was "plainly inconsistent with the concept of the special provision authorised by Article 15 (4)".

One reaction to the Supreme Court's action is to hail it as a Wow at caste. [i] But there can be another. The fundamental issue raised by the judgment relates to the definition of "backward classes" This problem does not arise in the case of Scheduled Castes and Tribes, since the Constitution empowers the President to specify the castes, races or tribes which shall be regarded as Scheduled Castes or Tribes. No such provision is made for backward classes. If, under the circumstances, caste came to be adopted as the basis for marking out the backward classes, it was not so much because caste was a perfect criterion of social backwardness but, at least partly; because caste groupings were definite and caste membership could be ascertained and established.

The principle that social backwardness is, in the ultimate analysis, the result as much of poverty as of caste and that, therefore, factors other than caste are relevant to the determination of backwardness is unexceptionable. This is not to deny that evolving proper criteria is a difficult task. The successive decisions of the Mysore High Court declaring null and void the State Government's orders reserving seats in educational institutions for backward classes and now the Supreme Court's own unequivocal judgment are pointers that the task of evolving suitable criteria for backwardness cannot be put off any longer. The criteria to replace caste will necessarily have to take into account relevant social, sociological and economic factors unless the provisions of the Constitution allowing special measures for the support and advancement of the weaker sections of society are not to become a dead letter.

Weekly Notes

The Oil Gap

IF forecast of future demand in the next five or 10 or 15 years is the essential basis for planning production, the Third Plan oil programme has lacked this basis. Of course, no estimates of future demand can be expected to be completely accurate, but the successive revisions of the estimate of demand for oil is proof that something more than ordinary difficulties of forecasting were involved. We began with an estimate of less than 10 million tons in the Plan draft outline which was revised to 11.7 million tons in the final Plan. It was doubtful if even the Planning Commission took these estimates seriously, and so it came as no surprise when the estimate was raised further to 14 million tons. And now the Oil Advisory Committee, comprising representatives of the Government and the oil companies, has decided that even 14 million tons is an underestimate. The likely demand in 1965-66 is now put at no less than 17 million tons.

The upward revision of the estimate of demand for oil is a debating victory for those who have been arguing for an expansion of private refineries on the ground that refinery capacity proposed to be created in the public sector would not be enough to meet the demand for petroleum products in the Third Plan. The latter is. of course, true. To expand refinery capacity in the country, the Third Plan mentions only the completion of the two public sector refineries then under construction — Nunmati (0,75 million tons) and Barauni (2 million tons) —and the establishment of a third refinery in the public sector in Gujarat with an annual capacity of 2 million tons. With the upward revision of the estimate of demand to 14 million tons, it was decided subsequently that the capacity of the Barauni and Nunmati refineries would be expanded from 2.75 million tons to about 4 million tons and that a fourth public sector refinery in the South with a capacity of 2 million tons would be set up. This is expected to bring total refinery capacity in the public sector to about 8 million tons by the end of the Third Plan. Taken together with the capacity of 7.5 million tons in the private sector - assuming that lull utilisation of capacity will continue the total refining capacity in the country is expected to be about 15.5 million tons by the end of the Plan. This will still leave a gap in supply, taking the estimate of demand at 17 million tons, resides, not all the schemes for expansion of capacity in the pabli sector are likely to be completed by 1965-66, At the very least the fourth refinery in the South may be expected to spill over into the Fourth Plan. So the actual gap between demand and supply is likely to be considerably larger than a straight totalling up of the capacities of the proposed schemes would indicate.

Even Shri K D Malaviya will not deny this. That is not to say, however, that the Oil Minister accepts that this constitutes ipso facto an argument for permitting expansion of the private refineries. That the Government has no intention of being pressurised into allowing such expansion is reflected In the announcement that the permission granted to the private refineries to import additional crude in order to enable them to utilise their existing capacity fully is to be extended, but once again only for a period of three months.

Economics *of Expansion*

THE Government has never denied that expanding existing refineries would be cheaper, in terms of immediate foreign exchange costs, than setting up new refineries. The economies of scale are obvious. Thus the Burmah-Shell has a scheme before the Government for expanding the capacity of its Trombay refinery by 2 million tons at a cost of only Rs 4 crores. Even this nominal cost will be borne entirely by the company. What is, however, not so obvious is that such expansion will not cost any foreign exchange to the country in the long run. If expansion of private refineries means larger imports of crude on the present system of pricing, the saving in the capital cost may be more than offset within a few years. In the view of the Government, therefore, expansion of private refineries is intimately linked with the price at which crude is imported and the sources from where it is secured. In his address to the Oil Advisory Committee Shri Maiaviya restated the Government's position thai expansion of private refineries would be permitted only if the companies were willing to Import crude at much cheaper ra es than they did at present and the suppliers were prepared to accept payment in non-convertible rupees. What this amounts to, in effect, is that the oil companies must give up their right to choose their sources of crude supply. This, however, is one condition the private companies with their links with foreign producing companies will not accept.

So with the foreign exchange position remaining difficult and the gap between demand for oil products and indigenous supply inevitable, one of the major purposes of Shri K D Malaviyu's proposed tour of the Soviet Union, Rumania, Poland and I aly this month will be to make arrangements for larger and stable imports of petroleum products, mainly from the Soviet Union and the Eastern European countries. To persuade these countries to supply the particular products that we are short of against payment in rupees is, however, only part of the problem. The other part is to develop the public sector's capacity to receive and distribute vast quantises of oil products — both from the public sector refineries and from abroad. Thus by the end of the Plan the Indian Oil Company — the public sector distributing company — will be handling over ha^ of all oil products consumed in India. The company was set up only in 1959 and so far it has done little more than supply the not very large quantities of products imported from the Soviet Union to Government agencies and the defence services. But if in the years to come the demand for oil products 13 to be met without permitting ex pansion of the private refineries and was Ins foreign exchange by importing products from traditional spurces, the public sector oil industry will have to pay as much attention to thes distribute aspect as to exploration and refining, It is doubtful if this has been adequately realised so far.

Ship India — Indiawards

SIR Ramaswami Mudaliar's speech at the annual meeting of India Steamship Company reflects the gloom cast by the dismal results of the profit and loss account for the year ending March 1962. Pincered between the jaws of high operating costs and low freights, the Company has made a loss of about Rs 41 Lakhs each year for the last two years which has reduced its general reserves to a bare Rs. 16.77,000 and has made it impossible for the Directors to declare any dividend, As Sir Ramaswami indicated in his speech, one reason for the losses is that although the quantum of cargo rose by 8,6 per cent over the previous year, gross freight earnings rose by only 3.9 per cant; thus, the average freight earned per ton of cargo dropped from Rs 98 to about Rs 94. However, this cannot be the main reason for such heavy losses; as can be seen by the fact that the Government-owned shipping company, the Shipping Corporation of India, which also operates in the overseas liner trade and has about the same number of vessels as India Steamship made *o.* net profit of Rs 1,07,00,000 in spite of the fact that its average revenue per ton dropp ed from about Rs 112 to about Rs 82.

A comparison between these two similar companies would suggest that the cost structure of India Steamship is rather high; bare operating costs, excluding depreciation, form 86 per cent of gross freight earned in the case of India Steamship-while the corresponding figure for the Shipping Corporation is about 68 per cent. Operating expenses of shipping companies fall under two broad categories, (1) those that vary with the voyage and the type of cargo carried, under which head come port dues, stevedoring, bunkers, commissions and brokerage, etc, and (2) those that are fixed like repairs, salary, insurance, stores and victualling. While the ratio of fixed costs to gross freight earnings for India Steamship is 31 per cent against Shipping Corporation's 28 per cent, the ratio of variable costs is 40 per cent for the Corporation but as high as 55 per cent for India Steam. The persistence of a high cost structure suggests that the policy of the company is not to worry too much about costs, so long as the service is good. India Steamship pays the highest wages, has the finest — and the most expensive — ships, and probably the most expensive agents of any Indian company. Now this kind of policy is very successful in trades where the freight rates are sufficiently high to pay for the service. But the India) UK trade is not in that class; much of the cargo in this trade moves in bulk and has a low freight rate, so the service that India Steamship gives is too good for the trafic and the trade is unwilling to pay for it. Besides, the Government discourages any effort made by the Conferences to raise the freight on the grounds that it will affect export promo ion. While Sir Ramaswami is sympathetic to the Government, he is constrained to remark "it is necessary to set up agencies which will really find out whether the shipper can afford the freight charges or not , . . and the profit which the shipper is making has also to be carefully considered".

Sir Ramaswami is more cheerful about the future; he feels that a solution has been found through the agreement for pooling arrived at among the three principal Indian lines and their British counterparts in the India| U *K* trade. How far the pooling arrangements will go to solve the problems facing Indian shipping is a matter of conjecture as so far the pool has not come effectively into operation; but it should certainly go a long way in eliminating the malpractices of refcating and unfair competition. Pooling will also help to reduce costs by rationalising the number of sailings and avoiding unnecessary ports of call. The revised agreement that has been finally arrived at with the British lines is very reasonable. The quota for Indian lines is raised to 39 per cent from the original 30.5 with an escalation of 1 per pent per annum, until India achieves parity with the British lines. There is also an internal agreement between the Indian lines fixing the share of each individual line. The main feature of this internal agreement is that the Shipping Corpora ion will start off with a lower share but the entire increase of 1 per cent will go to them. It is a; measure of the degree of power the Corporation enjoys that, al hough it joined the Conference only in August 1961, it has been able to achieve in the short span of six to nine months what would have taken any ordinary company at least five years ! The advantages of being a Government Corporation are many.