One was to ask the oil companies to import deficit products against rupees. This the companies would not, partly in view of possible repercussions in other importing countries. The companies offered a sop in the form of a moratorium on their remittances of profits but this rightly failed to satisfy Government because, among other reasons, there was no offer to reduce prices. The other and immediate alternative which the Government adopted was to step *up* rupee payment imports from USSR and Rumania under existing arrangements and to negotiate with Kuwait and France for cheaper or easier imports. Meanwhile, areas like Calcutta which arc supplied mainly from imports are facing a difficult situation.

Indian Oil Corporation which handles all petroleum imports on Government account has nearly doubled its imports from USSR and Rumania and will, in the bargain, effect a net saving of foreign exchange because these imports are cheaper. IOC's problem, however, is not of import but storage and distribution. Its ability to relieve shortages on an emergency basis is not doubted but arrangements have to be put on a permanent basis if only because it has to handle the capacity production of Barauni by the *end of* the year and later the increasing flew of supplies from Koyali and Cochin. IOC has little storage facility and its distribution organisation is still rudimentary compared to those of Western oil companies. The companies continue to have the products of the Bombay and Visakhapatnam refineries besides imported lubricants which are still relatively unrestricted. They will not handle oil (crude or refined) from the communist countries through their own network nor will they place indents upon IOC. At most, they might agree to temporary leasing of storage facilities; they can be compelled to do so under emergency powers. Their dealers are all captive and cannot walk over to IOC except at great loss. While much has been heard about IOC'S import programme, one would, therefore, like to know a little more about its arrangements for storage and distribu, tion, apart from bulk sales to large consumers.

Capital View

Romesh Thapar is away from Delhi. Capital View will be resumed on his return,

— Ed.

Coal Folly

THERE is only one bona fide reason we can think of for the appointment of a committee to study the prospects of coal exports—that the government is abysmally ignorant of the conditions in the world fuel market. At the present prices, mineral oil is a cheaper fuel in almost all uses; the only assured uses for coal are in the making of coal-based chemicals and of coke for blast furnaces. Where it is particularly cheap, it is barely competitive with oil in thermal power generation.

If coal continues to be widely used in spite of being uncompetitive, It is partly for historical reasons and partly due to deliberate government policy. Many of the world's older industrial plants use coal as a fuel, and railways have large fleets of steam engines; coal continues to be used where the conversion to oil is expensive or impossible. Britain, France and Germany levy discriminatory taxes *on* fuel oil in order to prevent precipitate unemployment among coal miners, and many countries, including India, protect; coal mining for balance of payments reasons. The reasons behind India's present coal exports are largely historical —the bulk of them goes to East Pakistani jute mills.

In these circumstances there are three principal ways of stimulating coal exports. First, we might give a whacking subsidy on coal exports to make them competitive with oil and promise to continue the subsidy over a long period. However, since the relative price of coal to oil is lower at nome than in the international market owing to the oil duty, it would be more sensible to save foreign exchange on oil by subsidising home consumption of coal Second, we might take payment for coal from imports abroad in their own currency; some scope for doing so exists perhaps in South-East Asia, Ceylon and East Africa. Then, however, we would require to enter into trade agreements with the coal importing countries and to shop around to see what we could buy from them. The idea of Afro-Asian trade co-operation or payments union is worth pursuing,