Weekly Notes

New Issue for Power Cos

BOMBAY'S problem of power shortage is at last on the way to a solution. The Tatas had put up a scheme for setting up two thermal units at Trombay of 50,000 kw each, to be taken up one after the other. The Government of Bombay has given its sanction for the first unit the cost for which, including equipment, receiving station and complete transmission system, is estimated at Rs 9 crores. The second unit, it has been estimated, will cost Rs 4 crores but no decision about it has been taken yet.

Of the capital required for the project, the World Bank has agreed to lend Rs 7 crores, Rs 3 crores will be raised from banks as temporary borrowings and the power companies arc issuing equity capital for the balance of Rs 3 crores. The thermal station at Trombay is to be a joint venture undertaken by the three power companies forming a single integrated group—Tata Hydro-Electric Power Supply, Andhra Valley and Tata Power. Tatas have applied for the extension of the licences of all the three companies beyond 1959 to 1975. The demand for uniform licensing, which had been a matter of dispute with the Bombay Government for some time, has now been accepted in principle and will be granted when the companies have raised at least a part of the capital needed for implementing the project.

The selection and acquisition of a site for the station, the appointment of technical consultants, the preparation of designs, layout and specifications and the issue of tenders for the plant—all these preliminary steps have been completed. The scheme can start immediately. Although the share market has been dull, the response to the call for equity capital is expected to be satisfactory because the bulk of the required finance will be obtained from other sources and the Electricity Supply Act fixes a return of 5 per cent on capital. The "companies anticipate no difficulty in selling the power that will be generated. Moreover, the Trombay station will be linked up with the hydro system operated by the three companies together, and balance the power supply of the joint undertaking by reducing the present absolute dependence on water power.

Consent for the issue offer of which is made in the first instance to existing shareholders of the companies at par is yet to be obtained from the Controller of Capital Issues. This is, however, a mere formality. In the meanwhile, extraordinary meetings of the companies are to be held to pass the necessary resolutions in order to raise the authorised capital and for sanction of the proposed issue of capital.

Trouble *free Indo-Pak Travel*

THAT the release of Khan Abdul Ghaffar Khan was discussed by Pandit Nehru during his talks with the Prime Minister of Pakistan in London, is a welcome piece of news, divulged by Mr Mohammed Ali himself. Nothing is better calculated to clear the ground for resolving all outstanding disputes, barring perhaps the issue of Kashmir. Meanwhile an earnest of better relations to come is the decision to liberalise the travel regulations between the two States. Frankly, the road to heaven these days must be strewn with innumerable forms to be filled by every aspirant. Goodwill is evidenced in extension of various facilities but it is tempered with many regulations about transit visas, multi-journeys, special visas for non-diplomatic staff and visas of categories A, B. C, D, E, & F.

Easier to understand and perhaps more helpful than any of these is the welcome decision to increase the number of visa offices, one at Bombay and the other at Shillong by the Government of Pakistan and one at Hyderabad (Sind) and the other at Rajashahi (East Bengal) by the Government of India. A large number of additional routes has also been listed for transit of traffic. Even the reopening of railway traffic between the two Punjabs is under discussion.

S ales Tax on Inter-State Trade

THE levy of sales tax on inter-State transactions, made possible by the Supreme Court decision on the Bombay sales tax appeal, has created so many difficulties for traders that the Committee of the Indian Merchants' Chamber, Bombay, has appealed to the Central Government to intervene in the matter. The Supreme Court held that the State in which the goods are actually delivered for the purpose, of consumption is entitled to levy the sales tax. "This means that sellers in one State selling goods for consumption in another have to pay the sales tax to that other State in accordance with the law prevailing there. As a result, dealers have to familiaiise themselves with the sales tax laws of all the States to which they supply goods, to file returns, and sometimes appear personally before Sales Tax Officers, in all of them. The difficulties created in this way are so great that it would not be surprising if many traders preferred to cut down their transactions with other States to the minimum. An undesirable hampering of inter-State trade would, therefore, result from the enforcement of this right to levy the tax.

States have not been deterred by this prospect and have been enforcing this right of theirs, to the detriment of trade in the country. Many of them have even decided to give retrospective effect to their right as established by the Supreme Court, although the traders concerned had not collected any tax from the buyers before the decision, under the impression that they were not entitl-. ed to do so. Though such action on the part of the States is certainly perfectly legal, it does not appear to be a very fair way of treating the interests concerned.

The President of the Chamber, Shri Ambalal Kilachand, has suggested that the Centre should assume responsibility for the levy and collection of sales tax "on inter-State transactions. This would create complication, without proportionate benefits. There is much more to be said in favour of centralisation of the sales tax, and not merely that of sales tax on inter-State transaction. Centralisation will reduce the administrative difficulties to the minimum and will also ensure uniformity in the law. There are many hurdles in the way. But that is the only solution of the problem and will ultimately have to prevail.

The Guide and Mentor Reports

THERE is little that is new or very much enlightening in the Annual Report on the Trends *and Progress of Banking in India* which the Reserve Bank has to publish under Section 36(2) of the Banking Companies Act. For an assessment of the monetary policy, one has to wait for the Report on Currency and Finance which covers the financial year and has an advantage over the present report, which is for the calendar year, in that it can give a more complete picture of the busy