CHAPTER 10

SUMMARY AND POLICY SUGGESTIONS

The aim of this chapter is fourfold: (a) to point out the significance of public policy, (b) to bring out the difference in public policy towards the tea industry prior to Independence and after Independence, (c) to summarise the main defects in public policy, and (d) to suggest measures for the growth of the Indian tea industry.

1 Public Policy and Its Importance

It is well known that the prosperity or otherwise of agriculture, industry, trade and commerce is, in a large measure, determined by the nature of public policy. Says Arthur Lewis,¹ "The behaviour of Governments plays as important a role in stimulating or discouraging economic activity as does the behaviour of entrepreneurs, or parents, or scientists, or priests." While an enlightened and far-sighted public policy may usher in an era of economic prosperity, an unwise and short-sighted policy may result in stagnation or even spell disaster to the economy. Even a wise and well-meant public policy may

have to encounter unforeseen difficulties which, if not
dealt with promptly, may put the economy out of gear.
The following is but one example which points clearly
at the significant role of public policy in economic
development: Under the British regime India had no
progressive industrial policy. Public policy was directed
towards the exploitation of the nation's resources for the
material benefit of Britain. For instance, Indian raw
cotton was shipped all the way to Lancashire and the
textiles produced there were sold in India. In other
words, the industrial development of India was purposely
held back so that India might supply the raw material
requirements of Britain's industries. The unbalanced
economy that India inherited when she became independent
was in no small measure due to the policy of discouragement
followed by the rulers. In spite of the fact that India
had a rich tradition in the manufacture of iron and steel,
which was supplied for the famous Damascus swords, the

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2 H. Fukazawa, "Cotton-Mill Industry", Economic
History of India 1857-1956, Edited by V.B. Singh,

3 This is not to deny that the tea plantation industry
was founded and developed in India by British pioneers,
but it was developed more in the interests of Britain
than for the benefit of India. Government policy was
directed towards making the Indian economy subsidiary
to that of Britain and the rulers largely succeeded in
their policy.
British never favoured the growth of this industry in India. "Britishers did not want to establish heavy basic industries in India because such industries would create a solid capital base for the Indian economy which would facilitate the process of industrialization and would accelerate the tempo of Indian economic development."

II Tea Industry and Public Policy under British Regime

Under the British regime, it was a policy of direct encouragement and active help that the Government of India and the Governments of the tea-growing Provinces pursued to increase the cultivation, manufacture and export of tea. As a matter of fact, the very origin of the industry was due to the initiative and interest evinced by the then Government officials. This is not to belittle the pioneering efforts of the British planters who established tea plantations in the inner-most recesses of the forest regions of Assam, Nilgiris, etc. "Living in a jet age and commanding all the comforts that we need, it would be difficult to realise, in full measure, the miseries, anxieties and discomforts the pioneers of the tea industry would accelerate the tempo of Indian economic development."


had to contend with in those difficult dark days." 6

The tea industry of those days provides a fine example of what private initiative and enterprise assisted by a sympathetic and helpful public policy could achieve.

The unprecedented inflow of capital to the tea industry during the nineteenth century and till the outbreak of the Second World War was in no small measure due to the fact that public policy was favourable to the growth of the industry. Almost the entire investment in tea plantations was by British nationals. The total investment by Britain up to 1968 has been estimated at £1,890 million 7 of which the major portion was invested before the Second World War.

Government assistance was responsible for the improvements in transport and communications to tea plantations which, in their turn, enabled labour to be drawn to the plantations from far-off regions. Machinery, foodgrains, fertilizers and other supplies could now be transported straight to the tea estates. These infrastructures also enabled the transport of manufactured

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tea to port towns, like Calcutta and Cochin, at cheaper rates.

Publicity for Indian tea in the overseas market was mainly due to the initiative taken by the Government. In 1903, the Government of India imposed a cess on exports of tea in order to raise funds for propaganda and advertisement abroad. Though originally the fund was intended only for propaganda abroad, Lord Curzon, the Viceroy, directed that provision be made in the Indian Tea Cess Act (Act IX of 1903) for tea propaganda in India too. The Tea Cess Fund was administered by the Tea Cess Committee in consultation with tea producers. Under the Tea Cess Act of 1903, and the subsequent amendments of 1931, 1935, 1936, 1937, 1938 and 1939 the autonomy of the Committee or the Board was wide and real and the Committee was an instrument by which the industry carried out those specific functions under the Act. The Committee was not interfered with nor a Government decision taken on a matter which came within the competence of the Committee. The question of representation of the Committee was left with the long-established producer and trade associations and provided the means by which these organisations were given a continuous sense of participation with the statutory Committee, thus providing a vital link between the industry and Committee.
Even in the area of tea research, it was on account of the initiative taken and assistance given by the Government of India and the provincial Governments that the Tocklai Experimental Station (Assam) and the Scientific Department of the United Planters' Association of Southern India (Tamil Nadu) could be inaugurated. For example, in 1903 when the UPASI wanted to establish the Scientific Department, funds represented the main obstacle and, therefore, the Association appealed to the provincial Government for necessary aid, which appeal was met with sympathetically. With financial assistance from the Government and District Planting Associations a scientific service to the planters was organised in 1909. Mr. R. D. Anstead, Deputy Director of Agriculture to the Government of Madras, was deputed for work over a number of years under the control of the UPASI.\(^8\)

Briefly, the British rulers gave all the incentives needed for the growth of the industry. However, the same cannot be said of the industrial sector as a whole. There was a certain calculated negligence towards the industrial development of the country.\(^9\) In the present century, under


the British rule the main spurt in industrial development took place under the aegis of 'discriminating protection' policies and the rulers merely developed some of the existing industries catering mostly to internal demand for consumer goods. Says Helen B. Lamb, "Free trade gave way to some degree of protection and new industries sprang up under its shelter though not to the extent of priming the pump of real industrial integration and all-round expansion of the economy."

Also, one could to some extent justifiably blame the British rulers for allowing the tea industry and trade to be British-dominated. Even to this day both the industry and tea trade continue to be dominated by British companies, though the proportion of Indian capital in the industry has been gradually increasing in recent years. Trade in tea is getting dispersed. Two more auction centres have come into existence in Coonoor (Tamil Nadu) and Amritsar (Punjab). Another auction centre is contemplated in Gauhati (Assam).

III Tea Industry and Public Policy since Independence

There has been a radical change in public policy towards

industrial development after India achieved independence. The Indian economy can no longer be called 'stagnant', a term which could have been applied with some justification to earlier periods.11

Capital goods and technical skill are the prerequisites of industrialization. A developing economy has perforce to import many items of capital goods. In many cases even technical assistance has to be secured from industrially advanced nations and, more often than not, they have to be paid for in foreign currencies. India has been importing, in addition, large quantities of foodgrains for which also foreign exchange is required. By export promotion, by import substitution and by curtailing imports of non-essential consumption goods, the country has been trying to narrow the gap between exports and imports and to build up an export surplus which would enable her to pay for imports of capital goods, technical skill and foodgrains. It is in this context that the significance of the tea industry, as a major foreign exchange-earner, assumes great importance and no

effort should be spared to increase the foreign exchange-earning potentiality of the industry.

Despite the importance of the tea industry as the second largest foreign exchange-earner, public policy towards the industry has not been favourable to its growth. The following are some of the serious shortcomings of public policy which need to be corrected:

IV  A Statement of the Chief Defects in Public Policy

(1) Necessity of Comprehensive and Unbiased Study

The policy towards tea needs new orientation on the basis of careful consideration of the problems of the industry. This will not be possible unless a penetrating study of the whole of the industry's complex problems is made. The approach must be total and integrated and a genuine effort must be made to get to the roots of the problems. The present approach of the Government, it is feared, is piecemeal.

While it is recognised that the tea policy must fit into the general pattern of the country's economic policy, a proper appreciation and weighment of the causes that have produced the present situation (viz., slow growth and
declining prices and profitability) cannot be achieved unless past attitudes and policies and forms and methods of control are subjected to unbiased study and analysis. Many aspects of Government's tea policy seem to be founded on false assumptions and prejudices. Needless to say that the future stability and progress of the industry demand comprehensive, careful and frank study of the problems.

(2) Decision-Making

The producers have at present little or no say in the decision-making process, and consequently the decisions turn out to be either unfavourable or harmful. (a) The sudden withdrawal of India from the International Tea Market Expansion Board without consulting the opinion of the industry is a case in point. The effect of this decision on the goodwill of countries where the trade was well-organised was injurious to the future of tea trade. However, despite the heavy cost on account of India's withdrawal, Ceylon shrewdly decided to continue financing the Board to maintain such essential centres as it could and understandably expected the accretion of goodwill with the trade to compensate for the increased cost. This, then, was one of the reasons for Ceylon stealing a march over India in tea exports. (b) The export duty on tea,
which was abolished in 1963, was reimposed in 1966, following the devaluation of the rupee. Reimposition of the export duty was an important measure where the tea interests should have been consulted. Unfortunately, they were not associated in the decision-making process. After the imposition of the stiff export duty, the industry put up a case for its abolition. Whatever little justification there was for retaining the export duty disappeared with the devaluation of the pound sterling, followed closely by the devaluation of the Ceylonese rupee. All that the Government did was to give some marginal relief. In the meantime, the competitive power of Indian tea in the international markets became considerably weakened. Association of producers in the decision-making process is of prime importance. Unfortunately, an impression has been created among producers that the Government is reluctant to take them into confidence on major issues of tea policy, to consult them and to discuss with them matters pertaining to public policy. The atmosphere of suspicion born on account of the assumption that the producers' views are tainted by self-interest has prevented the Government from consulting the industry freely on matters of vital importance. Free and direct

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contact between the Government and the producers, especially in matters relating to labour, taxes, and marketing is the only way to create confidence and arrive at decisions favourable to the growth of the industry.

(3) Co-ordination in Public Policy

Lack of co-ordination between the policy of the Union Government and that of the Governments of the tea-producing States is another handicap to the growth of the Indian tea industry.

Section 2 of the Tea Act of 1953 declares that in public interest "the Union Government should take under its control the tea industry." It is the experience of those who are associated with the tea industry that the Union Government has failed to exercise authority over State Government policies affecting the development of the industry. Land and agriculture are included in the list of State subjects in the Indian Constitution and the tea-producing States have on quite a few occasions passed laws which have affected the industry adversely. The Union Government has not been able to persuade the State Governments to desist from passing such laws. The West Bengal entry tax, the Kerala sales tax, the Kerala plantation land tax, the West Bengal land tax, the Assam
passengers and goods tax and the forest preservation laws of Tamil Nadu show clearly the lack of co-ordination between the Union and the States. In brief, the Union Government has not been able to secure co-operation, leave alone compliance, from the Governments of the tea-growing States in its policy, with the result that the industry is burdened with a proliferation of taxes, labour welfare regulations, etc. Besides, the Governments of Kerala and West Bengal have been placating labour for political purposes.

(4) Contradiction in Public Policy

There is sufficient evidence to conclude that Government policy is make-shift and over a period of time contradictory. After India withdrew its membership of the International Tea Market Expansion Board in 1953, the policy of the Government, as stated by the then Minister of Commerce on the floor of the Parliament, was the subordination of the export market to the expansion of domestic market. Expenditure on tea propaganda to expand the domestic market was stepped up for about five years. Thereafter, the expenditure on propaganda

within the country began to shrink, showing that the policy of the Government had no precise direction. This went on for about four years and thereafter the decline in expenditure on propaganda within India became more marked and unmistakable. All these go to show that public policy has been uncertain and contradictory, with the result that the tea industry has suffered.

(5) Restrictive Public Policy

The experience of almost all producers of tea seems to be that the policy of the Government towards the tea industry has been excessively restrictive. A few examples may be given:

(a) The tea industry is unique among the export industries of the nation in so far as its raw material, the green tea leaf, is produced in the estate. As compared with other export industries, the import requirements of the tea industry are confined to a few items like machinery for the tea factories and tools for field operations. These are necessary for the efficient production of tea. Government policy in regard to the import of these essential items is based on arbitrary allocation which the Tea Board administers. Applying through the Tea Board is circuitous and time-consuming.
Besides, the admissibility of an application and the desirability of an import give rise to lengthy correspondence. Above all, these items are subjected to an import duty. It may be noted that in the East African countries imports of machinery and other supplies for agriculture and allied purposes are allowed free of import duty.\textsuperscript{14}

(b) The land ceiling legislation of Kerala and similar legislations in other tea-producing States are hardly conducive to the growth and expansion of the industry.

(c) The insulation of the Indian producer owing to rigid currency regulations makes him indifferent to the earning of foreign exchange and deprives him of the incentive to export.

(d) The economic control system under which there seems to be a deliberate policy of resource direction is responsible for many of the ills of the tea industry. The Government's fiscal policy of looking upon the tea industry mainly as a source of revenue, its reluctance to seriously examine the consequences of that policy,

its belief that tea as a traditional item of export does not require any special consideration and that the rupee gain from devaluation should be appropriated by a stiff export duty are a manifestation of a policy of diverting resources from the tea industry to what the Government considers are national purposes. That such a policy inhibits the flow of investment into necessary development is ignored. So long as the taxation policy impinges on costs and affects adversely efficiency and quality, it is futile to expect the industry to regain the pride of place as the world's largest exporter of tea.

(6) Anti-British Attitude

The origin as well as the development of the Indian tea plantation industry was mainly due to the British planters and many of the large estates are owned to this day by British companies. Such estates as were established by Indians belonged to those who were closely associated with the British planters or who were working under them. In recent years, Indians have purchased quite a few estates owned by British companies and with the passage of years many more are likely to pass into Indian hands. Even now, those who are fully conversant with the conditions prevailing in tea plantations are aware that labour welfare
measures and other amenities to staff and labour are comparatively better in British-owned estates.

However, there seems to be a certain amount of antipathy in policy-making circles to foreign ownership of tea plantations. Not infrequently, references are made to exploitation by foreigners. This is not quite true at least so far as the tea industry is concerned. But for British pioneers, this industry, in all probability would not have been started at all. India did not have either the resources or the know-how. But the Indians and the Government of India have been the greatest beneficiaries on account of the tea industry.

Since 1967, a violent anti-British agitation has been let loose in the plantations of Kerala. To a large extent, the attitude of the Government of Kerala has been responsible for the agitation. It may be noted in this connection that in a well-managed tea estate of about 325 hectares (800 acres) in Kerala, approximately 450,000 kgs. of tea can be produced and the plantation will fetch around Rs. 2 million annually under normal conditions. Out of this an amount of about Rs. 1.5 million represents the cost of production. The British planter's salary is around Rs. 40,000 a year and the bulk of the
balance goes to labour and staff, all of whom are Indians. In other words, the amount repatriated by British tea plantation companies to Britain is relatively small.\textsuperscript{15} Besides, one has to take note of the fact that Britain, among all the countries, is the largest buyer of Indian tea and a violent anti-British attitude may tempt Britain to go in for the teas of India's competitors.

(7) Nationalization of Tea Plantations

From time to time, Government spokesmen have been announcing the desirability of Government take-over of tea plantations. There have been discussions in the Parliament in recent times regarding the nationalization of the tea industry. The Government of Kerala has, in fact, appointed a Commission to study and report on the 'financial aspect' of nationalizing of the foreign-owned tea plantations of Kerala.

It may be pointed out that it would not be wise to nationalize the tea industry, the management of which is

\textsuperscript{15} Answering questions in the Parliament on April 16, 1969, Mr.B.K. Bhagat, Minister of Foreign Trade, said that the foreign-owned tea companies of sterling area remitted abroad a profit amounting to more than Rs.50 million in 1967-68. But he was quick to point out that this sum did not represent the result of a single year's working. (Planters' Chronicle, Coonoor, the Nilgiris, March 15, 1969, p. 33).
the most efficient in the country and which calls for 
sensitive, discriminatory and highly specialized 
management skills. The management of an agricultural 
property differs markedly from the management of 
industrial enterprises. The experience of the Government 
with State farms, like the one at Suratgarh, should deter 
the Kerala Government from nationalisation of tea 
plantations. The tea industry employs three to five 
times the average labour engaged in an equivalent area 
under agricultural crops and pays on an average over 
£1,200 per hectare in terms of taxes and duties. Tea in 
India has achieved the first place for the highest yield 
among the principal producing countries. On the other 
hand, vast areas are placed under agricultural crops in 
India whose yields are at or near the bottom of world 
ranking. Those include such large crops as cotton, wheat, 
sugarcane and tobacco. If the proposal to nationalize 
is purely in the spirit of doctrinaire socialism, then 
nothing much can be said against it. But if a sober 
thought is given to the economic consequence not only for 
the export of tea but also the security of employment of 
nearly one million workers and the risk to the vast 
revenues earned by the Governments of tea-growing States, 
then no hasty declaration of the intent to nationalize 
should be made. Once the declaration is made, the demand
for its implementation, whether it is right or wrong, cannot be resisted. A hasty declaration about the nationalisation of tea plantations would only dissuade the industry from renovation, modernisation and replantation, though they are required to be undertaken very urgently. The issue is, therefore, not whether the owners of tea plantations are affected but how wise such a decision would be in the national interests.

The tea industry has to its credit some impressive achievements. Faith in the future of the tea industry in India involves faith in two fundamental assumptions. The first is that it makes a valuable contribution to the economic well-being of the country; the second, that vigorous efforts will continue to be made to eliminate the defects, whether small or big.16

It is difficult to see what good could possibly come out of nationalising tea plantations. Nationalisation would certainly not improve the quality of tea or price realisation. Neither could it improve the managerial efficiency of the units. All the units have been built up, developed and maintained under the expert care and attention

of the management. It is difficult even to contemplate whether the same level of efficiency would continue under a nationalised management. Despite the high quality of production, the Indian tea industry is finding it extremely difficult to sustain competition in the world markets because of the high cost of production. Would nationalization bring about a reduction in the cost of production? There is nothing to suppose that it would. Briefly, there is no need to nationalize tea plantations.

(8) Small Units

In 1951 the small units in the Indian tea industry accounted for about 64.2 per cent of the total number of tea estates in the country. By 1967, the percentage had risen to 86.9.17 The reasons for the tremendous increase in the number of small units are obvious. The land ceiling legislation in Kerala and other States, the forest preservation laws of Tamil Nadu, the taxation policy of the Government of India and the Governments of the tea-growing States, the enormous rise in labour costs unaccompanied by a matching increase in labour productivity, etc., have tended, on the one hand, to encourage the

small units to grow in number and, on the other, to discourage the continuance of the larger units.

Government assistance to small producers has taken the form of sponsoring heavily subsidized co-operative tea factories in the Nilgiris (Tamil Nadu) and Kottayam (Kerala). These factories are exempted from payment of the basic excise duty to the extent of 10 per cent and from the entire special excise duty. Since most of the small units are very small in size, they are outside the scope of the Plantation Labour Act and the provisions of other enactments. Most of the small growers do not have sufficient income to attract either income tax or agricultural income tax. All these have helped small growers to continue alongside the larger units.

The productive efficiency of the small units is substandard. Standard cultural practices are rarely followed. Processing of the leaves in the co-operative factories and 'bought-leaf factories' to which the small units supply their leaves is very much inferior to that of the factories owned by the larger units. The quality of the tea produced is nothing much to speak of.

Government assistance to the small growers is piecemeal and there does not seem to be any conceptual
unity in the approach to the problems of the small units. The various measures of assistance tend to make the small growers’ economy tolerable instead of providing them with the conditions for advancement from small holding to an economic holding with yield and quality levels comparable with those of the bigger producers in the same district.

The problems of the small producers are to be viewed with sympathy and dealt with on sound economic lines and not as an extension of political objectives. Appeasement of the small producers with concessions here and there will not amount to dealing firmly and boldly with their problems. If the aim is to increase clearly the productive efficiency of the small units and to bring the quality of their tea to a level comparable with that of larger estates in the same district, the essential task is an integration of development assistance from the planting of tea to the processing of the crops in the factories.

IV Suggestions

The suggestions offered here are meant for putting the tea industry on a stable footing, so that the industry
may grow at a faster rate than at present and be able to face the challenges of the future with confidence. The suggestions are grouped under the following seven heads:

(A) General
(B) Development
(C) Tea Board
(D) Labour
(E) Taxation, Cost of Production, Prices and Profitability
(F) Marketing
(G) Research

(A) General

(1) The policy of the Government in looking upon the tea industry merely as a source of revenue and as an employer of labour needs revision. It should be looked upon, first and foremost, as an export industry capable of earning a large amount of foreign exchange which is of vital importance to the development of the Indian economy.

(2) Government attitude implicit in traditional items being taken for granted is dangerous. That they cannot be taken for granted is shown by the gains made by Ceylon at India’s cost in respect of tea exports.
(3) The unfavourable attitude of the Government towards the tea industry is, more often than not, due to the fact that the industry's wide and complex problems are not subjected to a deep and careful study and an unbiased analysis. Only a comprehensive and penetrating study can help evolve a favourable policy for the growth of the industry.

(4) If the tea industry is to develop, it is of fundamental importance that public policy should be such as to create confidence among producers. Confidence can be restored by direct and constant dialogue between the policy-making agencies and the industry.

(5) It is important that the Centre and the States should follow an integrated and co-ordinated policy towards the tea industry. The Government of India must be able and willing to persuade the Governments of tea-growing States to follow such a policy.

(6) Government policy is hesitant and at times contradictory, with the result that the expansion of the industry is impeded. A reasonably consistent policy is called for.

(7) The present antipathy in official circles to the tea industry is, to some extent, due to the British
connections with it. There seems to be a feeling that the foreign-owned tea plantation companies are exploiting the industry for the material benefits of the U.K. This assumption is not justified. It is unfair to point an accusing finger at British planters for all the ills of the industry.

The allegation that non-Indian interests are taking away the profits and investing them elsewhere is questionable. A sound and mature policy should have as its aim the strengthening of the competitive position of Indian tea in the world market.

(B) Development

(6) The general aim should be to undertake new planting at the rate of 3 per cent of the total area annually in the form of replanting, replacements and/or extension with good planting material.

(9) The industry is faced with the problem of non-availability of suitable land for extensions. Therefore, (a) it is not desirable to lay any specific relationship between land under tea and that not under tea within a tea grant. (b) Tea estates should be allowed to retain all land suitable for expansion and also allowed to retain sufficient land for ancillary purposes.
(10) Quality seeds must be made available in adequate quantities and at reasonable prices to make replantation on an extensive scale possible.

(11) Fertilizers should be ensured to the industry to reach estates by the end of December at the latest. Besides, the prices of fertilizers should not be increased.

(12) Pesticides and weedicides should be available in sufficient quantities so that supplies could be obtained by the industry as and when required.

(13) The Central Government should persuade the concerned State Governments to work out suitable schemes for adequate supply of water to irrigate the estates. The State Governments should also undertake surveys on the possibilities of harnessing sub-soil water in tea estates.

(14) In the interest of efficient production, the policy relating to the import of machinery, spares, components, implements, tools and other essential supplies should be decided by the Government in consultation with the industry. The producer should not be made to bear a heavy import duty which directly goes to increase his production costs. A liberal import policy in this regard should be devised.
(15) Efficient production also demands reasonable facilities for the expansion of manufacturing capacity which implies adequate allotment of building materials like structural steel. Coal is another item which should be made available at the appropriate time.

(16) Development of the tea industry demands replantation on a fairly extensive scale. At present a replantation subsidy of Rs.3,500 per hectare in the plains and Rs.4,500 per hectare in the hills is given. But what is required is a depreciation-depreciation-cum-rehabilitation allowance since tea is a wasting asset. It will be an ideal source for replanting in particular and development in general.

(17) Public policy towards small units is an extension of Government's political objectives and there is no effort to increase their productive efficiency in line with the larger units. It is necessary to set up an independent Authority on the model of the Kenya Tea Development Authority for the development of small units in the industry.

(18) For a group of small units an expert may be appointed and it should be his business to tour the area under his jurisdiction at regular intervals and advise the small growers about the best method of controlling the pests and diseases. The co-operative factories,
which have been recently established, may be entrusted with this work.

(19) There is widespread adulteration of tea. Stringent anti-adulteration measures need to be undertaken.

(20) The Tea Board has not been able to fulfil the purpose for which it was established, namely, effective tea promotion. The promotion of Indian tea in the overseas market has been ineffective. The Board should be an autonomous body. Greater representation to producers is necessary. The size of the Board must be reduced considerably to make effective deliberation possible.

(21) The policies of the Board should be backed up by adequate finance and professional skills. Inept promotion with inadequate finance is worse than no promotion at all.

(22) The tenure of the Chairman of the Board should be at least five years.

(23) The Board should have a permanent Deputy Chairman and appointment to this post should be left to the Board. Recruitment by open selection is the best.
(24) While the tea cess may continue to be collected by the Government, the total amount collected minus the collection charges must be credited to the Tea Fund account to be spent in accordance with the sanctioned budget.

(25) The Board should have complete control over its staff and activities including those abroad.

(D) Labour

(26) The policy of appeasement of labour by some of the Governments of the tea-growing States for political reasons is dangerous to the worker himself. The policy of placating labour should be given up.

(27) The Labour Ministry at the Centre must take the responsibility for the consequences of the totality of Government policies applicable to the industry. At present, the industry is left to cope with the consequences of labour policies enunciated by the Labour Ministry without the semblance of an attempt at co-ordination from the Ministry of Commerce which is responsible for many production and commercial problems of the industry.

(28) Effective anti-inflationary measures to hold the price line is an urgent necessity if the Indian economy in general and the tea industry in particular are not to
go out of gear. Inflationary rise in price level has enabled labour to get higher money wages but the real wages have not shown any appreciable increase.

(29) In the context of rising wages, the only way to hold down labour cost is to improve labour productivity. This can be achieved to a large extent if the management is authorised to exercise a more effective disciplinary control and to make a flexible use of labour.

(30) It is not fair to make the management of tea plantations supply foodgrains to labour at concessional rates especially because the issue of foodgrains by Government to estates is inadequate and irregular. No industry can be expected to carry such a burden as a normal and permanent feature. Hence, this requirement should be withdrawn immediately.

(31) The Trade Unions Act (1926) and the Amendment Acts of 1947 and 1960 should be strictly enforced in tea plantations especially in regard to the safe custody of funds, submission of returns, maintenance of registers, issue of receipts for subscriptions, etc. The provision that any seven workers can form a union has encouraged the formation of a number of rival unions even at the slightest provocation. The provision needs to be changed. Whole-time trained secretaries should be required to be
appointed for primary unions. Outsiders should not be allowed except in the case of primary unions. Only a single union should be permitted to function in a State.

(32) The housing subsidy scheme has failed in practice. The Central Government must make funds available against loans and subsidies immediately. The cost of construction of houses for labour in plantations should be treated as revenue expenditure for purposes of income tax.

The statutory rate of building at 8 per cent may be reduced to 4 per cent.

(33) The Central Board of Workers' Education should extend the Workers' Education Scheme to tea plantations.

(34) If the tea industry is to become self-reliant, it is necessary that the Government should follow a prudent tax policy without exacting more and more from the industry. This calls for a greater amount of co-ordination between the Centre and the tea-growing States. Rationalization of the tax structure is urgently called for.

(35) In the context of the declining price level in the external markets and the inability of Indian teas to
compete effectively with the teas of other producing countries, it is imperative that the export duty on tea should be abolished forthwith. There should be no further increase in the excise duty on tea.

(36) The Kerala sales tax is a heavy burden on the tea industry in South India. The West Bengal Sales Tax Act provides for exemption from payment of sales tax subject to certain conditions and at the first point of sale there is no tax liability. The Government of Kerala would do well to adopt a similar procedure so that the burden on the producers would be lessened. At the same time, it would encourage them to support the Cochin auctions.

(37) The rate of income tax on the agricultural portion of the composite income should not exceed the rate of the tax on the non-agricultural portion of it.

(38) The general impression that managerial expenses are unduly large and need to be reduced is not correct. Managerial expenses constitute a minor item in the cost of production of tea. Reduction of this item will surely lead to a reduction of the earning capacity of the industry.

(39) Government spokesmen often refer to the rising cost of production in the industry and accuse the managements of inefficiency. But a careful analysis will reveal that
it is Government policy (taxation, liberal awards to labour and restrictions of various types) which has been responsible for the higher cost. Government must devise ways and means to reduce the cost of production. The industry also should try to bring down the cost of production by introducing innovations both in the field and in the factory.

(40) There must be a separate Plantation Code, since the conditions of work in plantations differ materially from those in urban industries. The Code must be a Central Act and State Governments should have no rule-making powers under it.

(41) Tea plantations companies must be required to adopt a standardised method of account-keeping.

(42) Since profitability has been declining considerably, the tea industry requires financial assistance for development as also for working capital. Advances on more liberal terms than at present should be made by the Tea Board and the Agricultural Refinance Corporation.

(43) In the context of falling tea prices, the permanent remedy is to increase the world consumption of tea. Intensive research is necessary regarding new methods of using tea.
(F) Marketing

(44) Joint action by producing countries is necessary to arrest the fall in tea prices. An agreement to restrict production is not quite practicable. The alternative is (a) to devise an international export regulation scheme, and (b) to fix negotiated floor prices for tea exports. Ceylon and India may initiate the experiment. Other producing countries may be expected to join the agreement in due course.

(45) Generic tea promotion is more productive because pooling of resources and a combined and concerted drive for expanding the total tea market becomes possible.

(46) Concentration on a selected group of blenders and packeteers will be more productive for India than a widely dispersed effort at propaganda for Indian tea based on quality.

(47) The existing system of marketing which allows the producer four different alternatives of marketing his product is the best and there should be no interference with it. The defect in marketing of Indian teas does not lie in the marketing mechanism, but in the marketing environment created by a series of Government policies.

(48) The allegation that tea auctions favour the brokers and that auction prices can be rigged is not
supported by empirical evidence. Nor is it true to say that the existence of a small number of brokers and sharing the lots at auctions depress prices. Since auctions ensure effective operation of the market forces of supply and demand, they should not be interfered with.

(49) The system of consignment of tea to London auctions does not result in foreign exchange leakage as is sometimes alleged.

(50) Since the supply of tea is the chief factor which regulates the price of tea in the U.K. market, complaints about the number of buyers and the concentration of packing firms serve no purpose and are, in fact, a waste of time.

(51) The proposal of the Indio-Ceylon consortium of producers for blending and packing will not have any material effect on prices. Hence, too much reliance should not be placed on this scheme.

(52) Bilateral trading with U.S.S.R., U.A.R., Sudan, etc., has resulted in a displacement and not in an addition to Indian tea exports. It is true that these countries provide a support to the export market; all the same, they have imparted an element of instability as they could stop buying according to State policy.
Restriction on travel discourages the Indian exporters from maintaining close contact with overseas markets. It should be relaxed.

Internal consumption of tea is a factor of great importance in the supply and demand forces at work. This favourable force should not be weakened and further increase in production should be based on a positive policy of encouraging internal consumption.

Research

Research and development should be viewed as complementary activities by the Government. Both agricultural and industrial research are necessary if the quality of the final product should improve and if the cost of production is to be reduced. Government should set aside larger amounts for capital and recurring expenditure of the Tocklai Experimental Station and the Scientific Department of the United Planters' Association of Southern India without expanding its control over these institutions. If necessary a tea research cess may be imposed on the industry and the whole amount minus the collection charges may be spent exclusively for research.
(56) The tea research institutions are experiencing difficulty in getting essential scientific equipments on account of import restrictions. The import policy in regard to scientific equipments needs to be liberalized.

(57) Intensive research is necessary (a) to improve methods of manufacture and (b) to find out new methods of making a good cup of tea.