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# **Soviet Union**

## ***Economic Affairs***

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# Soviet Union Economic Affairs

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## INVESTMENT, PRICES, BUDGET, FINANCE

### Consumption Fund Growth Linked To Greater Accumulation

18200140a Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 15, Apr 88 p 8

[Article by I. Pogosov, Candidate of Economic Sciences:  
"Savings, Economic Growth and Consumption"]

[Text] One important factor for accelerating economic growth is that of structural improvements in social production that are associated with a change in the ratio between consumption and savings and achieving improvements in well-being and in dynamic proportionality under the conditions imposed by scientific-technical progress.

Some economists associate high rates of growth in national income with a high norm for savings and growth in the consumption fund mainly with an increase in the physical volume of national income. One cannot help but note the unilateral nature of such an approach. Orientation only towards rate indicators, in the absence of a structural restructuring of production under modern conditions, restrains the renovation of its technical base, the products being produced and intensification and in the final analysis it brings about an ineffective, resource-intensive path of development and this results in the opposite result — low rates of economic growth.

Is it not possible to remove from the agenda the problem concerned with raising the rates for economic development and increasing the scales of production? Such an approach also appears to be oversimplified. It is obvious that such a situation, under conditions involving an increase in the size of the population, leads to a reduction in per capita income. The real contradiction lies in the fact that the problem of quantity and quality, the production structure and the rates of growth must be solved simultaneously. Such is the merciless logic of life.

An organic shortcoming of economic development, which is based mainly upon extensive growth factors, lies in the fact that an increase in the rates of growth tends to overstrain the economy and it aggravates shortages in material resources, capital investments, equipment and labor resources, that is, with the passage of time it leads to a deadend situation. Production intensification is becoming a means for resolving this contradiction, for removing tension and for creating the conditions required for further development.

But being the only means for avoiding the disproportions and lack of balance which accumulated during the period of mainly extensive development, intensification is a complicated and difficult process that is associated with a conscious and forced breakdown in existing proportions, the restructuring of the production apparatus and in the production technology. First of all, we have in

mind here a change in the structure of savings, a sharp acceleration in the development of machine building as the basis for technical re-equipping and also improvements in investment and amortization policies.

Under these conditions, the ratio between the funds for savings and consumption must ensure, for an extended period into the future, a maximization of the total fund for the well-being and social development of society. Such an approach must be the basis for the distribution of financial, labor and material resources, the selection of the variants for the development and distribution of productive forces and for the intensive and extensive factors of growth. In short, it must serve as the basis for solving all of the strategic problems of economic and social development.

The ratio between the savings and consumption funds in the national income is one of the more urgent structural problems. At the present time, the proportion of the consumption fund in the national income is 74 percent and the savings fund — 26 percent. Basically these ratios do not change, not even if the computations are carried out, as is often proposed, in prices of the same level — with no turnover tax and with an identical profitability. In the USSR, the proportion of the consumption fund is lower than that in a number of other developed countries. In particular, in Czechoslovakia it is 80 percent, in the U.S.A. — 82 and in the GDR — 79 percent.

The greater the volume of consumption per unit of savings, the more effective will be social production. This rather simple thesis is the first to spring to mind when analyzing the proportions for the distribution of national income into the funds for consumption and savings. However, it is all so simple only at first glance. In the continuous process of reproduction, savings truly appears as a means for increasing the consumption fund and as an aspect in the production of consumer goods. At the same time, it would be incorrect to absolutize this ratio or to examine it apart from an overall analysis of the proportions of reproduction. An increase in the consumption funds, compared to the expenditures for its creation, requires coordination of the effectiveness of production during a given year with an expansion in production and its effectiveness during subsequent years.

Growth in the consumption fund and, it follows, an increase in the true income of the population, are directly dependent upon the scales and effectiveness of savings. The definite dynamics of the consumption fund and its proportion of the national income conform to each variant of the expenditures for savings. A sharp change in the ratios for these funds leads to a disruption in the rhythmic nature of reproduction, to the development of disproportions and also to an unjustified change in the size of the funds for consumption and savings from the standpoint of a considerable period of time into the future. Thus a reduction in the proportion of savings

will make it possible to realize a profit from the production of consumer goods. But this profit will be temporary if a proper logistical base is not created by means of the savings fund, a base which could ensure normal growth in production over an extended period.

With a reduction in the savings fund, the development of investment branches is restrained and this in turn leads to a reduction in the absolute increases in national income and it exerts a negative effect on growth in the consumption fund.

This is not simply a theoretical situation, but rather it is our recent past. Compared to the 1966-1970 period when the savings fund amounted to 29 percent, during the 1976-1980 period it declined to 27 percent and during the first half of the 1980s — to 26 percent. The reduction from 11 percent in 1970 to 8 percent in 1985 occurred mainly as a result of the proportion of savings in fixed productive capital.

The absolute increases in the savings fund declined and this brought about a reduction in the absolute amounts of growth in national income. This is explained by the fact that under the conditions encountered during the 1970s and the early 1980s, a reduction in the proportion of the savings fund in national income was not properly compensated for by the factors of production intensification, which would have made it possible to increase national income and accordingly the consumption fund. Good intentions aimed at raising it produced the opposite result. The growth in the consumption fund, owing to a general slow-down in growth in national income, began to decline during the 10th Five-Year Plan.

If the rates of growth in national income that were achieved during the 10th Five-Year Plan had been maintained during the 1981-1985 period, then its absolute mass, assuming that the savings fund was maintained at the 1980 level, would be 6 billion rubles greater.

Capital investments in the development of the productive sphere were not reinforced by means of amortization deductions. Indeed the overall volume of resources available to the national economy is determined by the amount of the final product and this appears as the total amount of national income and amortization. Amortization funds exert an increasing influence upon the overall volume of capital investments. During the 1971-1975 period, the proportion of national income in the formation of capital investments amounted to three fourths and at the beginning of the 12th Five-Year Plan — approximately 60 percent. During this same period, the proportion and mass of amortization deductions increased.

But even if we take the final output, then it turns out that the proportion of savings in it declined. This reduction in capital expenditures for production development, or

as they say, the investment workload for the economy, had an adverse effect on the savings in fixed capital, on an increase in its volume and on its structure from the standpoint of quality.

The overall amount of savings in fixed capital is determined by the amount placed in operation, by wear and tear and by the amount of capital repair needed for restoring the value of the worn out capital. Under modern conditions, the depreciation in fixed capital amounts to approximately three fifths of the value of the capital placed in operation and the capital repair.

Over the course of an extended period of time, the rates of growth in the depreciation of fixed capital exceeded the rates of growth in the placing in operation of fixed capital, in combination with an increase in capital repair, and this intensified the trend towards a reduction in the savings in fixed capital. In 1985, the increase in fixed capital was 4 percent less than in 1980 and that for fixed productive capital — 19 percent less.

The situation changed somewhat only during the 1986-1987 period as a result of measures aimed at stimulating investment policies. During these years, the average annual rate of increase in capital investments amounted to 7.1 percent and it increased by almost twofold compared to the preceding five-year period. The proportion of savings in fixed productive capital in the national income began to increase.

What explanation can be given for the failed attempt at changing the ratio between the consumption and savings funds in national income? It is explained first of all by insufficient production intensification. Relatively fewer resources were drawn into production and at the same time an increase in production results was not ensured by an improvement in the effectiveness of savings, a reduction in specific capital investments and construction schedules, capital replacement in conformity with the established service periods or an acceleration in technical re-equipping. It comes as no surprise to learn that over the past 15 years the production of national income per ruble of productive capital declined (in kopecks, in comparable prices):

|           |           |           |
|-----------|-----------|-----------|
| 1971-1975 | 1976-1980 | 1981-1985 |
| 55.9      | 48.3      | 41.2      |

What caused such dynamics in the output-capital ratio?

Growth in the output-capital ratio requires excessive rates of growth in labor productivity compared to growth in the capital-labor ratio. Meanwhile the ratio between the rates of growth in productivity and the capital-labor ratio developed unfavorably and the rates of growth in labor productivity declined during the last five-year plans.

Under modern conditions and with limited labor resources, growth in production must be achieved with a minimum increase in the number of workers employed through growth in labor productivity. An increase in such productivity is a most important requirement for new equipment and it also presupposes a reduction in the price for a unit of new capability. However, computations have shown that for industry as a whole, during the 1981-1985 period, growth in industrial-productive fixed capital exceeded growth in productive capabilities by a factor of 1.3. This signifies that roughly one third of the capital investments was associated with compensating for this increase in prices.

The substantial lag in the increase in capabilities and labor productivity compared to the increase in fixed industrial-productive capital and the capital-labor ratio testifies to the fact that growth in the production apparatus and in the capital-labor ratio was achieved to a large degree as a result of quantitative and extensive factors and resource expenditures and not by means of intensification. To a certain degree, the increase in price for a unit of production capability was conditioned by an inflationary factor associated with an increase in the cost of construction and equipment, the degree of effect of which must still be revealed.

A reduction in the output-capital ratio produces a situation in which the ability to obtain the same amount of absolute increase in output requires a greater amount of capital investments with each passing year. Thus, compared to the 1966-1970 period when the increase in industrial output per million rubles was achieved by an increase in fixed capital of 640,000 rubles, during the 1981-1985 period an increase in capital of 1,543,000 rubles was needed. The capital output ratio for agricultural output will increase to an even greater degree.

Thus, given the existing technical level for production, the desire to increase the rates of its growth and to raise the proportion of the consumption fund in national income will produce powerful pressure, which will increase capital investments and together with them, a consumption fund, their principal component element.

Consequently, a reduction in the savings norm cannot of itself be viewed as a factor of intensive development or an increase in this norm — as an extensive factor. The principal problem consists not of raising or lowering the proportion of savings, but rather of deciding whether or not a reduction in the proportion is accompanied by an acceleration in intensification. If not, then such a process inevitably leads to a slow-down in economic growth, since it will be based upon inadequate growth in the technical level for production. A reduction in the proportion of savings reflects the processes of intensification only in those instances when it is organically associated with accelerated growth in production efficiency based upon scientific-technical progress.

During this modern stage, an increase in the scales of production and growth in the consumption fund and the real income of the population require an increase in the scales of savings, particularly in machine building, growth in production capabilities and in the technical re-equipping of production and a substantial increase in its effectiveness. Only on this basis will it be possible to realize an accelerated increase in national income and in the consumption fund.

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#### **RSFSR Finance Minister Outlines Restructuring Tasks**

*18200133a Moscow FINANSY SSSR in Russian  
No 3, Mar 88 pp 3-10*

[Article by A. A. Bobrovnikov, RSFSR finance minister: "Restructuring the Finance Mechanism and Tasks of RSFSR Finance Agencies"]

[Text] The Communist Party of the Soviet Union has set forth a revolutionary program of transformations directed toward acceleration of socioeconomic development and the creation of a production potential that would make it possible to successfully solve problems of improving the well-being of the people.

In order to provide for dynamic, stable economic growth, it is necessary to have an effective, flexible system of management of the national economy. At the June (1987) Plenum of the CPSU Central Committee, which earmarked concrete ways of restructuring economic management, emphasis was placed on the need to solve large problems in the sphere of finances, credit, and monetary circulation. Conducting a radical finance and credit reform was on the agenda.

As the central financial-economic agency, the RSFSR Ministry of Finance is called upon to organize the general management of the republic's finances. It is responsible for the task of implementing a principally new financial policy and conducting a radical reform of the finance mechanism in order to strengthen its influence on accelerating the republic's socioeconomic development and increasing the effectiveness of public production.

In order to achieve the earmarked goals, it will be necessary to implement measures for restructuring the activity of the RSFSR Ministry of Finance and its local agencies, providing for concentration of forces on the most important areas of the improvement of finances and financial-economic work in the national economy.

The restructuring that is being conducted in the country is exerting an ever greater influence on the republic's economy. High rates of advancement of the economy and culture of the RSFSR are earmarked for the third and largely decisive year of the 12th Five-Year Plan.

Under the conditions of the mastery of the new economic mechanism, the state plan for the republic's economic and social development for 1988 has been drawn up in circumstances of broad openness and democracy, taking into account the suggestions of the enterprises, associations, organizations, ministries, and departments as well as the ispolkoms of the local soviets of people's deputies. The rates and proportions of economic and social development have been earmarked at the level of and above the assignments of the five-year plan. The volume of industrial production on the territory of the republic will increase by 4.3 percent and agricultural production—by 3.8 percent, which will make it possible to fulfill the assignments for 3 years of the five-year plan.

As was noted at the session of the RSFSR Supreme Soviet during the discussion of drafts of the plan and the budget, the earmarked assignments are realistic, but it is necessary to put all existing economic reserves to work in order to fulfill them successfully. And this pertains above all to the disclosure and mobilization of financial resources for providing for the earmarked rates of economic development and improvement of the well-being of the Soviet people.

The state budget for 1988 has been approved by the RSFSR Supreme Soviet for incomes and expenditures in the amount of 110.6 billion rubles with an increase of 6.7 percent as compared to 1987. It reflects the basic requirements of the state financial policy for providing for unwavering growth of the national income, profit, and other financial resources, increased effectiveness of management in all units of the economy, and further improvement of the well-being of the people.

The financial resources are concentrated, in order to implement the republic comprehensive target programs, on the priority directions of scientific and technical progress and acceleration of social development. The financial base of the local soviets of people's deputies continues to grow stronger. Also taken into account is the important circumstance that the strategy for restructuring finances on which the USSR Law on the State Enterprise (Association) is based provides for granting extensive rights to enterprises and creates conditions for their economic independence on the basis of complete cost accounting and self-financing.

Having begun the implementation of the radical reform of the financial mechanism, the RSFSR Ministry of Finance and the republic finance agencies must fundamentally restructure their economic and control work and radically change its content.

Under the new conditions the central staff of the RSFSR Ministry of Finance must concentrate its attention on the major areas for improvement of finances and financial-economic work in the national economy and provide for the implementation of a unified financial policy

and a changeover to primarily economic methods of management through extensive utilization of long-term normatives in finance and budget planning.

A most important area of the activity of both the central staff and the local financial agencies in the current stage of the restructuring of the republic financial system is the orientation toward a careful analysis of the process of the introduction and functioning of the new management (including financial) mechanism according to the principles of complete cost accounting and self-financing so as to make the necessary changes and refinements to individual elements of it in the shortest possible amount of time and enter the 13th Five-Year Plan with a completely adjusted management mechanism.

The expansion of the rights of the soviets of people's deputies, the considerable increase in the sizes of local budgets in recent years, and the assignment to them of some of the income that previously went into the union and republic budgets lead to a strengthening of the reciprocal ties between the center and the local authorities in the process of forming and utilizing budgets. All this requires a principally new approach to the organization of the financial work of financial agencies.

The basic unit of the economy today is the enterprise (association). It is here that the main economic processes unfold, the goods and services people need are created, and financial resources are formed, part of which go for the formation of local and republic budgets. The financial agencies must radically change their relations with the enterprises. It is necessary to completely abolish petty supervision and excessive regulation of their activity and to arrange business ties in such a way as to act as partners of the enterprises who are deeply interested in achieving high final results. By actively contributing to the financial well-being of the enterprises, specialists of the financial system also contribute to the steady income of payments into the budget.

Another principal peculiarity of the activity of all units of the republic financial system under the new conditions is their orientation not only toward solving current problems having to do with drawing up and executing the budget and plans for state income and revenues of insurance payments, but also toward creating reserves for successful fulfillment of finance-budget takes in the future period and the five-year plan as a whole. A profound knowledge of the prospects for development helps to carry out the comprehensive restructuring of the system of financial plans and budget planning.

The significance of financial planning is constantly increasing and the RSFSR Ministry of Finance is playing a more important role in providing for value balance of state plans for the republic's economic and social development. An analysis of the qualitative changes that have taken place in the structure of incomes and expenditures of the RSFSR State Budget for 1988 shows the beginning of the restructuring of financial-budget planning on the

basis of stable long-term normatives that provide for unity of the financial policy and expansion of the rights of the enterprises (associations) and soviets of people's deputies in the planning and utilization of monetary accumulations. Active participation of the financial system in the development of these normatives becomes especially important in this connection.

Under the new management conditions profit (income) plays a larger role in the formation of financial resources of the enterprises and the centralization of state monetary funds. In the Russian Federation in 1988 for all kinds of national economic activity as a whole, profit was planned with an increase of 7.9 percent over 1987. More than 50 percent of the profit will remain at the disposal of the enterprises for the development of production and satisfaction of the social needs of the labor collectives.

At enterprises that have been changed over to complete cost accounting and self-financing interrelations with the state budget are arranged on the basis of long-term stable normatives, which stimulates increased production effectiveness. This year more than half of all the payments from profit will go into the budget according to these normatives.

The envisioned change in the proportions for the distribution of profit between the enterprises and the budget provides for a reduction of counterflows of financial funds and a rise in the level of self-provision of financial resources for the enterprises and branches of the republic national economy. Real possibilities are being created for more complete introduction of the principles of cost accounting and effective formation and operational maneuvering of the money in their own financial funds and reserves.

Among the main measures of the financial reform are restructuring of the territorial financial-budget planning, a stage-by-stage changeover to the formation of the financial base of the local soviets of people's deputies from deductions from profit (income) of the enterprises under union and republic jurisdiction according to stable normatives, and the assignment to the local budgets of part of the turnover tax, depending on the fulfillment on the corresponding territory of the plan for retail commodity turnover of state and cooperative trade. Here one can see clearly the changes in the interrelations between the republic and local budgets on a stable normative basis.

It is typical of the republic's 1988 budget that it is more socially directed and that the residual principle for the allotment of resources prevails for the development of the social sphere. The growth rate of expenditures on social and cultural measures exceeds the growth rate of all other budget expenditures by a factor of 1.5.

In solving the problem of providing for fulfillment of the plans and assignments for this year we must keep in mind that incomes and expenditures of the republic budget are balanced with a certain amount of strain. A number of issues of financial support must be solved during the course of fulfillment of the plan and budget. Under these conditions it is necessary to step up economic and analytical work of the RSFSR Ministry of Finance and its local agencies. It should be directed toward the disclosure of reserves and the preparation of economically substantiated suggestions directed toward the elimination of bottlenecks in the development of the economy, improvement of the financial position in the economy, and fulfillment of plans for payments into the budget.

Taking into account the situation that has developed, more attention should be devoted to the turnover tax. On the territory of the republic 90 percent of the revenue from it is going into the RSFSR state budget this year. The basic direction should be to improve the structure of the turnover tax and increase revenue as a result of expanding the output of goods that are in demand among the population. The financial agencies of Murmansk, Novosibirsk, Novgorod, Rostov, Sakhalin, Tyumen, Yaroslavl, and a number of other oblasts should step up their work with the enterprises in connection with this issue. Not all of the councils of ministers of the autonomous republics or the executive committees of the soviets of people's deputies are yet taking full advantage of the rights they have been granted for organizing the production of consumer goods and rendering services to the population.

The activity of the cooperatives for producing goods and rendering services is developing slowly as well. Although about 10,000 cooperatives have been registered on the territory of the republic, only half of them are in operation, and, moreover, the volumes of product sales (services) in many of them are insignificant, which does not make it possible to exert a significant influence on the satisfaction of the growing consumer demand. For example, there are 45 cooperatives in operation in Penza Oblast. They produce only a couple of thousand rubles' worth of goods and their services comprise less than a half of 1 percent of the volume performed by enterprises of the oblast consumer service administration. Individual labor activity is not developed extensively enough in the Karel and Komi ASSR's or in Amur, Kostroma, Kursk, Orel, Tomsk, Chita or a number of other oblasts. Specialists of the republic financial system must play an active role in the development and implementation of new measures in the sphere of the financial policy. The tasks in this area have become more complicated and the volume of work has increased.

At the 27th CPSU Congress it was emphasized that the question of improving the practice of exacting a turnover tax, payments from profit, and other budget revenues has become crucial. Under the conditions of the new management methods this work should be carried out in



the direction of increasing incentives for the activity of enterprises and associations and strengthening state finances. Taking into account the fact that at the present time enterprises are not materially interested in producing tax-intensive products that are in demand among the population, in the opinion of the RSFSR Ministry of Finance, it is necessary to coordinate the increase in the output of such products with the cost accounting income. To this end, when the enterprises fulfill the plan for turnover tax it would be expedient to make additional deductions into the fund for the development of production, science, and technology from sums paid in excess of the plan. And, conversely, when the plan for turnover tax is not fulfilled, deductions into this fund should be reduced and the money should be transferred to the budget.

On the basis of requirements for restructuring, it is necessary to conduct a tax policy that encourages cooperative and public organizations as well as the development of individual labor activity in order to more fully satisfy the needs of the population for goods and services and to increase their contribution to the formation of budget incomes. The system of taxes paid by the population should be improved taking into account strict observance of the principles of social justice.

In the restructuring of the economic work for financing branches of the national economy, the requirement of concentrating financial resources, including budget resources, in the key areas of the development of the economy, particularly for the implementation of republic comprehensive programs, acquires special significance. This is clear from the example of the financial support for the branches of material production where all sources of financing are taken into account: funds of enterprises and branches of the economy, bank credit, budget resources, and, if necessary, funds from public organizations and the population. Thus in 1988, in keeping with the comprehensive program drawn up for the republic for the development of the production of consumer goods and the sphere of services, more than 5 billion rubles are being used for financing the light, textile, local, and fuel industries. This money is taken from the funds of these branches themselves, budget allocations, and credit resources. Financial resources are also being concentrated on the fulfillment of the Food Program.

When conducting economic analysis and evaluating the development of enterprises, associations and branches, workers of the financial system must focus attention on the actual return and effectiveness of the utilization of resources and the achievement of the final results envisioned by the assignments of the corresponding republic comprehensive target programs. When evaluating the effectiveness of the utilization of monetary funds and capital investments, specialists of financial agencies must take into account their intended purpose for fulfilling such comprehensive programs as accelerating scientific and technical (qualitative renewal of fixed capital in

material production, primarily the active part) and increasing the rates of development of the social sphere (construction of housing and municipal services and social-cultural facilities).

Reserves for increasing the effectiveness of the work of institutions of the social sphere have not yet been put to work in the republic. It is necessary to change over from the quantitative indicators that have become customary to qualitative ones. In conjunction with specialists of the social sphere, it is necessary to conduct research on methods of evaluating the social result for the corresponding areas. This pertains particularly to increasing the effectiveness of preventive medicine, prolonging the number of years a person is capable of working, improving the results of the reform of the general educational and occupational schools, and restructuring higher and secondary specialized education. The new methods of evaluation are important for comparing the results with the volumes of expenditures.

With the increased social direction of economic development, the role of state insurance becomes more important in improving the well-being of the people. The organization of insurance work must be raised to a qualitatively new level. When finding local solutions to problems of comprehensive socioeconomic development of the territories, it is expedient to enlist additional funds from state insurance agencies as one of the sources for forming the income bases of local budgets so as to place state insurance more directly in the service of social requirements and the satisfaction of the needs and demands of the Soviet people. More attention should be devoted to introducing new kinds of insurance, working directly in the labor collectives, overcoming in the shortest possible time the differences in the provision of services by insurance agencies in large and small cities and various regions of the RSFSR, and advancing the art of providing service for the insured. To these ends, principles of complete cost accounting and self-financing must be used more actively in the work of Gosstrakh agencies.

One of the most immediate and important tasks at the present time is the financial improvement of enterprises and organizations and the RSFSR national economy as a whole. Improvement of the financial situation is critically necessary in order to provide for a successful changeover to the new management conditions.

In order to compile better programs for financial improvement, the suggestions developed by branch specialists at the end of 1987 were attentively considered in the corresponding units of the financial system in conjunction with business executives and with the participation of representatives of bank institutions and planning and other economic agencies. It should be mentioned that certain materials did not contain an in-depth analysis of the financial condition of the enterprises and branches and they did not cite substantiated calculations or indicate measures implemented by

means of mobilizing internal reserves. In many cases it was envisioned that the financial condition would be improved at the expense of budget funds and additional benefits.

After the appropriate finishing work they drew up a draft of a program for financial improvement of the RSFSR national economy. It included measures for the most important areas for improving finances: increasing profit and profitability, reducing production losses, eliminating nonproductive expenditures and losses, improving the utilization and providing for the preservation of internal circulating capital, achieving stable solvency of the enterprises and organizations, providing for stable growth of production, increasing its effectiveness, and observing a strict policy of economy. The implementation of these measures should improve the financial condition of enterprises of branches of the republic's national economy, many of which at the present time—because of failure to fulfill plans for financial results, the slowing up of the circulation of circulating capital, and the diversion of these for nonplanned purposes—are experiencing serious difficulties in covering expenditures and settling accounts with contracting agents, banks and the budget, and they are regularly allowing shortages of internal circulating capital. Thus while the plan for profit was fulfilled by the RSFSR economy as a whole, assignments were regularly not fulfilled by enterprises of light and the textile industry and the republic state committee for petroleum products and gosagroprom. As a result of the failure to fulfill assignments for economizing on material and fuel-energy resources and reducing labor expenditures, losses from defective work, and other nonproductive expenditures, every fourth enterprises under RSFSR jurisdiction has overexpenditures on production costs. Production losses are decreasing slowly.

Because of unsatisfactory financial results many enterprises are not able to maintain internal circulating capital, although each year considerable amounts of money are spent to restore it. For 1987 their shortage on the whole amounted to more than a billion rubles. The utilization of commodity and material values is not improving. There is a large amount of overdue indebtedness on bank loans and reciprocal accounts among enterprises and economic organizations for goods and services and other payments. The largest sums of indebtedness are found in enterprises and organizations of state trade, housing and municipal services, grain products, light and the textile industry, land reclamation and water management, and the republic gosagroprom.

According to existing calculations, financial improvement will make it possible to provide for an increase in accumulations of businesses under the jurisdiction of the RSFSR during 1987-1990 by an overall sum of more than 8 billion rubles. It is also intended to eliminate the losses of more than 4,000 enterprises and organizations. This will make it possible to stop allotting direct subsidies from the budget for their maintenance.

In the program for financial improvement special attention is devoted to reducing reserves of commodity and material values. The measures that have been developed for improving material and technical supply and eliminating unmarketable surplus values will make it possible to reduce them by almost 2 billion rubles during 1987-1990 and accelerate the turnover of circulating capital.

The RSFSR Ministry of Finance and local financial agencies must constantly devote attention to practical implementation of the measures for financial improvement earmarked by the enterprises and in the branches of the national economy. It is necessary to show initiative in the formulation of questions of revealing and mobilizing intrabusiness reserves for making up for the shortage of circulating capital and paying off long-term credit indebtedness.

In keeping with the decree of the RSFSR Council of Ministers of 31 August 1977, "On Restructuring the Financial Mechanism and Increasing the Role of the RSFSR Ministry of Finance Under the New Management Conditions," there will be more interaction between the RSFSR Ministry of Finance and local financial agencies, and other economic departments and branch management agencies in implementing a policy for increasing production effectiveness, increasing monetary accumulations, creating a stable financial situation, utilizing resources efficiently, and introducing complete cost accounting and self-financing.

The interaction between the RSFSR Gosplan and the local planning agencies must take place during the formation of profit as an important source of financing centralized republic expenditures and the production and social development of the enterprises. Coordination with other economic departments and branch management agencies is especially important when preparing proposals for the introduction of economic management methods and developing long-term stable economic norms and financial norms. Here it must be kept in mind that the duties of the financial specialists include control over the substantiation of the normatives established for the enterprises and associations for payments and deductions from profit (income) into the budget and into centralized funds and reserves of the ministries and departments. And as we know, the most effective method is that of preliminary control that is exercised in the stage of development of financial norms and normatives of payments into the budget.

In the practice of the RSFSR Ministry of Finance and the local financial agencies under the new management conditions there will appear another kind of activity whereby, if necessary, in conjunction of planning and bank agencies, ministries, departments and other economic management agencies, it will be necessary to prepare proposals for the elimination and reorganization

under the established policy of enterprises and associations that for a long time have not been operating profitably and have not been fulfilling their commitments to the budget, the banks, and other enterprises and economic organizations.

It is also crucial to carry out joint development with planning agencies and bank institutions of measures for strengthening monetary circulation, improving forms and methods of planned regulation of monetary circulation, and strengthening the influence of financial and credit levers on production in order to achieve balance between supply and demand.

Under the conditions of the radical economic reform the system of price setting is also being restructured. Workers are solving the problem of strengthening the role of the price as one of the levers for managing the economy, increasing the effectiveness of production, and saving on resources. The process of price setting is being democratized. Local financial agencies should participate most actively in the work for determining prices and tariffs. Special attention should be devoted to the change in the ratio between centrally established and contractual prices in favor of the latter.

Now that scientific and technical progress is becoming an increasingly effective factor in the acceleration of the republic's national economic development, it should be especially emphasized that allocations for scientific and technical work are to be allotted taking into account more extensive introduction of cost accounting principles in the activity of branch scientific research organizations and that it is necessary to concentrate financial resources in the decisive directions of scientific and technical progress. We must not forget about questions of increasing the return from research that is conducted by institutions of academic, VUZ, and branch science and expanding the sphere of application of scientific developments, principally new technical equipment, and the latest technology in branches of the economy. The major national economic goal is to achieve radical changes in the mechanism for interaction between science and production.

The RSFSR Ministry of Finance attaches a great deal of significance to strengthening ties with scientific research institutes and VUZ's of an economic profile for developing concrete proposals directed toward more effective utilization of the complex of economic levers and incentives in the practice of managing the national economy. Centrally and locally, it is necessary to expand research and development on questions of finances, credit, and incentives in scientific organizations and VUZ's and to raise their level and increase their practical significance.

At the present time the ministry and local financial agencies of the republic are experiencing a critical need for scientific research and concrete proposals concerning problems of improving the economic and financial mechanism in industry, the agroindustrial complex, and

automotive transportation and river fleet organizations under the conditions of the changeover to complete cost accounting and self-financing, and also concerning a number of other most important financial problems. We raised these issues before the NIFI [Scientific Research Financial Institute] of the USSR Ministry of Finance.

A restructuring of the style and methods of work is in progress in the republic financial system. We have developed and submitted to the USSR Ministry of Finance proposals for bringing the system of payments of economic agencies in line with the provisions of the USSR Law on the State Enterprise (Association) and also proposals for changing the policy for financing budget institutions and organizations and their utilization of funds that have been saved.

A policy of financial and budget planning and analysis of report data for various autonomous republics, krais, and oblasts, grouped according to economic regions of the RSFSR, has been introduced into the work practice of the administrations and divisions of the RSFSR Ministry of Finance. This makes it possible for the ministry to work actively with other republic economic and branch agencies in solving large-scale regional problems.

The restructuring of the management of the economy radically changes the direction of the work of the financial system with respect to various staffs. Improvement of the organizational structure of management at all levels and in all units of the national economy comes to the fore. The change in this structure envisions the creation of a new type of associations and administrations such as the main production-economic administrations, state production associations, industrial-trade and planning-industrial-construction associations, engineering centers, introduction organizations, and other organizations. In the economic work of the financial agencies for the various staffs major significance should not be attached to increasing the effectiveness of the activity of the management staff, simplifying it and making it less expensive, and improving the organization and technical support for management work.

Under modern conditions it is also necessary to increase the financial influence on strengthening and expanding the foreign economic ties of enterprises and branches of the republic economy and the creation of conditions for the introduction into the national economy of currency self-support and self-financing. It is necessary to improve the economic mechanism for incentives for increasing exports and developing progressive new forms of cooperation with foreign countries, mainly the socialist states, including the creation of joint enterprises and international associations and organizations.

The RSFSR Ministry of Finance and local financial agencies must improve their methodological guidance of financial work at enterprises and in the branches, achieving better arrangement of bookkeeping in the national economy and increased effectiveness of control over the observance of a policy of economizing and protecting socialist property.

At the January (1987) Plenum of the CPSU Central Committee it was pointed out that, taking into account the requirements imposed by the times, it is necessary to restructure personnel work both centrally and locally. Today a decisive factor in evaluating personnel is their attitude toward the restructuring and their real work for its implementation. In this connection it is necessary to concentrate attention on staffing the republic financial system with specialists with high qualifications, to enlist as many as possible of those who do not have a higher economic and financial education in correspondence and evening education, to activate the creation of an effective personnel reserve, and to conduct certification of management personnel and specialists everywhere. All personnel work should be directed toward preparing specialists of the financial system for active participation in the restructuring.

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## REGIONAL DEVELOPMENT

### Latvia's Ruben on Reorganization, Republic Decision-Making

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29 Mar 88 p 2

[Interview with Yuriy Yanovich Ruben, chairman of the Latvian SSR Council of Ministers]

[Text] [Question] The general plan for management of the republic national economy envisions a radical reorganization of the existing structure. What dictates this and how is it expressed? To what extent will it contribute to implementing the party social and economic strategy?

[Answer] The radical reorganization of the structure for management of the national economy is dictated mainly by the logic of the renewal of the society. The custom of "spreading out" at one time formed not only the extensive economy, but also the extensive psychology of the management staff. For decades it grew and extended the boundaries of its influence, to the detriment of the independence of the lower units. The duplication of functions that was inevitable here caused a lack of control. Prosecution for criticism gave rise to ostentation and excessive attention to appearances.

It would seem that a considerable amount of time has passed since April 1985. But the restructuring in the management apparatus as a phenomenon to be found everywhere is still having difficulty making its way. And we have already encountered certain problems. Mainly on the sociological and psychological plane. For when an administrative worker is transferred from the position he holds or his position is eliminated altogether, it might seem to him that the sky has fallen. One can understand

him from a purely human standpoint. Although from the standpoint of the historical process that is taking place, he himself recognizes the need for this "economic medicine."

As M. S. Gorbachev emphasized in his report at the June (1987) Plenum of the CPSU Central Committee, we are now faced with the immediate and urgent task of creating an integrated, effective, and flexible system for management of the national economy. He also noted that with the years the existing management system has come into ever sharper contradiction with the conditions and needs of economic development.

So what has dictated the reorganization of the structure for management of the national economy and what do we expect from it? First of all, without it we cannot implement the party economic strategy. On the other hand, the very formula, "more socialism, more democracy," dictates principally new requirements for the management apparatus. We hope that with the changeover from the centralized, command system of management to a democratic one the organizational structures will define their functions more clearly and radically change the style and methods of their work.

These objective necessities are understood somewhat simplistically in life. But this does not change the essence of the matter. Instead of a guaranteed salary for an actual lack of responsibility and lack of control, the management worker will now be paid for implementing the strategy for development of the branch. Instead of a loud voice, persuasive logic and scientific analysis will come to the fore. And, finally, the art of management work and the understanding of the very essence of the deep mechanism for restructuring should now be verified by the application in practical work of the principle of "everything is permitted that is not prohibited by the law." But we have become so accustomed to living by instructions...

I am far from saying that every management worker is a bureaucrat. But yet this is actually true as long as he gives assignments and bears no economic responsibility for them. Moreover, it was frequently simpler for him to prohibit or not accept some decision than it was to solve the problem and take responsibility for his own decision. Now that the ranks of management workers have thinned out so much and they will be engaged not in all-absorbing trivia, but in long-range issues, it will also be easier to tell who is who.

The foundation for new and better utilization of labor resources was laid, as we know, on 1 January of this year. The USSR Law on the State Enterprise (Association) went into effect on this date. The party policy concerning this issue is also clearly defined in the decree of the

CPSU Central Committee, the USSR Council of Ministers, and the AUCCTU, "On Providing for Effective Employment of the Population, Improving the System of Labor Placement, and Strengthening Social Guarantees for Workers."

It is clear to everyone that there are no alternatives to restructuring. The changeover to an intensive economy and the acceleration of scientific and technical progress lead to a simplification of the management structure and the release of surplus staff workers. This process is irreversible and is just now gathering force.

In our republic the work on the reorganization of the management structure certainly did not take place behind closed doors. A commission was created for developing the general plan for management of the republic's national economy. It included members of the bureau of the Central Committee of the Communist Party of Latvia and the republic government, officials of the Council of Ministers and Gosplan, scientists and specialists, workers of ministries and departments, and also representatives of public organizations. The commission published in the press an appeal to the population of the republic to give their suggestions. Many of them were sent in. Therefore I should like to take advantage of this occasion to thank all those who participated actively in the discussion of this issue. We have prepared and considered several variants of the new management structure. In a word, hastiness will not help anything here. But we must not drag out the solution to the problem. An imperfect management structure can hold the economy back.

The new management structure is to be mainly a two-unit structure with a radical change in the functions of the ministries and departments. The spheres of influence of the local authorities will expand significantly. A shortcoming of the management structure that has been in effect so far is that it sometimes copies the union structure without any need for this. The large number of management agencies makes the management of the branch more difficult. A situation in which the paperwork conveyor forces the department staff to work for itself, that is, to run idle, is inevitable.

Our plan for changing over to a principally new form of organization of the management of large republic national economic complexes enables us to reduce the number of union-republic and republic ministries and departments from 47 to 33. This structural reorganization is accompanied by the transfer of a considerable share of the functions performed by ministries and departments to associations, enterprises, and organizations under their jurisdiction. A real basis is created for independence and self-financing. And this, in turn, makes it possible to reduce the number of personnel on the central staffs of the ministries and departments by no less than 3,000, that is, by 50 percent as compared to the

number as of 1 August of last year. This number also includes a reduction of the number of personnel on staffs of service organizations that have management functions.

Last year 2.11 percent of all our people employed in public production were employed in units of our management staff. After the reorganization the proportion of this category of workers will be 1.4 percent. In other words, the number of administrative personnel working in the ministries, departments, ispolkoms, and other organizations with management functions, which is 26,300 today, will be reduced by 8,800.

The plan envisions a considerable reduction of the structural subdivisions, and the maximum number of workers in the central staffs of union-republic and republic ministries and departments is to be reduced to 2,818. There will be a sharp reduction of the number of deputy ministers, department managers, and board members.

The number of staff workers of management agencies under union jurisdiction and organizations with management functions that serve them will be reduced by approximately 30 percent.

The turn has come for the republic Council of Ministers and Gosplan as well. Here too dozens of people will descend from the top of the economy to the bottom. For the first time, as in all units of the management staff, it is not the vacancies, but the actual positions that will be cut.

The changes have not bypassed the middle level either. The new management structure envisions strengthening the enterprises (associations) as a result of concentrating production. It is intended to create 107 new production associations and to consolidate existing ones. It is also intended to create seven state production associations according to the branch and regional principles on a voluntary basis. Naturally, this will be done without adding management agencies to the ministries and departments.

It is important to note the stronger integration of science and production. To this end, it is intended to concentrate no less than half of the branch science employees in production and scientific-production associations.

[Question] For management of the most important socioeconomic complexes, the general plan for management of the republic national economy envisions the elimination of certain ministries and departments and the creation of new state committees or ministries. How will this look in practice?

[Answer] The Ministry of Land Reclamation and Water Management and the Fishing Administration of the republic Council of Ministers will be abolished. Their functions will be transferred to the Latvian SSR Gosagroprom. The Main Administration of the Latvian SSR

Council of Ministers for Foreign Tourism and the Riga association of the USSR State Committee for Foreign Tourism are also being eliminated. A union-republic cost accounting association for foreign tourism, Latvinturist, is being created on the basis of these.

It is intended to create six state committees which for the first time organizationally unite entire national economic complexes. And it should be noted at once that some of them can be called ministries. Here they are:

The Latvian SSR State Committee for Industry on the basis of the Ministry of Light Industry, the Ministry of the Wood Processing and Paper Industry, the Ministry of Forestry and the Timber Industry, the Ministry of Local Industry, and the Administration of the Peat Industry of the republic Council of Ministers. This committee is being made responsible for functions of organization and support for the production of consumer goods and the manufacture of products for interbranch purposes for all consumers in the republic;

The Latvian SSR State Fuel and Energy Committee on the basis of the State Committee for Providing Petroleum Products. The State Committee for Gasification and also the corresponding subdivisions of the Ministry of Municipal Services and the Main Production Administration for Power Engineering and Electrification of the Republic. This committee must provide for comprehensive territorial development of all organizations included in it and provide for efficient utilization of all energy resources in the republic;

The Latvian SSR State Construction Committee on the basis of the abolished Ministry of Construction, Ministry of the Construction Materials Industry, and Latvian SSR State Committee for Construction Affairs;

The Latvian SSR State Committee for Public Education on the basis of the abolished Ministry of Education, Ministry of Higher and Secondary Specialized Education, and Latvian SSR State Committee for Vocational and Technical Education;

The Latvian SSR State Committee for Culture on the basis of the abolished Ministry of Culture, Latvian SSR State Committee for Cinematography, and State Committee for Affairs of Publishing Houses, Printing Plants, and the Book Trade;

The Latvian SSR State Committee for the Protection of Nature on the basis of the corresponding subdivisions of the Ministry of Land Reclamation and Water Management, the USSR State Committee for Hydrometeorology and Environmental Control, and the USSR Ministry of the Fishing Industry.

Two more agencies are being created in the structure for management of the republic national economy:

The Latvian SSR Ministry of Transportation and Road Management on the basis of the abolished Latvian SSR

Ministry of Automotive Transportation and Highways and the Main Administration of the River Fleet of the republic Council of Ministers;

The Latvian SSR Main Administration for Technical Equipment and Information Science under the Latvian SSR Gosplan on the basis of the corresponding subdivisions of the affairs administration of the republic Council of Ministers, Gosplan, and ministries and departments.

As you can see, the new committees represent a principally new type of management agency that is constructed on a functional basis. The proposed management structure is subject to consideration at the session of the Latvian SSR Supreme Soviet on 14 April.

But one thing is already indisputable. Regardless of the possible adjustments to the structure for management of the republic national economy that is being proposed, it has obvious advantages. The new structural agencies will become basically coordinating staffs. The enterprises and associations included in them will acquire the independence and rights envisioned by the law. And the republic Council of Ministers, in turn, will no longer have to resolve trivial current issues or provide operational control of the branches of the national economy. The so-called curatorship of staff workers of the Council of Ministers over the branches will be a thing of the past.

And further. Like you deputies, certain ministries will not be combined. These are the ones involved in service to the population: the ministries of trade, consumer services, municipal services, communications, public health, and social security. But there will be large structural changes within them. And this means that they will have to operate with fewer personnel, with additional functions, and with a greater degree of responsibility.

[Question] Up to this point you have been discussing the forthcoming changes in the main level of the management apparatus. But rearrangement of the organizational structure obviously involves the city and rayon levels as well. How will this take place there?

[Answer] Yes, the territorial administrative agencies—the staffs of executive committees of rayon and city soviets of people's deputies—are also on the threshold of change. Here the rearrangement of the organizational structure will take place taking into account the growing role of these agencies in all spheres of our life.

The rayispolkoms are to be assigned a number of functions that were previously within the competence of the republic Council of Ministers. These include planning construction of facilities of the social infrastructure according to the territory; withdrawing plots of land when residential structures belonging to the citizens are torn down, within the limits of the normative for the amount of housing to be torn down; making decisions

concerning the utilization of funds for reconstruction and construction of residential buildings; solving problems related to the acquisition by enterprises and organizations of structures belonging to citizens.

A broad range of issues will be resolved by structural subdivisions created in the rayons for comprehensive socioeconomic development. Local financial agencies are assuming new functions. And, finally, production associations for housing and municipal services in the rayons and cities will begin to function under cost accounting conditions.

In this connection at the rayon and city level the reduction of the number of management staff personnel will amount to more than 1,500 or an average of 30 percent. But this should in no way have a negative effect on the strengthening of the democratic foundations in local management or the competent solution to crucial problems of the day.

The ispolkoms will retain the functions of the head coordinators of comprehensive economic and social development of their territories and they will be responsible for the fulfillment of the housing and food programs, the development of the production of consumer goods and the sphere of paid services, the distribution of labor resources, the protection of nature, and other issues. As a result of the reduction of the staffs there will be a greater possibility of increasing the average earnings of ispolkom workers to 200 rubles.

[Question] Having been included in the cut, a person still must look out for his personal interests. What possibilities of labor placement will be offered to those who are forced to leave the positions they have held? And, finally, who will be the first to go?

[Answer] I wish to begin with the fact that concern for placement of workers whose positions are to be eliminated should precede their release because of staff reductions. In any case, this is what good leaders do and this is what is stipulated by the law.

I shall refer to an example from the work of the Riga city employment bureau. Its "data bank" today includes more than 1,300 vacancies for engineering and technical personnel and employees. But these data were submitted by the enterprises. The ministries and departments, which have been waiting an unjustifiably long time for rearrangement of the management structures, have no time for vacancies.

The large amount of work done for reducing the management staff in the Ministry of Automotive Transportation and Highways deserves approval. Problems of reducing the number of management personnel have been taken seriously by the State Committee of the Gas Industry, the Ministry of Consumer Services, and the Ministry of the Construction Materials Industry. They turned for assistance to the city labor placement service,

and problems of placing the released workers are being resolved successfully. But the consultation point for questions of labor placement and benefits related to this, which was created especially for this period and is located on Ulitsa Revolutsiyas, 22, is not in operation yet. There is nobody to consult with. And this is an indication that the leaders and personnel workers of the ministries and departments, who are directly affected by the structural changes, are still in some kind of state of anabiosis.

Of course there is no need to convince anyone that unemployment is no threat to anybody in our country. But we must recall once again that preliminary selection of the place of work, before the dissolution of the labor agreement, should become the norm for our life. The social guarantees for the Soviet person in the main issue of life—the right to work—should not be encroached upon.

The management staff reduction is most difficult of all, of course, at the level of the ministries and departments. In the first place, this is simultaneously a process of employing younger people. For the majority of people being released will go on a pension. But here too we must keep the personnel workers from becoming too zealous. The most important criterion is still not age but professionalism and a high level of competence. People with these qualities, as a rule, are not threatened by bureaucratic mildew. We must be able to distinguish between those whom the ministry attracts through pure work and those who live no longer for work but for their private affairs. Wages are not the most important thing for them. And therefore their output is not great.

To put it even more concretely, the time for such workers who are looking for nothing has passed. And we must look more to those who have an appetite for work, who suggest revising certain things in a new way, and, perhaps, are not even satisfied with that. But the further we go, the more the economic situation will demand such people.

And I should like to disclose one more problem. A large contingent of agricultural specialists are abandoning the staff of Gosagroprom. Will some of them go into the rural areas as managers or head specialists of farms? After all, knowledgeable people are needed there. And their earnings will be much higher. The same thing can be said about construction workers who will be leaving their offices. We should like to see them working as supervisors and chiefs of construction administrations.

Now you must decide also who should be cut and who should be given help in finding another job...

[Question] In connection with the rearrangement of the structure for management of the national economy will the republic government also have greater independence in solving any national economic problems?

[Answer] The republic Council of Ministers has gone to the USSR Council of Ministers with a request to expand its rights in solving problems that are currently within the competence of union agencies.

There are proposals in the area of planning, standardization, labor, wages and the socio-cultural sphere, construction, finance, credit and price setting, and foreign trade. All of them have been dictated by life itself and if they are resolved positively the work will be facilitated for both sides.

Here, for example, are a couple of them. We are asking that they grant the republic Gosstroy the right to determine for itself the normative duration of construction of facilities being constructed by the internal financing method with the participation of labor collectives. Then the Gosstroy will proceed from local conditions and capacities of construction organizations under the jurisdiction of the republic Council of Ministers.

I assume that it would be possible to grant us the right, if necessary, to redistribute operationally the fuel and energy resources that have been allotted to the enterprises and organizations, regardless of their departmental jurisdiction. Then the policy for planning and allotting funds in effect in the country will be preserved. Such a maneuver with energy resources will produce a real savings on them.

Or, for example, there is this crucial problem. It would be expedient to grant the republic Council of Ministers the right solve problems related to limiting the number of workers at enterprises and in organizations, regardless of their jurisdiction.

It is possible to give many examples like these. And the thing that all of them have in common is the destruction of departmental barriers that have outlived their usefulness. In many cases they are a nutritive environment for bureaucratism, they stand in contradiction to the new decrees, and they cut off at the root the independence of many national economic units.

[Question] Obviously, the quantitative changes in the administrative apparatus will be accompanied by qualitative ones. You have already discussed the requirements the reform imposes on the new type of management. But in what other direction should the quality of the work of the management apparatus change?

[Answer] The economic reform has entered a decisive stage under difficult circumstances. Its overall radical concept has not yet been entirely reinforced by documents that concretize it. In large measure it is necessary to learn while doing, augmenting knowledge and analyzing yesterday's difficulties and failures.

In order to succeed it is necessary to evaluate the situation soberly and not divide the facts and figures into the categories of "suitable" and "unsuitable." This pertains to reporting. But the abolition of outdated instructions has become a no less important part of our work.

As of 1 March in the ministries of the republic 13,717 outdated departmental normative acts have been abolished. The republic Council of Ministers has also abolished about 1,800 governmental normative acts that have lost their significance. According to available information, this work has been completed in ten ministries. For example, in the wood processing and construction branches, municipal services, and others. This work is being done slowly in the ministries of grain products, public health, and consumer services.

But is there not the danger that they will be replaced by new ones? After all, in the largest economic reform of the recent past (1965) this ruined things. It was then that the "concrete" instructions in addition to the decrees of the party Central Committee and the USSR Council of Ministers drowned out the ideas of the reform.

And here is what today, in my opinion, is even more dangerous. It is the change in tactics of certain managers from "nay-saying" to "yea-saying." In words everything is "yes." But behind this easy "yes" there sometimes remains the old managerial psychology and essentially the old economic mechanism. Unfortunately, there are more than enough examples of this.

Within the walls of our ministries and departments, what would seem to be opposite extremes get along easily together: slowness in actions and waiting for instructions from above combined with inexplicable hustle and bustle when implementing radical changes that require a well considered approach. The desire to solve problems with arbitrary forces has not been eliminated either.

The awakened public interest in everything that is taking place can be felt everywhere and in everything. Perhaps it is now clear even to the skeptics that this is not a feigned interest in restructuring. And the labor collectives have long been waiting for concrete actions from management agency workers of all ranks, but many still swear allegiance to the restructuring.

We have already entered that stage of development of the society when the strictest state acceptance of the ideas of restructuring is a verification by actions. And it is time for us to change over from the dress clothing of democracy to democracy in work clothes.



## INTRODUCTION OF NEW TECHNOLOGY

### Rational Choice of Appropriate Technology For Raising Productivity

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[Article by S. Kheyman, Doctor of Economic Sciences: "Acceleration: Priorities and Effectiveness"]

[Text]

#### Not By Quantity But By Productivity

At the present time, the process of restructuring, an important task of which is that of raising the national economy to a new level from the standpoint of quality in the productivity of social labor and effectiveness, is being carried out in a rapid manner in the country's economy. In achieving this goal, a special role must be played by the processes concerned with the establishment of a progressive structure for the national economy and its branches.

An increase in the rates for the country's economic development is in no way related to an increase in production resources. The most important condition for acceleration is an increase in the return from these very resources and their productivity.

As early as 1985, during a conference in the CPSU Central Committee concerned with accelerating scientific-technical progress, M.S. Gorbachev pointed out that we produce more steel than other countries and still we suffer from a shortage of metal. The chief reasons — inadequate quality, limited assortment and wasteful use of metal.

The situation is being corrected, but slowly. In 1966, 161 million tons of steel were smelted in the USSR and during the same period in the U.S.A. — 75 million, in Japan — 98 million, in the FRG, Great Britain and France taken together — 71 million tons. In terms of this indicator, we confidently occupy first place throughout the world. And yet the volume of domestic output in machine building and metal working amounts to only 75-80 percent of the volume being produced in the U.S.A. And this is with an identical volume of capital investments. What has brought about this distortion?

The low productivity of metal resources and the substantially higher metal intensiveness of both machine building and overall social output in the USSR are explained by an entire complex of factors. One of the principal ones — shortcomings in the structure of the final product of ferrous metallurgy and accordingly in the structure of metal consumption. The proportion of castings, high quality rolled metal and thin sheet steel is quite considerable and that for thin and cold-rolled sheet steel —

rather low. Having adjusted themselves to such a structure for rolled metal, the planners of equipment quite often base their designs upon the use of castings and high quality and thin sheet steel. This naturally increases the weight of domestic equipment and raises the expenditures of energy and labor for its production and operation. In addition, the low quality of the rolled metal requires an increase in the margin of safety.

The situation can be changed radically only by improving the structure for steel smelting and rolled metal processing. Despite numerous decisions in this regard, the Soviet Union continues to remain the only developed country in which the open-hearth process furnishes substantially more than one half of all of the steel being smelted. This process has been eliminated entirely in Japan and in the U.S.A. it accounts for only 10-15 percent of the work.

The oxygen-converter method developed in the USSR, which in terms of energy and labor expenditures and, even more important, the duration of the smelting cycle, is more economical than the open-hearth process, furnishes us with 33 percent of our steel and in the U.S.A. and Japan — 59 and 70 percent respectively.

Electro-steel smelting units possess similar advantages compared to the open-hearth process. The technology for the continuous pouring of steel remains undeservedly in the shadows. Despite the fact that this method was also developed and employed for the first time in the USSR, the proportion of its use in the Soviet Union for the production of rolled metal lags sharply behind Japan, the U.S.A. and West European countries and this is resulting in considerable metal losses.

An overall change is obviously needed in the structure for the final product of ferrous metallurgy and, it follows, in the structure for metal consumption. The design of equipment, the assortment of rolled metal and the structure of the machine tool pool must be reoriented towards an increase in the proportion of forge and pressing machines. At the present time, 16 out of every 100 machines in the USSR are forge and pressing machines and in the U.S.A. — 24. That is, a change is needed in the structure of machine tool manufacture. This will make it possible to lower the metal and machine tool intensiveness of production.

The low level of production specialization and the absence for all practical purposes of standardized units and parts tend to lower the mass production nature of their manufacture and they limit the opportunities for employing progressive metal-working technologies. Flaws in the organization of repair operations — the producers of equipment are not supplied with the needed units and parts, instruments or other items of technological equipment — produce a situation in which everything is produced using internal resources and "available" metal not only on a series basis but also individually. Here there will be a drop in the coefficient

of use for metal and an increase in the metal-intensiveness. According to available estimates, metal expenditures throughout the country for the repair of equipment will reach 1 million tons annually.

Finally, insufficient attention to the time factor and failure on a frequent basis to observe the delivery schedules for component parts and materials are encouraging the formation of tremendous supplies of material values among the consumers. In these supplies, the value of which reaches hundreds of billions of rubles, a large quantity of metal is immobilized.

There is still one other important reason why the low productivity of this type of resource is associated with the weak orientation of domestic metallurgy towards the needs and interests of consumers. The country's ferrous metallurgy industry is recommending for its use only approximately 4,000 rolled metal shapes. Meanwhile, a metallurgical firm such as Klekner (FRG), which produces fewer products by far, is prepared to supply customers with approximately 10,000 shapes. The limited number of rolled metal shapes in the country is resulting in a tremendous production volume of shavings and accordingly in raised expenditures of metal. Thus the desire to reduce the number of adjustments to rolled metal machines is causing considerable harm to the metal consuming branches and to the national economy as a whole.

#### Should Reliance be Placed Upon the Natural Economy?

The irrational structure of the metallurgical complex is augmented by shortcomings in the sphere of metal working and machine building. From a quantitative standpoint, everything here is in our favor: during this same year of 1966, 164,000 metal cutting machines were manufactured in the USSR, in the U.S.A. — 100,000, Japan — 150,000 and in the FRG and Great Britain taken together — 132,000. The pool of metal cutting and metal working equipment in machine building and metal working in the USSR, according to data from the 1983 census, surpassed that of the U.S.A. by 75 percent. And yet we obtained less output per unit of this equipment by a factor of 2.2-2.3.

This ratio in productivity levels is explained by a whole series of factors. The raised metal-intensiveness of domestic equipment mentioned earlier is bringing about a considerable increase in the volume of mechanical processing and accordingly an excessive expansion in the pool of metal working equipment.

The desire to increase the production of diverse types of equipment, including basically new types, has decreased the importance of those questions concerned with radically restructuring machine building proper and especially its organizational structure. Meanwhile, it is precisely such restructuring that is considered to be the basis for qualitatively solving the tasks confronting this complex. The admiration being aroused by some items of

new equipment is producing positive emotions among some leaders but it is not motivating us towards the creation of an optimum model for machine building.

An improvement in production efficiency is being held up by the widespread practice of producing and repairing equipment at enterprises of branches which are remote from machine building. This long-standing program is reflected in the distribution of the country's pool of metal-working equipment. According to data furnished by the 1983 census, 42.8 percent of it is located outside of machine building. Inspections have revealed that this equipment is being operated an average of 2.4-4 hours daily. Meanwhile, approximately 30 percent of the equipment in the machine building pool proper was used in auxiliary departments of plants for the production of machines "for itself" and for repairing them. Thus, less than one half of the country's pool of metal-working equipment is being used for the production of new equipment.

Progress in productive forces throughout the world and during all historical stages took place based upon growth in production specialization. It is believed that all attempts to avoid this path are doomed to failure, despite the fact that from an external standpoint they appear to be easy and not too expensive. It is time to understand that this goal can be achieved only through the development of specialized production operations.

An abundance of productive resources and their low productivity are typical of our own agricultural operations. The sowing areas for grain and pulse crops in the USSR surpass similar areas in the U.S.A. by 102 percent, but at the same time our country's gross yield is less by a factor of 1.7. This is explained by a considerably lower productivity level: in the USSR — 14.9 quintals per hectare and in the U.S.A. — 43.5.

Certainly, differences in the productivity level are closely associated with the climatic conditions and these are considerably more favorable in the U.S.A. However, even on our territories where we are unable to complain regarding the climate, the yields are not very rich. For example, in 1986 the harvest in the Ukraine amounted to 26.6 quintals, in Moldavia — 28.8 and in Kirghizia — 30.5 quintals per hectare

A similar situation prevails in animal husbandry. There are 10 percent more cattle in the USSR than in the U.S.A., 45 percent more hogs and more poultry by a factor of three. Yet the picture is just the opposite with regard to the production of the corresponding types of meat. Here we are already lagging behind: we are producing 65 percent less beef, 31 percent less pork and less poultry meat by a factor of 2.7.

Productive livestock, poultry and sowing areas — these are all special means of production and their productivity is determined by the strategy employed in their use. The role played by the above-mentioned time factor is

clearly evident in the sphere of activity under review. How long does it take for chicks which are hatched from eggs to become one and a half kilogram chickens? How long does it take for a calf to become an adult cow with an optimum weight for slaughtering?

How can the duration of the time cycle for meat production be expressed in industrial terms? What are the factors which make it possible to optimize this process? First of all, there are improvements in the same "means of production," and the breeding of more productive strains of livestock and poultry and seed strains based upon selection and genetics. Secondly, there is the selection of the best and most effective feeds and feeding times and also the best periods for the use of pastures.

The kolkhozes and sovkhoses must search for an economically feasible production structure, one which will ensure the greatest yield in terms of products and income. Only this path will lead to a sharp increase in agricultural productivity.

#### Mastering the Rudiments of Marketing

If we attempt to generalize the reasons for the relatively low productivity of metal, equipment and so forth, then the chief such reason turns out to be the inadequate orientation of producers towards the consumer requirements. The confidence of manufacturers in the sale of their own products and failure to take into account the specific needs of customers bring about the above-mentioned limited assortment of rolled metal products, a shortage of finished equipment and insufficient spare parts.

Under conditions in which the plans are developed in a building of USSR Gosplan and in rooms in which the producers and consumers are co-located, it would seem that it would be rather easy to take into account the various mutual interests. However, each subunit was actually concerned mainly with the high operational effectiveness of "its own" producer — the mass nature of its output, reducing to a minimum the number of change-overs and readjustments and so forth. It is by no means an accident that marketing — the study of demand and market conditions — has not been developed properly in our domestic economy.

This problem became more aggravated when converting over to complete cost accounting and self-financing. How can assistance be furnished to an enterprise in studying the consumers of its products, their needs and the prospects for changing these needs in connection with the achievements of scientific-technical progress? These are all becoming principal problems, the solutions for which have a great effect with regard to achieving success in restructuring. Here it is useful to turn to foreign experience.

In the U.S.A., such problems are presently being resolved on a national scale. The national association of machine tool builders and the large McGraw Hill Publishing House serve as an example of this. Once every 5 years, they jointly conduct a census of metal-working equipment. During the course of these censuses, improvements are noted in the structure of machine building capabilities, the proportion of new types of equipment and the use of electro-chemical plasma and other units, processing centers and units having digital programmed control are revealed and so forth. Analytical review articles on new trends in technology and metal working equipment and an analysis of trends in this sphere in other countries are being published. All of this information is making it possible for the producers of equipment to orient themselves in a correct manner and to take into account the marketing conditions when planning production.

It is obvious that this type of orientation will be extremely useful for our enterprises and associations under independent conditions. The scientific institutes could develop models and a structure for the production apparatus, material and raw material balances and provide computations on the effectiveness of new trends. And here a requirement will exist for a systematic approach for analyzing the needs of consumers and not isolated demonstrations of a particular type of equipment or materials. Such consideration of the marketing interests must be combined with the development of central scientific and planning organs for the principal trends in scientific-technical, structural and investment policy and a strategy for organizational solutions. Enterprises and associations which operate under conditions of cost accounting and self-financing must learn how to use all of these materials during the course of their practical activities. If this is not done, the gulf separating the producers and consumers will increase even more, with all of the attendant consequences.

And there is still one other consideration. This work must be learned before the enterprises commence functioning on a completely independent basis. Solutions for the mentioned problems constitute a principal condition for the effective restructuring of existing operations in accordance with the new conditions. Only in this manner will it be possible to deviate from a rational trajectory and ensure effective movement along the path leading to acceleration.

#### Shooting At Sparrows

At the present time, maximum emphasis is being placed upon achieving or surpassing the international level for equipment. Thus a great amount of importance is being attached to the approach to be employed for determining this level. The modern status of the NTR [scientific-technical revolution] and the dynamic nature of the

appearance and development of new ideas in the presence of an abundant amount of scientific and scientific-popular literature are creating a different notion regarding the dynamic nature of this level. However, one must clearly understand the essence of the new ideas and their implementation and conversion into the true material elements of productive forces and soberly evaluate the economic essence of the products of human thought.

Importance is attached to not overlooking the fact that movement from a scientific idea to finished technological and technical solutions occurs in the presence of tremendous inertia with regard to the existing production apparatus and existing technologies and equipment. Under these conditions, in announcing a particular work and calling for its introduction, scientists and planners can involve the economy in rather risky measures and bring about the expenditure of production savings for extremely doubtful purposes.

The danger arising from an incorrect determination of the "international level" turns out to be even more considerable when, not having stated "a," one hurries to pronounce "b" — the production of certain technical units is undertaken in the absence of the required preparation for such work. In particular, something of this nature occurred in connection with the production and use of automatic manipulators (industrial robots). According to available data, at the same time that the pool of these robots in the U.S.A. and Japan was 20,000 and 64,000 units respectively, in the USSR 71,000 robots were produced during the past 8 years. In recent years the annual production of robots has reached 13,000-15,000 units. A publication should have been issued long ago on how to plan and take into account not only the gross number of robots but also on differentiating between simple manipulators from complicated self-adjusting systems. Thus, approximately two thirds of all robots in the U.S.A. are self-adjusting systems.

Accounting data and the materials obtained from a number of studies have revealed that a considerable number of domestic robots continue to remain inactive. The amount of robot idle time exceeds to a considerable degree the idle time of traditional equipment and the schedules for making up for lost time often involve fantastic amounts. The expenditures for the production of automatic manipulators already amount to several billion rubles.

Such a situation is first of all conditioned by the fact that many robots are planned without thorough consideration being given to the conditions under which they will subsequently be used. Their production was carried out at more than 20 ministries under the conditions of a "natural economy," "their own resources" and the private production of units and parts. The working positions where these robots are used were not prepared

properly for their continuous and multiple-shift functioning. This lamentable example proves once again that reliance should not be placed only upon the increasing potential of the NTR during the planning and production of new equipment.

Such considerations should not be taken into account when selecting equipment for the solving of certain production tasks. An automatic cannon equipped with microprocessors is not needed for firing at sparrows and a simple and cheap cutting machine is fully adequate for obtaining billets from rod steel. Instead of this, in actual practice and also during the threading of nuts and screws, for some reason they are attempting to employ arch-modern equipment. As a result, according to data from the last 1983 census, for every 100 turret and turret-lathe machines in the USSR: there are 8.9 cutting machines in the USSR and 46.2 in the U.S.A.; 2.7 bolt and nut cutting machines in the USSR and 10.9 in the U.S.A. These are extremely instructive ratios.

It is also hardly possible to create new equipment at the proper level if highly specialized and technically well equipped production operations for its units and parts have not been organized. In the absence of such production, it is our belief that the effective technical re-equipping of national economic branches is unthinkable. New equipment produced under conditions in which these conditions are not observed will be very similar to the equipment planned and yet its real productivity, reliability and durability will turn out to be completely unsatisfactory. The production savings realized from this equipment will not produce a reliable effect. Accordingly, a decrease will take place in the proportion of expenditures for consumption, that is, the realization of the social program will be threatened.

In the search for an optimum national economic structure, we must not forget that acceleration is not a short term campaign calculated to "correct" the development of the domestic economy. It is a long-term strategy for economic development and it requires fundamental preparation. Since the material foundation for acceleration is technical re-equipping, then the most important condition for realizing this strategy is the gradual formation of a progressive model for machine building, one which must create organizational-structural prerequisites for the effective technical re-equipping of the economy.

It is our opinion that the development of this model must commence with a functional analysis of modern and future equipment and with uncovering the principal "elementary parts," which are considered to be the main component elements of the technical units. Here we have in mind engine arrangements, transmission systems, operating mechanisms, cooling systems, control, administration and others. In the future, standardized series of these "elementary parts," with modifications oriented towards the principal spheres of use for technical systems, must be developed. Certainly, the solving of

this task will require a thorough study of the various types of equipment and their structure. Immediately thereafter it will be necessary to gradually form a network of medium-size and small enterprises for the production of the needed modules, units and parts. These enterprises must be equipped with the most modern equipment and they must be highly specialized, flexible and capable of adapting to new and even basically new types of equipment. Such a selection of enterprises for functional specialization must gradually be converted into the basis for the creation of all types of equipment.

It does not follow that the formation of such an infrastructure for machine building and the infrastructure for modern scientific-technical progress must be based upon investments in the construction of new enterprises. A considerable portion of these enterprises can and must

be created based upon the setting apart and specialization of departments, production operations and individual production sectors of operating machine building enterprises, to be followed by their subsequent technical modernization. Importance is attached to ensuring that they are oriented towards the consumer and are prepared for flexible restructuring. Such an approach is the basis for realizing a considerable reserve for acceleration and one which requires small investments.

The infrastructure for machine building must systematically be strengthened and renovated, particularly in view of the fact that the machine building organizations must constantly be supplied with up-dated catalogues of standardized units and parts. The solving of this complicated task must commence immediately and it must ensure the effective technical re-equipping of the domestic economy.

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## LABOR

### Trade Union Official Assesses Labor Legislation Changes

18280052 Moscow TRUD in Russian 3 Apr 88 p 2

[Interview with V.V. Kleptsov, chief of the legal department of the AUCCTU, by TRUD correspondent I. Beda: "With Consent of the Trade Union Committee..."; date and place not given]

[Text] [Question] Substantial amendments and supplements related to restructuring management of the economy were made in the Bases of Labor Legislation on 4 February of this year in a ukase of the Presidium of the USSR Supreme Soviet. Our correspondent I. Beda asked V.V. Kleptsov, chief of the legal department of the AUCCTU, to tell about certain provisions of that ukase.

[Answer] I will begin by saying that people both from the practical side and the scholarly side were involved in drafting the ukase from the very outset. It was then discussed at the local level in more than 350 work collectives, with representatives of the AUCCTU, the Central Trade Union Committee, and USSR Goskomtrud taking part. Many of the objections and suggestions of the workers expressed during discussion of the draft were taken into account in working up its final version.

[Question] This is the first time in the 17 years since the Bases... took effect that labor legislation has been reworked so substantially. Significant changes were made in 27 articles (out of 107). What is more, the Bases... have been supplemented with two new titles containing another 11 articles. Clearly, it is simply out of the question to provide full commentary on such extensive changes in a law within a single interview. Let us limit ourselves to just those key issues in which readers are especially interested.

[Answer] The restructuring taking place in the country and the changes occurring in the economic and social development of our society unconditionally demanded essential changes in labor legislation as well. And now they have been made.

The main thing is this: The legal obstacles which previously fettered the initiative of enterprises, depriving them of the opportunity, for example, of increasing remuneration of highly productive labor with their own resources, of providing additional benefits in terms of social services and consumer services for all members of the collective or certain categories of workers and employees have now been removed. The procedure for creating brigades and for distribution of collective earnings applying the KTU [labor share coefficient] has been set down in legislation, and the lines of mutual responsibility have been drawn between the brigade and the management.

A qualification must immediately be stated here: The amendments in the legislation by no means lower the level of constitutional guarantees of the right to work of workers and employees.

[Question] Yet Article 17 of the Bases... has been supplemented with new grounds for dismissal—this is the worker's reaching pensionable age. In practice, will this not result in attempts to get rid of veterans fully able to work, but annoying to the management for one reason or another?

[Answer] Cases of using "legal" pretexts for discharging "annoying" people were also encountered earlier. After all, the law as such has nothing to do with this. Incidentally, we should not forget that the management has no right to dissolve the labor agreement on its own—it has to obtain the consent of the enterprise's trade union committee. And the latter, of course, must gain a thorough understanding of the situation and weigh all the circumstances from every angle, bearing in mind that the fate of a work veteran is involved here, and must listen carefully to his arguments about why he is reluctant to leave for a deserved rest, and then make a fair and sound decision.

In an examination of these issues the management and the trade union committee must be guided by the decree of the CPSU Central Committee, the USSR Council of Ministers, and the AUCCTU dated 22 December 1987 and entitled "On Guaranteeing Effective Employment of the Population, Improvement of the Job Placement System and Strengthening the Social Guarantees for the Workers," which requires improved use of the labor of workers and employees who have reached pensionable age. To be specific, enterprises, institutions, and organizations have been granted the right to maintain employment relations with those veterans who continue to work at full output and high performance and who enjoy a deserved prestige in the collective. The management has the right to continue employment relations with other workers who have reached pensionable age (men—60, women—55) and who have the length of service that qualifies for awarding a full pension by concluding or extending the agreement for a period not to exceed 2 years or to terminate them with consent of the trade union committee.

This kind of balanced approach to the worker's actual abilities in no way restricts the pensioner's right to work. As in the past, they can continue to work in their previous job within the limits of their strength and knowledge if they perform their duties well, or they may transfer to another easier job.

In discussing the draft of the ukase, work collectives supported this amendment to the legislation.

[Question] What guarantees and compensation can workers count on who have been eliminated because of staff size reductions?

[Answer] In cases when an enterprise (institution, organization) ceases operation or reduces the size of its labor force, the workers and employees laid off must be given suitable work in the same enterprise or another one in their previous occupation, specialty, and qualification, but if there is no such job—a different job that takes into account their personal preferences and the needs of society. If there is no such job at the enterprise, the management is required to provide an opportunity for learning a new occupation or specialty followed by job placement.

The trade unions have a large role to play in deciding all of these complicated matters. Jointly with the management and the council of the work collective they must take advantage of every opportunity for reassignment of personnel, above all within the enterprise. For example, organized operation on a second or third shift, propose to people that they move to subdivisions rendering services to the public or to fellow workers in the given enterprise. The labor of workers who have been laid off may also be used to expand cooperative activity or to develop subsidiary farming operations.

When the employment agreement is dissolved in connection with steps being taken to reduce the size of the labor force, those laid off are paid a severance benefit in the amount of their average monthly earnings, and they retain their average wages over the job placement period, but this may not exceed 2 months from the date of discharge, taking payment of severance pay into account.

As an exception they retain the average wage over the job placement period even for a 3d month from the date of dismissal if during the 2-week period following dismissal the worker applies to the job placement authority and it does not place him in a job. This period is extended in a case of illness or for other good reason beyond the worker's control.

Those who have been laid off because of reorganization or liquidation of enterprises, institutions, and organizations shall also be paid severance pay in the amount of their average monthly earnings, and over the job placement period for the 2d and 3d month after dismissal they shall retain their average wages regardless of application to the center or bureau for job placement of the population.

Payment shall be made at the previous place of work.

The continuity of work service of workers who have been laid off shall be preserved for a period of 3 months. During retraining and improvement of qualifications they shall retain their average wage or shall be paid the difference up to their previous earnings if retraining is being done on the job.

[Question] Until recently discharge without sanction of the trade union committee was considered impermissible, and the worker was subject to reinstatement in his previous position even when there was no doubt that the discharge was warranted. And now?

[Answer] Even in the new version the Bases... do not allow workers and employees to be discharged without consent of the trade union committee (except in certain cases explicitly provided for in legislation). But if this does occur for some reason and the person discharged files an appeal with the court, then the hearing of the case is to be postponed until the trade union committee examines the matter in dispute. If the trade union committee does not consent to the worker's discharge, then it must adopt a decision for his reinstatement in his previous job.

Thus the trade union committee has now been granted the right to reinstate persons discharged at the initiative of the management without its consent.

[Question] What changes have taken place in the periods of time for examination of disputes related to dismissal?

[Answer] At the end of 1 year after the court decision (or decision of the superior body) refusing reinstatement becomes final, appeals on this matter are not subject to consideration.

This new rule is aimed at cutting red tape. A year is a sufficiently long time for appealing to those authorities which have the power to verify the circumstances of the case and to review decisions taken earlier if there is convincing basis for it.

[Question] We often receive letters from those working in the north under employment contracts in which they propose amendment of the procedure for renewing contracts for a new term so that the settlement of this question would not depend solely on the whim of the management. What is your answer to them?

[Answer] The state also has an interest in extension of those agreements. Yet as a matter of fact cases are rather frequent in which the manager, wanting to get rid of an annoying worker, has on his own refused to extend the employment agreement for the next term.

Previously, that decision on the part of the management was final.

Now the Bases... have been supplemented with the rule whereby in the regions of the Far North and equivalent localities a worker or employee may not at the end of the employment agreement be refused conclusion of a new agreement for the next term or for an indefinite period without consent of the trade union committee unless the size of the labor force or number of job slots is being reduced.

### Implementation of Wage Reforms in Estonia Discussed

18280056 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 17, Apr 88 p 9

[Article by I. Belistov, chief of the economics section, Estonian CP Central Committee: "Wage Reform: The Republic Has Changed Over to New Labor Wage Conditions"]

[Text] The complete realization of the principles of full cost accounting and self-financing is closely tied in with wage reform and with the transition of enterprises to new labor wage conditions. Computed through time to the end of the current five-year plan, it is being implemented as the labor collectives become ready for practical application of new wage rates and salaries. In Estonia this transition has already been completed. All the enterprises, associations and organizations within the production sectors of the republic, regardless of their departmental affiliation, have been operating under the new labor wage conditions since 1987.

What are the preliminary results of the changeover? What difficulties and problems have the labor collectives encountered?

First of all, let us note some of the results.

Out of almost 440,000 workers in the republic's production sectors, over 430,000 have in fact changed over to the new wage rates and salaries. As planned, all the enterprises implemented the changeover at the expense of their own funds, without drawing on the budget allocations.

Despite the fact that in the year of the changeover, of course, not all the internal reserves of the enterprises could be mobilized, the wage reform has already had a positive effect on the results of the republic's socio-economic development. Above-plan growth of production was ensured in all the production sectors (with the exception of agriculture, where its volume had declined due to weather conditions). The labor productivity also increased in excess of the established plan. We might add that the achieved rates of growth here exceeded by more than 1.5 times the growth rate in production volume.

For the first time in recent years, there has also been an absolute reduction in the number of persons engaged in the productive sectors. According to preliminary data, this reduction has numbered 4,900 people and has been accompanied by a redistribution of the liberated labor resources into the non-productive sphere. There have been practically no serious problems in finding employment for the liberated workers, although over 40 percent of them were specialists and white-collar workers. The process of liberation is still continuing today.

As a result of the introduction of new labor wage conditions, the average monthly wage has increased by 4 percent and comprises over 247 rubles. However, due to the fact that at numerous enterprises the wages based on the new wage and salary rates were computed for only a few months, the volumes of increase presented above certainly do not expose the real potential of the new conditions. For example, for workers who have been paid according to the new wage rates and salaries for more than 3 months, the average wage has increased by 5.7 percent as compared with the previous year, including a 13.9 percent increase for managers, specialists and white-collar workers. However, for those who have been receiving their wages under the new conditions for over 6 months the increase has already been 7.3 percent, and 15.5 percent for managers, specialists and white-collar workers.

The wage reform has also served to change the attitude of most workers toward their labor and toward the amounts of their wage. Thus, according to the data of the Estonian branch of the USSR Goskomtrud [State Committee on Labor] Scientific-Research Institute on Labor, the social value of job positions has increased. The number of workers and specialists who are dissatisfied with the content, conditions and organization of their labor has fallen to 2/3 to 1/2 of the previous number.

At the same time, an analysis of the direct participation of the broadest strata of workers in the wage reform leads us to conclude that 84 percent of the workers and over half of the specialists—59 percent— have not presented proposals which would facilitate in one way or another the introduction of the new labor wage conditions. As a result of the previously widespread practices of deduction and levelling, many workers still expect a simple growth in their wages without any effort on their part. They do not see or do not want to see the possibilities for earning this promotion for themselves.

While up until now we have spoken about average-republic indicators, the results of wage reform in the various sectors and at individual enterprises are also of interest.

With a goal common to all the labor collectives—seeking out their own funds for the introduction of the new wage rates and salaries—the means of its realization have been quite different. Thus, the wages of communications workers have increased by 9.7 percent due to an increase in the income from their primary activity and a reduction in the number of workers. Even with a slight increase in the number of workers, the Loksa Ship Repair Plant of the Estonian maritime fleet has been able to provide its workers with a 17.4 percent increase in the average wage by increasing the production volume by 34 percent and the labor productivity by 30 percent. Due to a 16.2 percent reduction in the number of workers at the Kokhtla-Yarve Road Repair and Construction Administration, the increase in the average wage has comprised 11 percent.



However, the enterprises and organizations have made different use of their right of independence in selecting the means for implementing the reform.

Many labor collectives actually earned the funds by increasing their volumes of production or reducing their number of workers. However, there are also many examples where the new wage rates and salaries were introduced formally, without sufficient preliminary work, sometimes merely at the expense of structural changes in the labor wage.

Yet, without a close and real association of the wages with the end result of labor, it is impossible to eliminate levelling. As practical experience has shown, it does not disappear but takes on new forms, thanks to which it greatly undermines the system of intra-plant cost accounting and distorts the principles of restructuring the labor wage.

The members of the labor collectives have also been involved differently in the implementation of the reform. Wherever the principles of reform were brought to each work station, all the members of the labor collective took an actively interested part in their implementation. This also had an impact on the effectiveness of the reform as well as on the moral-psychological climate of the collective. However, wherever a narrow circle of specialists was involved in the implementation of the reform, the results and the circumstances were entirely different.

An important place in the implementation of the labor wage reform was given to the development of labor standardization. The enterprises themselves reviewed and revised the outdated output norms. And although the republic has been able to overcome an unfavorable tendency of growth in the fulfillment of output norms by piece-rate workers, there has been no qualitative breakthrough in the state of labor norm setting. At a number of enterprises the output norms have been reviewed in a mechanical manner and adapted to the growth of the wage rates. As a result, the average percent of output norm fulfillment remains rather high. For example, in industry it comprises over 132 percent.

The work which has been performed to date on restructuring bonus payments can also not be evaluated in a positive manner. Many enterprises have taken a formal approach to the introduction of the new system of bonus payments and have now ensured a close connection of the premiums with the end results of activity by the shops, the brigades, and by each individual worker. We have also been unable to overcome levelling in bonus payment. Often a collective premium is divided between the workers in the old manner: either with consideration for the basic wage or salary, or in proportion to the time worked.

Undoubtedly, the work performed in the republic on improving the labor wage has served as a "rehearsal" for the transition of most enterprises and organizations to full cost accounting and self-financing. However, at a number of enterprises these integral parts of reorganization of the economic management mechanism have not been closely tied in with each other. Let us say, for example, that the transition of a number of enterprises to full cost accounting and self-financing occurred some time before the introduction of the new wage rates and salaries. This, of course, was reflected also in the organization of the intra-plant cost accounting, as well as in the entire cost accounting activity of the labor collectives. A clear-cut mechanism for material incentive of cost accounting brigades, shops, sectors, and contract collectives has not been worked out everywhere.

In the course of practical development of the mechanism for improving the labor wage, certain problems common to the entire national economy have also become apparent. These problems are associated with the liberation of workers, the definition of standards for formulation of the wage fund, and the removal of excess limitations on markups for supervisory workers.

Among these problems, in our opinion, the problem of normative formulation of wage funds requires primary solution. The low volume of growth norms certainly does not stimulate enterprises towards additional increase in production volumes and hinders their changeover to a multi-shift regimen of operation.

Another problem which has become clearly evident is the employment of the so-called "difficult" contingent. It is no secret to anyone that among those who have been liberated from their jobs we may often find "rolling-stones", idlers, drunkards, and violators of labor discipline. With every passing day, these people become more and more difficult to place in jobs. The problem here is not only that the number of vacant job positions is shrinking steadily. We still have far to go in our region in this respect. The new economic management is placing ever increasing demands on the quality of the labor resources. Therefore it is not surprising that cases of being turned down for jobs are becoming more frequent. We might add that these rejections are more often formulated not so much by decision of the enterprise administration as by decision of the entire labor collective. Evidently, the time has come to develop definite economic levers for involving these people in social production.

In conclusion, I would like to note that an analysis of the results of introduction of the new wage conditions in the republic confirms the correctness and timely nature of the reorganization of the wage system which is being performed and demands further activation of work in this field. We have every right to expect significant results from the measures which are being taken—both

from the standpoint of strengthening social justice as well as from the standpoint of increasing the well-being of the Soviet people and the effectiveness of social production.

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**How Wage Funds Stimulate Production Analyzed**  
*18280055 Moscow PLANOVoye KHOZYAYSTVO*  
*in Russian No 4, Apr 88 pp 109-114*

[Article by Zh. Sidorova, head of a department in the NIItruda [Scientific Research Institute of Labor] and candidate of economic sciences: "The Wage Fund and Its Stimulating Function"]

[Text] Improvement in the organization of funds for wages is one of the most important problems in restructuring management of the national economy. The basic objective is to ensure a closer relationship between the amount of funds for wages and the end results of labor collectives' economic activity.

The method of planning the wage fund based on the level reached by the average wage and the size of the labor force being planned has been in use in our country for a long period of time. It is common knowledge that this method has not motivated enterprises to reduce the work force and consequently, to look for internal resources to increase labor productivity. They have not been motivated to make efficient capital expenditures for wages, either, inasmuch as the savings of this fund were immobilized.

The necessity of carrying out tasks related to acceleration of the country's socioeconomic development and of shifting to intensive methods of economic operation have required corresponding changes in planning the funds for wages. The application of a normative method of organizing them based on long-term norms was begun in 1969. It was intended to promote the establishment of a closer relationship between the wage fund and the results of labor.

For 15 years, only one type of norm—the so-called level norms of wage expenditures per ruble of commodity (gross) production or normative net production—was utilized in industry. In the process, the wage fund was calculated in the following way. For example, if a norm of 20 kopecks per ruble of NChP [normative net production] was established for an enterprise and the production volume was 1 million rubles, the planned size of the wage fund was calculated: 20 kopecks times 1 million rubles equals 200,000 rubles.

Under normative planning of the wage fund, enterprises were granted the right to utilize wage fund savings for additional payments and bonuses.

As experience has shown, the norms cited have a number of drawbacks. When they were in use, the wage fund was increased in direct proportion to an increase in production volume.

Thus, if production volume in the example cited above increases by 5 percent, that is, by 50,000 rubles, the norm of 20 kopecks for the wage fund will increase by 10,000 rubles, or by the same 5 percent. Accordingly, when the volume of normative net production is decreased by the same percentage, the amount of funds allocated to pay for wages is also reduced.

However, such a relationship is economically unsound, since expansion of production volume depends on increased expenditures not only for living labor, but materialized labor as well. In addition, different organizational factors and structural shifts in production, in which a change in the volume of normative net production may not coincide with a change in labor-intensiveness, are worthy of considerable attention.

Precisely for these reasons, the wage fund was increased (or decreased) without justification at the majority of enterprises when planned indicators were unstable in the 10th and 11th Five-Year Plans. Inasmuch as neither one could be permitted, higher organs most often reviewed the amounts planned for a wage fund and redistributed these assets among enterprises, that is, one's wage fund savings were immobilized and transferred to others. As a result, the basic principle of normative planning—the stability of norms—was not observed and their use became purely formal.

In order to correct these shortcomings, ensure norm stability, and establish conditions for the use of norms differentiated by groups of enterprises instead of individual ones, growth norms have been used basically since 1984, when a wide-scale economic experiment was conducted. When they are utilized, the wage fund increases in relation to the growth in production volume compared with indicators for the previous year.

For example, if the norm equals 0.3 for a 1-percent increase in production volume and the overall increase amounts to 5 percent, the wage fund will be increased by 1.5 percent (0.3 times 5). Let us assume that the base fund amounts to 200,000 rubles and a portion equivalent to 1.5 percent of the base fund is added to it; the planned fund will then be as follows: 200 plus 200 times 1.5 percent equals 230,000 rubles [sic].

Thus the planned wage fund is made up of the base fund and an additional increment determined by the growth norm.

Growth norms are part of the scheduled figures of the five-year plan and should be retained unchanged for the entire period planned.

The base wage fund of an association or enterprise when annual plans are drafted is the accountable fund of the preceding year; the sum of relative savings achieved in the preplanning period are included in it at the same time. For example, if the wage fund planned in the base year amounted to 100,000 rubles, but was actually 110,000 rubles because of additional output, the relative savings will amount to 10,000 rubles. This is included in the base fund, and consequently in the planned fund, and enterprises thereby have the opportunity to make use of it to increase the average wage.

Overexpenditure of the wage fund is not taken into account in determining the base fund and does not give an enterprise the right to put in a claim to obtain additional funds for wages as before.

Experience has shown that the use of growth norms makes it possible to ensure their stability and provide for a sounder relationship between the wage fund and production volume, compared with the form of normative planning in use previously.

However, this method also has certain drawbacks. The proportion of funds set aside for wages in accordance with the norm (2 to 3 percent, as a rule) is very negligible. Consequently, increased incentive can be acquired by enterprises only when there are high rates of growth in production volume, which are not always possible to achieve. But even where there are high rates (12 to 15 percent), the wage fund does not increase beyond 4 to 6 percent, since the norms in most machine building ministries amount to 0.3 percent and the norm approved for enterprises is even lower (because of deductions for a reserve which the ministry retains at its disposal).

In addition, since the base fund is the basic element in the planned wage fund (in practice, it comprises 97 to 98 percent of the planned fund), planning from the "level reached" is retained to a significant degree.

Ministries have been given the right to differentiate norms for the associations and enterprises within their jurisdiction. At the same time, they have to proceed from the wage fund calculated for the ministry as a whole, in accordance with the norm that has been adopted. However, in most ministries single norms are established for the sector. This makes conditions inequitable for enterprises; an increase in wages in certain ones may be economically unsound, and wages may be stabilized or even reduced in others, but for reasons which do not depend on the enterprise. In those rare cases where the norms are differentiated, this is done without sufficient methodical justification.

Experience in using normative methods to organize funds for wages attests to the need to significantly broaden the opportunities not only for ministries, but enterprises as well, to select different alternatives for developing these funds. The use of a single approach

without taking into account enterprises' actual conditions, their organizational and technical level, and their financial status sharply reduces the effectiveness and motivational value of the normative method.

Different norms for deductions have been established for enterprises because of the different opportunities which sectors and production units have to acquire profit, as well as the unequal conditions of the five-year plan, where the amounts of all payments from profit have been specified. Apparently, they will be roughly identical in the next five-year plan.

The wage fund of enterprises which are operating under the new conditions is being formed as before on the basis of the growth norms for a 1-percent increase in normative net production. The only distinction is that a norm for growth of the overall wage fund (for industrial and production personnel and the nonindustrial group of employees) is being adopted for them.

Net production is being used as the wage-forming indicator in the USSR Ministry of the Petroleum Refining and Petrochemical Industry.

The use of indicators for normative net production and net production in planning the wage fund should contribute to an increase in collectives' motivation to improve the end results of their activity, on the one hand; on the other hand, it should lead to a closer relationship between the amount of funds used to pay for wages and workers' labor accomplishments.

In production volume measured in accordance with the indicator of commodity (gross) output, it is common knowledge that the cost of the raw material and materials consumed plays a major role. Consequently, enterprises have been motivated to make use of more expensive materials, inasmuch as this will lead to an increase in production volume without additional labor efforts by collectives. The cost of raw material and materials is not taken into account in the indicators of normative net production or net production. Moreover, in determining the volume of net production, the cost of raw material and materials is deducted from commodity (gross) output in the prices actually in effect, not in constant prices as in normative net production, and for this reason the dynamics of this indicator depend on efforts by enterprises' collectives to economize consumption of them as well.

However, the amount and dynamics of actual net production are determined to a significant degree by profit, and the amount of profit is often changed substantially under the influence of factors which do not depend on the enterprises. For this reason, use of the indicator mentioned as a wage-forming indicator, without taking the different advantages of individual products and the

redistribution of profit among enterprises through prices into account, can lead to a situation in which individual enterprises have funds at their disposal which exceed their actual requirements.

Enterprises and organizations of 20 ministries and departments of the national economy have been shifted to full cost accounting, self-support and self-financing since 1 January 1988. These enterprises, as well as those which made the transition to the new conditions earlier, have to turn out about 60 percent of the overall production volume in 1988.

In shifting enterprises to full cost accounting, the mechanism to organize funds for wages has been oriented toward economic methods of management to an even greater extent.

The Law on the State Enterprise provides the opportunity for an enterprise to select, with the approval of a higher organization, one of two forms of cost accounting and accordingly, one of two alternatives in organizing funds for wages.

The first form assumes a normative distribution of profit. Up to 1987 payments into the state budget by an enterprise were made in the form of payment for productive capital and deductions of net profit surpluses. Inasmuch as norms for payments to the budget were not established in the process, the source of revenue for the state budget was unstable. Thus the first distinction from the procedure previously in effect is that under the conditions of self-financing, deductions from profit for the state budget and the higher organization are made in accordance with stable norms adopted for the five-year plan that were established in terms of a percentage of profit.<sup>1</sup>

**An Example of Profit Distribution to Enterprises (in rubles)**

|   |             |
|---|-------------|
| 1. The sum of profit from the sale of products, operations and services and other financial results | 3 million   |
| 2. Payment for productive capital   | 600,000     |
| 3. Payment for labor resources  | 300,000     |
| 4. Payment of interest for short-term credit  | 100,000     |
| 5. Calculated profit (Lines 1 through 4)  | 2 million   |
| 6. Deductions from calculated profit:   |             |
| a) for the budget (the norm is 15 percent)  | 300,000     |
| b) for the ministry (the norm is 10 percent)  | 200,000     |
| 7. Profit remaining at the enterprise's disposal (Lines 5, 6a and 6b)                               | 1.5 million |

The profit less all payments and deductions is called the residual profit. It remains completely at the disposal of the enterprise collective, which organizes the fund for developing production and science and technology, the social development fund and the economic incentive fund. Profit does not affect the size of the wage fund in a given case; it is formed independently from it in

accordance with the norms established for net production or other means of measuring output that have been adopted for calculating labor productivity, as a rule.

Thus the first form of cost accounting provides for organization of the wage fund and the economic incentive fund separately, depending on the different efficiency indicators.

A new Model Statute on Forming a Wage Fund for Enterprises, Associations and Organizations Shifted to Full Cost Accounting and Self-Financing has been adopted for the 1988-1990 period. In accordance with this document and with the authorization of ministries (departments), enterprises may use the level norm of expenditures for wages per unit of production (operations, services) in physical terms or per ruble of production volume. The use of this norm is recommended in those cases where the structure of output at an enterprise is stable in nature. In other cases, the growth norm for each percent of increase in the volume of production (operations, services) may be used to organize the wage fund.

In developing norms, a ministry should take regional and sectorial characteristics into account and establish single norms only for groups of enterprises with a similar production pattern.

Just as previously, in calculating the overall wage fund in accordance with the norm for increased production volume, the base fund is increased by the sum of relative savings and reduced by the sum of overexpenditure of the wage fund.

Thus the new Model Statute essentially does not differ in any way from the previous one, except that enterprises are given the opportunity to use the level method along with the growth method.

Methods of organizing another part of the fund of payment for labor—the economic incentive fund—have been continuously improved as well. The economic experiment begun in 1984 became an important stage in this direction. Reinforcement of the economic mechanism's orientation toward the end results of production is a distinctive feature of it. In particular, this was reflected in the establishment of a direct relationship between the economic incentive fund and fulfillment of the plan for sales, taking delivery commitments into account. The absolute amount of the fund cited was reduced by 3 percent for each percent of nonfulfillment of this indicator, and it was increased by 15 percent when delivery contracts were met. This procedure for providing incentive to complete product deliveries continues to exist at the present time.

Another feature of the conditions for fund formation during the period of the experiment was the organization of a unified economic incentive fund (YeFMP). Aside from the economic incentive fund proper, which is

organized in conformity with the basic results of economic activity, the unified fund includes assets allocated for the payment of bonuses in accordance with the following indicators:

- the development, assimilation, and introduction of new technology;
- the manufacture of high-quality products for export;
- the production of consumer goods and items for production use from by-products;
- savings of specific types of physical resources;
- the collection and turning in of industrial by-products for secondary use;
- assistance in the invention, efficient use, and introduction of new industrial prototypes;
- the commissioning of production capacities and construction projects; and
- the collection, storage, release and shipment of scrap and tailings of ferrous and nonferrous metals.

Formation of the unified fund has made it possible for enterprises to reapportion assets and concentrate them to resolve their principal tasks.

The procedure for organizing an economic incentive fund has been changed substantially in connection with the shift to work under self-financing conditions.

In conformity with the Model Statute on the Procedure for Forming and Utilizing an Economic Incentive Fund for the 1988-1990 Period for enterprises which have been shifted to full cost accounting and self-financing,<sup>2</sup> this fund is organized in accordance with stable norms from the profit remaining at their disposal. The norms of planned profit enterprises are determined in the following manner: the overall sum of funds—for economic incentive (calculated in accordance with fund-forming indicators as an increasing sum by 1985), for the payment of bonuses for producing consumer goods, and for the savings of specific types of physical resources and other assets of the unified fund, when profit and reduction of production cost is the source of their formation—is divided by the amount of profit remaining at enterprises' disposal.

In order to ensure stability in enterprises' working conditions, the norms are averaged out by years of the five-year plan. For example, if the sum of the economic incentive fund for 1988-1990 is 640,000 rubles and the profit for the same period is 1.88 million rubles, the averaged norm for forming the economic incentive fund will be expressed as follows:  $(640 \times 100) : 188 = 34.04$  percent.

The fund-forming indicator for enterprises that are insufficiently profitable is the sum of profit and the subsidy that is being progressively reduced; for enterprises planned to operate at a loss, it is the sum of savings from the reduction of financial losses and the subsidy that is being progressively reduced. The economic incentive fund is calculated by multiplying the norm by the magnitude of the fund-forming indicator, figured as an increasing sum from the beginning of the year.

The economic incentive fund may be increased through reserves of the ministry (department) or production association when the output of new products (technology and consumer goods) is increased.

When contract commitments are fulfilled, as well as under conditions of the wide-scale experiment, this fund is increased by 15 percent. The enterprise's cost accounting income or the financial reserves of the association and the ministry are the source for this increase.

If the sum of bonus funds is substantially reduced compared with the preceding period, in accordance with the norms that have been adopted, when additional profit acquired through incentive markups of wholesale prices for new highly efficient products and products with the Emblem of Quality is distributed, it has been stipulated that part of this profit may be distributed among the economic incentive funds in order to compensate for this reduction. In addition, in accordance with a supplement to the Model Statute on the Normative Method of Profit Distribution for 1988-1990, it is authorized to leave 70 percent of the above-plan profit at the disposal of the enterprise and to put it in economic incentive funds in accordance with the norms that have been adopted.

Under the second model for cost accounting set forth in the Law on the State Enterprise (Association), the funds for wages are organized in the form of a common fund which includes both the wage fund and the economic incentive fund. The fund to pay for wages in a given case is organized from the remainder of cost accounting income after deductions for the fund to develop production and science and technology and the social development fund.

By selecting the first alternative, a collective will have a more stable wage level, since the amount of the fund cited is relatively constant when it is organized in accordance with the norms of net production.

However, with the second alternative a collective has greater freedom to utilize assets to pay for wages and has more incentive to increase production volumes and to economize raw material and materials, inasmuch as this has a direct effect on increasing cost accounting income, and hence on wages. A common fund may be used on the basis of an estimate which includes all the purposes for which the wage fund and economic incentive fund are to be utilized.

The second model for cost accounting was verified experimentally at Belorussian light industry enterprises, and domestic services and trade enterprises in 1987. This year a number of enterprises in the electrical equipment and other sectors of industry were added.

An Example of Normative Income Distribution (in rubles)

|   |              |
|---|--------------|
| 1. Receipts from the sale of products, operations and services  | 70 million   |
| 2. Material expenditures (including amortization deductions and deductions for social insurance and other expenses, except wages) | 30 million   |
| 3. Overall income total (Lines 1 and 2)   | 40 million   |
| 4. Payment for productive capital   | 2.5 million  |
| 5. Payment for manpower resources   | 1.5 million  |
| 6. Payment of interest for short-term credit  | 100,000      |
| 7. Calculated income (Lines 3 through 6)  | 35.9 million |
| 8. Deduction from calculated income:  |              |
| a) for the budget (the norm is 3.0 percent)   | 1,077,000    |
| b) for the ministry (the norm is 2.0 percent)   | 718,000      |
| 9. Cost accounting income (Lines 7 and 8)   | 34,105,000   |
| 10. Deduction from cost accounting income:  |              |
| a) for the fund to develop production and science and technology (the norm is 12.5 percent)                                       | 4,263,000    |
| b) for the social development fund (the norm is 3.8 percent)  | 1,295,000    |
| 11. The wage fund (the remainder of cost accounting income, Lines 9, 10a and 10b)   | 28,547,000   |

At the present time, the wage fund is being organized in conformity with the Model Statute on Formation of a Unified Wage Fund for 1988-1990.

Aside from the remainder of cost accounting income, assets from other enterprises, as well as reserves of the ministry and the association, may be entered in the unified fund (and apportioned from it). They may also be allocated in the latter case during a period when newly commissioned projects are put into operation, when new highly efficient technology is introduced and new consumer goods are put into production, in connection with structural shifts resulting from state orders, and so forth. Funds from reserves may also be granted on a reimbursable basis.

Additional motivation to fulfill delivery commitments is retained, as when the wage fund is organized separately. The wage fund is increased by 1.5 percent when they are completely met and reduced by 0.3 percent for each percent of nonfulfillment.

Both models of cost accounting and wage fund formation require substantial changes in the procedure for determining the individual worker's earnings as well. They are being determined to an ever greater extent by the end results and the worker's personal contribution to these results. The Law on the State Enterprise (Association) sets no other limitations on their increase. Such an approach requires that two indispensable conditions be implemented:

—reorientation of intraplant cost accounting toward active application of the norms for organizing wages and utilizing production resources; and

—the maximum amount of specific definition and simplification of criteria for evaluating a worker's labor contribution so that the labor collective itself can take part in this evaluation.

Such conditions may be established when work is organized within production subunits on contract principles. In this case, one or two indicators are established for the subunit which describe the end result of its activity and the norms for forming a wage fund. This fund is distributed among workers in the subunit on the basis of the work participation coefficients developed and adopted by the labor collective. At some enterprises, the method of forming a wage fund from the cost accounting income is being used within production subunits which are operating on the contract principle. However, this is far from always justified, inasmuch as intraplant cost accounting cannot imitate the cost accounting of the enterprise as a whole.

Several variations of wage fund formation are being utilized within production subunits. The following are the ones most widely used:

—formation of the wage fund in accordance with the norms for each unit (ruble, ton, norm-hour, and so forth) of production turned out or in accordance with the standards for each unit of increased production volume, which is distributed in conformity with the KTU [work participation coefficient] of each worker. The economic incentive fund is organized only at the enterprise level and is spent in conformity with an established estimate. As a rule, such a procedure is followed at enterprises where the system of intraplant cost accounting does not make it possible to take into account the influence of a subunit on reducing production expenditures and on increasing profit;

—formation of the wage fund and economic incentive fund in accordance with norms; in this case, the former is organized the same way as in the preceding variation, but the economic incentive fund is formed in accordance with norms which establish a connection with the amount of cost savings compared with consumption norms, or in a percentage of profit calculated on the basis of prices worked out within an enterprise. Funds that have been earmarked for compensation in accordance with the year's work results and for centralized use by the enterprise management and the labor collective council are most often not included in the economic incentive fund. As a rule, this procedure is followed at large enterprises which utilize a system of internal production norms. The formation of a unified wage fund from two integral parts is a modification of this version. The first part is calculated in accordance with norms from the volume of output produced, and the second one is calculated in accordance with norms from the reduction of expenditures (or the increase in profit) of a subunit. The collective may decide to distribute these funds separately or as a whole. Accordingly, a mechanism for separate or overall assessment of the coefficients of work participation is being developed; and

—formation of a unified wage fund in subunits based on the coefficients of labor contribution (KTV) of a subunit to the end results of the enterprise's work. In this case, the KTV's are used as economic norms and are determined in accordance with the normative labor force, the quality level of the output produced, and the fulfillment of work schedules (or regularity). It is expedient to follow this procedure at enterprises which have made a complete transition to contract work methods.

Detailed recommendations now have been worked out to calculate the coefficients of work participation in all sectors of the national economy, taking all the diverse conditions of economic operation which exist into account.

In those cases where the collectives of intraorganizational subunits are still unprepared for the introduction of contract forms of organization and wages, reinforcement of the relationship between individual wages and end results may be provided by means of combining the normative formation of subunits' wage funds with an extension of their rights to add an extra charge for the worker in the part of the wage that is above the wage rate (extra piece-rate earnings, supplementary payments, and bonuses). The Law on the State Enterprise creates the necessary guarantees for workers' active participation in determining the conditions for adding these types of payments. It is not limited by coordination with the trade union committee on provisions for bonuses and supplementary payments, but the workers' active participation in developing these provisions and implementing them is assumed.

This makes it possible to establish only those indicators which can be improved through the direct influence of

the appropriate groups of workers and to closely coordinate incentive norms with the reserves which are available in a given production section and with their efficient utilization. The amounts of bonuses are not restricted. They are added in accordance with the decision of the collective, which establishes the amount of a bonus in accordance with the labor contribution of each worker. Most commonly, bonuses for the basic results of activity are calculated for all personnel categories in a subunit in accordance with the coefficient of work participation.

#### Footnotes

1. See "The Model Statute on the Normative Method of Profit Distribution for 1988-1990," *EKONOMICHESKAYA GAZETA* No 50, 1987.

2. See *EKONOMICHESKAYA GAZETA* No 7, 1988.

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## EDUCATION

**New Entry Regulations for VUZ Detailed**  
*18280051 Moscow KOMSOMOLSKAYA PRAVDA in Russian 16 Mar 88 p 2*

[Unattributed report: "How to Become a Student"; first paragraph is editorial introduction]

[Text] **New rules have been adopted for admission to VUZes. We are publishing them in full at the request of our readers.**

1. Citizens of the USSR and foreign citizens residing in the USSR who have a secondary education are admitted to higher educational institutions in the USSR for instruction during the day if they are up to 35 years of age. There is no age restriction for instruction when work is not discontinued (age restrictions for those specializing in the arts are established by the VUZ upon acceptance).

2. Additional requirements are set for those entering for different types of instruction and individual specialized fields:

#### 2.1. For instruction during the day:

—for specialties involving the training of physicians, admission is granted to persons who have worked in the capacity of junior or middle-level medical personnel for no less than 2 years (for persons who continue to work at the time of entry, the length of service is counted from the beginning of the academic year); medical school graduates; servicemen transferred to the reserve for the previous 3 years; auxiliary teaching personnel of medical

and pharmacology VUZes and NII [scientific research institutes] in the medical field; and graduates of general education schools who have completed the full course of instruction in a UPK [industrial training center] in the medical field and have been granted the proficiency level of "junior patient nurse";

—for teacher training institutions and universities in specialties involving the training of instructors, teachers, and educators for secondary educational institutions, preschool and other educational institutions, admission is granted as a rule to persons who have an aptitude or experience in working with children as recommended by the pedagogical councils of schools, secondary vocational and technical schools, secondary specialized educational institutions, public education organs, labor collectives, and city and rayon Komsomol committees; and to servicemen transferred to the reserve for the previous 3 years.

*Note: Admission commissions of VUZes are granted the right to accept other persons for the medical specialties cited for up to 30 percent of the admissions plan, including secondary school graduates who do not have the length of service in the practical work.*

## 2.2 Regardless of the form of instruction:

—persons are accepted for the course "Vocational Instruction and Technical Disciplines" whose occupation involves specialized training confirmed by a skill category.

## 2.3 For instruction without discontinuing work:

—admission is granted to persons who are working in the field of the specialty selected, except that persons are accepted without regard for work specialization for the courses "Mathematics," "Philosophy," "Scientific Communism," "Political Economy," "History of the CPSU," "History," "Jurisprudence," "Literary Work," "Russian Language and Literature," "Russian Language and Literature in the National School," "Foreign Languages and Literature," "Philology," "Music," "Drawing and Fine Arts," "Drama," "Musicology," "Cinematography," and "Art Criticism"; and

—admission is granted to persons for the fields of medical specialization and "Veterinary Science" who have the appropriate secondary specialized education and whose length of work service is no less than 1 year.

3. Applications for admission to a higher educational institution are accompanied by the original record of secondary education, a description (recommendation) from the last place of work or study, medical information in accordance with Form No 086, an extract from the labor book (for those with length of service), six 3 by 4 photographs, and applicants present an identity card and a document with respect to military service.

Persons taking correspondence courses (except those entering arts VUZes) submit an application to the higher educational institution closest to their place of residence which has the specialized course in which they are interested.

4. Applications are accepted for daytime instruction from 25 June to 15 July and examinations begin on 16 July. Enrollment is conducted until 5 August.

Persons are admitted for courses in the arts, as well as instruction without discontinuing work, during periods determined by the VUZ.

5. Enrollment in a VUZ is conducted in accordance with the number of grade points accumulated in entrance examinations.

Servicemen transferred to the reserve and utilizing the privileges established by the government, orphaned children and children left without parental care are enrolled without competition when they receive favorable grades in the entrance examinations.

Graduates of preparatory departments are enrolled in the VUZ without passing entrance examinations.

6. The VUZ may specify three to 5 entrance examinations, one of which will be on the Russian language (or the national language of the republic where the VUZ is located) and literature. The admission commissions of VUZes are granted the right to classify part of the examinations as specialized (competitive) and to enroll persons in the VUZ in accordance with the number of grade points accumulated only for those examinations held in written form, as a rule, as well as to establish a two-level grade for the remaining examinations in accordance with the "satisfactory" and "unsatisfactory" system.

7. Persons awarded a gold (silver) medal upon completion of secondary school and those who completed a secondary specialized educational institution or a secondary vocational and technical school with an honors diploma take one examination specified by the admission commission. If they receive a grade of "five," they are exempt from the remaining examinations and are enrolled in the VUZ, but if they receive a grade of "four" or "three" they take the other examinations.

In completing classes in extremely scarce specialties, VUZ admission commissions are granted the right to substitute interviews with these persons for the entrance examinations.

For persons who completed secondary vocational and technical schools based on a secondary education with an honors diploma, the procedure cited is extended to the specialties which are appropriate for the vocations acquired.



8. All entrance examinations (except examinations on art and physical education in VUZes) are conducted in accordance with programs developed in conformity with the secondary general education school curricula.

9. Persons entering all VUZes in the country may take entrance examinations in the Russian language or the language of the republic in which the VUZ is located.

10. Persons who do not appear for an examination at the scheduled time assigned without valid reasons or those who have received an unsatisfactory grade are not permitted to take subsequent examinations.

11. For instruction without discontinuing work, those who are enrolled by competition initially are persons who have been working in the field of their selected specialty for no less than 1 year, servicemen transferred to the reserve for the 3 preceding years, and graduates of secondary specialized and vocational and technical educational institutions who are taking related specialized courses. When there is no competition among these persons for the remaining places, other persons are enrolled by competition.

*Note: VUZ admission commissions are granted the right to enroll persons without entrance examinations in accordance with interview results if they have a secondary specialized education which corresponds to the specialized area selected and they have been working in the specialty acquired for no less than 1 year.*

When entering for instruction without discontinuing work, action No 7 is extended only to persons who have been granted the right of priority enrollment.

12. Where the competition points are the same, the preferential right to enrollment is given to servicemen transferred to the reserve for the preceding 3 years; persons who have demonstrated capabilities and aptitudes for the specialized field selected and are the best prepared for instruction in this specialization in the VUZ; and those who have been engaged in the practical work for more than 2 years.

13. Special enrollment for selected places is being retained for the 1988-1990 period for persons who reside permanently in a rural area and those who are entering special fields related to the socioeconomic development of the countryside (agriculture and forestry, medical and pedagogical fields, and so forth).

14. Persons in the categories listed below who have passed entrance examinations but who have not competed for daytime instruction in a VUZ are enrolled in a preferential procedure in the preparatory departments of VUZes in accordance with their wishes:

**—those who have been sent by enterprises, organizations and institutions on a contract basis for special-purpose training;**

**—servicemen transferred to the reserve for the past 3 years; and**

**—Group I and II disabled persons for whom study in VUZes is not inadvisable according to the conclusion of medical and labor expert commissions and who are able to attend classes.**

15. All problems related to VUZ admission are resolved by the admission commissions.

## ORGANIZATION, PLANNING, MANAGEMENT

### Two Types of Khozraschet in Machinebuilding Industry Detailed

18230022 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 13, Mar 88 p 16

[Article: "The Collective's Cost-Accounting Income"]

[Text] The organization of work at enterprises on the basis of full cost-accounting and self-financing principles increases the importance of indicators characterizing the final results of their production and economic activity, as well as the sources of funds for simple and expanded reproduction. Such indicators include primarily profit, income, cost-accounting income, and net and final output.

Enterprise income, or gross income, is directly connected with proceeds from the sales of output, profit, and wages and organically enters the system of cost-accounting indicators of enterprise activity. Gross income characterizes all the aspects of enterprise work more fully as compared with other indicators and is directed toward maximally taking into account and meeting the needs of the national economy and specific clients.

The use of gross income in the economic mechanism contributes to lending it an antiexpenditure nature, because it ensures not only interest in the growth of production and sales of output, but also in the all possible saving of material expenditures.

Cost-accounting income—the source of production and social development of the enterprise and of workers' wages—is part of gross income. It is at the enterprise's full disposal, is used by it independently, and is not subject to withdrawal or redistribution. The procedure for the formation of cost-accounting income is determined at the enterprise by the cost-accounting form.

In accordance with the USSR Law "On the State Enterprise (Association)" the enterprise with the permission of its superior body (ministry or department) can use one of the two cost-accounting forms: the one based on a normative profit distribution, or the one based on a normative income distribution. Both cost-accounting forms direct the labor collective toward a highly efficient and profitable operation.

#### First Cost-Accounting Form

In the first cost-accounting form the enterprise profit is subject to a normative distribution. Accounts with the state budget and a superior body are settled and interest on credit is paid from it. The residual profit formed after these settlements of accounts is placed at the labor collective's disposal and economic incentive funds—for the development of production, science, and technology,

for social development, and for material incentives and, if necessary, the financial reserve as well—are formed from it according to standards set by a superior body.

At the same time, the wage fund is determined by an independent calculation according to the standard of net output, or other measurers of output (standard net output, normative value of processing, and others depending on the specific nature of a sector). The wage fund calculated in such a manner together with the residual profit forms the cost-accounting income of the labor collective.

Let us show the procedure for the distribution of profit and formation of cost-accounting income, using one of the machine building enterprises as an example. The average number of plant workers on the strength is 6,300 and the average annual value of fixed productive and normed circulating capital (including uninstalled equipment) is 41.7 million rubles. Annual proceeds from the sales of output total 81,390,000 rubles and its full production costs, 62,061,000 rubles. Therefore, the profit from the sales of output (jobs and services) is 19,329,000 rubles (81,390,000-62,061,000).

The sum of payment for productive capital is determined according to the set standard (for this enterprise, 6 percent): 2,502,000 rubles (41.7 million rubles $\times$ 0.06). The payment for labor resources amounts to 300 rubles per person (in some labor-surplus regions, 200 rubles). In this case the enterprise's annual payment for labor resources is 1,890,000 rubles (300 rubles $\times$ 6,300). The payment of interest to the bank for short-term credit totaled 389,000 rubles (interest on long-term credit for capital investments is liquidated from the resources of the fund for the development of production, science, and technology).

The calculated enterprise profit is 14,548,000 rubles (19,329,000-2,502,000-1,890,000-389,000).

Beginning in 1991, when payments for water and other natural resources are set, they will be made in favor of the budget according to the same procedure as the payment for capital and labor resources before the formation of the calculated profit.

Deductions in favor of the state (including local) budget, as well as the ministry (or another superior body), are made from the calculated profit according to set standards.

In our example the standard of deductions from the calculated profit in favor of the budget was set at 17.4 percent and in favor of the ministry, 13.2 percent, which totaled 2,531,000 rubles (14,548,000 rubles $\times$ 0.174) and 1,920,000 rubles (14,548,000 rubles $\times$ 0.132) respectively.

After deductions from the calculated profit in favor of the budget and the ministry the balance of (unplanned) income not connected with sales, which is left at the enterprise's disposal, as well as of expenditures and losses (damages) replaced from cost-accounting income, is applied to the remaining part of the calculated profit. It totaled 19,000 rubles (the balance is negative, because expenditures and losses not connected with sales exceeded receipts not connected with sales). As a result, profit is formed and used for the formation of economic incentive funds: 14,548,000-2,531,000-1,920,000-19,000=10,078,000 rubles.

The application of the balance of unplanned income, expenditures, and losses (fines, penalties, and so forth) to the profit intended for the formation of economic incentive funds increases the labor collective's interest in efficient management and in a prompt and accurate fulfillment of contractual obligations and is directed against the practice of "mutual forgiveness of sins," which existed in the past during their breach. In our case the balance of income, expenditures, and losses not connected with sales is not big. Often, however, it amounts to hundreds of thousands of rubles.

The enterprise's wage fund is formed according to an incremental standard of net output: the base fund plus 0.3 percent of increment per percent of net output. With a base wage fund of 15,300,000 rubles and an increment of 9 percent in net output the actual wage fund totaled 15,713,000 rubles.

Thus, the collective's cost-accounting income reached 25,791,000 rubles. It is at the collective's full disposal and is spent according to estimates worked out separately for each fund (the wage fund, the social development fund, and so forth) and approved by the general meeting or by the labor collective council.

The profit placed at the labor collective's disposal is assigned for the formation of economic incentive funds according to set standards.

Furthermore, the fund for the development of production, science, and technology receives part of the depreciation deductions for a full replacement of fixed productive capital (according to the set standard differentiated throughout enterprises usually from 50 to 100 percent). Proceeds from the sales of unused property pertaining to fixed capital and the payment for the rental of equipment, means of transportation, and other property are also assigned to this fund.

On the whole, at the examined enterprise the distribution of profit and formation of cost-accounting income on the basis of annual results will be characterized by the following data:

| No of paragraph | Indicators   | Sum, thous. rubles |
|-----------------|--|--------------------|
| 1               | Profit from sales of output, jobs, and services                                  | 19329              |
| 2               | Payment for productive capital   | 2502               |
| 3               | Payment for labor resources  | 1890               |
| 4               | Interest on short-term credit  | 389                |
| 5               | <u>Calculated profit</u>   | <u>14548</u>       |
|                 | Deductions from calculated profit according to standards:                        |                    |
| 6               | a) in favor of the state (including local) budget                                | 2531               |
| 7               | b) in favor of the ministry  | 1920               |
| 8               | Profit left at the enterprise's disposal (par 5-par 6-par 7)                     | 10097              |
| 9               | Balance of income, expenditures, and losses (damages) not connected with sales   | -19                |
| 10              | Profit assigned to economic incentive funds according to standards (par 8-par 9) | <u>10078</u>       |
|                 | Deductions from profit according to standards:                                   |                    |
| 11              | a) into the fund for the development of production, science, and technology      | 5196               |
| 12              | b) into the social development fund  | 1783               |
| 13              | c) into the material incentive fund  | 3099               |
| 14              | Wage fund  | 15713              |
| 15              | The collective's cost-accounting income (par 10+par 14)                          | 25791              |

### Second Cost-Accounting Form

In the second cost-accounting form standards of deductions are set in relation to enterprise income, not profit. For example, at the machine building enterprise proceeds from the sales of output, jobs, and services (gross proceeds) totaled 81,390,000 rubles annually. Material expenditures, including the total sum of depreciation allowances, totaled 44,458,000 rubles and deductions for social insurance, 1,885,000 rubles. According to these data enterprise income (gross income) reached 35,047,000 rubles (81,390,000-44,458,000-1,885,000).

Payments for resources are made and interest on short-term credit is paid from enterprise income according to set standards, after which calculated income will remain. In this case it amounts to 30,266,000 rubles (35,047,000-2,502,000-1,890,000-389,000). Deductions in favor of the state (including local) budget and the ministry are made from calculated income according to standards set in relation to it and the remaining sum makes up the collective's cost-accounting income.

In our example the standard of deductions into the state budget is set at the rate of 8.36 percent and into the centralized fund for the development of science and technology and the ministry's reserve, 6.37 percent,

which totals 2,529,000 and 1,927,000 rubles respectively. Therefore, the collective's cost-accounting income amounts to 25,810,000 rubles (30,266,000-2,529,000-1,927,000).

Before distribution (that is, formation of economic incentive funds, the wage fund, and so forth) fine sanctions and other (unplanned) results of activity not connected with sales are excluded from cost-accounting income, which increases the economic responsibility for the observance of contractual and financial discipline. The paid fines, penalties, and forfeits reduce cost-accounting income, while the received ones increase it.

The balance of income, expenditures, and losses (damages) not connected with sales, which in our example totals 19,000 rubles, is applied to cost-accounting income, after which cost-accounting income used for the formation of economic incentive funds and the wage fund remains: 25,810,000-19,000=25,791,000 rubles.

Deductions into the fund for the development of production, science, and technology and into the social development fund are made from cost-accounting income according to standards set in relation to its amount. In this case these standards make up 20.15 and 6.91 percent respectively and the sum of deductions into the fund for the development of production, science, and technology, 5,197,000 rubles and into the social development fund, 1,782,000 rubles. The remaining part of cost-accounting income less the indicated deductions forms the wage fund: 25,791,000-(5,197,000+1,782,000)=18,812,000 rubles.

The procedure for the formation of the wage fund as the balance of cost-accounting income can be presented as follows:

| No of paragraph | Indicators  | Sum, thous. rubles |
|-----------------|---|--------------------|
| 1               | Proceeds from sales of output, jobs, and services (gross proceeds)                      | 81390              |
| 2               | Material expenditures (including depreciation)  | 44458              |
| 3               | Deductions for social insurance   | 1885               |
| 4               | Total sum of income   | 35047              |
| 5               | Payment for productive capital  | 2502               |
| 6               | Payment for labor resources   | 1890               |
| 7               | Interest on short-term credit   | 389                |
| 8               | Calculated income (par 4-par 5-par 6-par 7)   | 30266              |
| 9               | Deductions from calculated income:  |                    |
|                 | a) in favor of the budget   | 2529               |
|                 | b) in favor of the ministry   | 1927               |
| 10              | Cost-accounting income (par 8-par 9a-par 9b)  | <u>25810</u>       |
| 11              | Balance of income, expenditures, and losses (damages) not connected with sales          | -19                |
| 12              | Cost-accounting income used for formation of economic incentive funds and the wage fund | <u>25791</u>       |

| No of paragraph | Indicators  | Sum, thous. rubles |
|-----------------|---|--------------------|
| 1               | Proceeds from sales of output, jobs, and services (gross proceeds)          | 81390              |
| 2               | Material expenditures (including depreciation)                              | 44458              |
| 13              | Deductions from cost-accounting income according to standards:              |                    |
|                 | a) into the fund for the development of production, science, and technology | 5197               |
|                 | b) into the social development fund   | 1782               |
| 14              | Wage fund (par 12-par 13a-par 13b)  | 18812              |

In the second cost-accounting form the enterprise's interest in improving the use of material resources increases. In the first cost-accounting form based on a normative profit distribution the saving or overexpenditure of material resources is reflected only in the amounts of economic incentive funds. In the second form—the normative-share distribution of gross income—the level of use of material resources affects the amount of the entire wage fund.

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### Export Potential of Uzbek Machinebuilding Enterprises Viewed

18230041 Tashkent *KOMMUNIST UZBEKISTANA* in Russian No 2, Feb 88 pp 21-29

[A. Alimov; "Development of Uzbekistan's Export Base"]

[Excerpt] The most dynamic articles of Uzbekistan's exports are and will remain the products of machinebuilding—in the 1970's the volume of exports of machines and equipment from the republic grew almost 6-fold. The average annual growth rates of such deliveries outstripped by almost 3 times the analogous indicator for the general volume of exports, which allowed the sector to take 2d place in the republic's export structure.

Further improvement in Uzbekistan's export production in machinebuilding is connected with the resolution of a number of problems. One of these is its small series nature. The republic's machinebuilding industry is delivering abroad more than 200 designated types of products, which testifies to the absence of a clearly expressed export specialization. This is accompanied by increased production expenditures which, in turn, decrease the effectiveness of exports. In addition, some enterprises tolerate deviations from required standards, technical conditions, order-contracts and other normative-technical documentation; there is weak training of cadres and highly qualified specialists in export sectors are lacking. All of this, of course, explains the fact that in the 11th Five-Year Plan the export of machine-technical products from the republic grew at a very low rate. If in the years of the 10th Five-Year Plan its volume increased 3.8 times and in 1980 reached 6.6 percent of the general volume of Uzbekistan's exports, in 1985 it remained at practically the same level. In 1986 the relative share of machine-technical products exported declined by 7.6 percent in comparison with 1985.

The 6th Plenum of the Central Committee of the Communist Party of Uzbekistan (August 1987) pointed particularly to the fact of the slow growth of deliveries of machines and equipment to the foreign market. The specific guilty parties were named. The kenaf harvesting combine of the Tashkent Experimental Repair Plant of Gosagroprom and the hydrocylinder of the Andizhanirmash Plant have ceased to be in demand. The production associations Uzbektekstilmash, Sredazkabel, Uzbekkhhlopkomash, Elektrokhimprom, the Tashkent excavator plant and other enterprises are violating contract obligations and by this are undermining their authority as partners in the international market.

In the forthcoming period in the Uzbek SSR, in accordance with the economic plans, there will be an intensive increase in tractor and agricultural machinebuilding, intended to ensure the all-round development of the cotton and produce complex. A rapid growth of production of products of the electrotechnical industry, instrument making and machinebuilding for the light and food industry is also intended. Accelerating the development of these and a number of other sectors of machinebuilding on a modern technical basis, creating and introducing into production new technological processes, machines, equipment, assemblies and components corresponding to the world technical level will create the necessary base for increasing the export of these products.

In our opinion it would be efficacious, given the regional conditions of Uzbekistan, to develop export machinebuilding, a sphere which requires a significant number of qualified workers, in a stage-by-stage manner. First of all, in the next 5-10 years a significant increase in exports will be possible of those products which have already received a sufficiently high level of development in the republic. Among these are the majority of enterprises producing electrotechnical articles, technological equipment for the light and food industry, household machines and devices and metal structures, as well as transport and agricultural machinebuilding, the cable industry and a number of others. In the following stages the structure of the republic's machinebuilding articles manufactured for export should to a greater degree be augmented by complex, science-intensive products—electronics, instrument making, radio technology, the instrument industry, means of automation and telemechanics. This will be aided by the use of nonferrous metals and plastics produced in Uzbekistan, the relatively low water use in the production of the indicated sectors and, finally, the creation of small enterprises of these sectors in small and medium-sized cities and oblast centers of the republic.

An important condition for developing Uzbekistan's export base is guaranteeing high quality and achieving and supporting a suitable international competitiveness of all goods offered on the foreign market, first of all of the machinebuilding industry. With this goal, during the remaining years of the 12th Five-Year Plan, we should implement additional economic stimulation measures for production of high quality export goods, and develop

sectoral scientific-technical programs for increasing the quality of manufactured articles.

Increasing the norms of reliability and service life of products, strengthening the technical requirements for their productions and use, and establishing these norms and requirements on the level of international standards is particularly important for the enterprises of Glavmashkhhlopkovodstvo, which are the only ones in the country which produce and supply equipment for cultivating cotton. Comprehensive programs for the development of enterprises and organizations included in the association have already been developed and are being realized in the republic. By 1990 machinebuilders have to create and put into series production 28 types of new aggregates and carry out radical modernization of 8 types. Cotton raising machines are to include 8-row planters, all-purpose soil tilling equipment and 4-row grubbers/grinders. By the end of the 12th Five-Year Plan it is planned to introduce 500 machine tools with NC, 430 industrial robots and 5 flexible readjustable systems for mechanical milling of components. All this will to no small degree help the development of Uzbekistan's export base for machinebuilding.

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### TECHNOLOGY ACQUISITION, ASSIMILATION, COOPERATION

**GDR Cooperation in Machinebuilding Detailed**  
*18230027a Moscow EKONOMICHESKSOYE  
SOTRUDNICHESTVO STRAN-CHLENOV SEV  
in Russian No 2, 1988 pp 22-27*

[Article by Karl-Heinz Meltzer, director of sales and foreign-economic ties for the Halberstadt Machine-Building Plant: "The Magdeburg-Penza Experiment in Bilateral Collaboration: Successes and Lessons"]

[Text] In December 1986 the USSR's Penzmash Scientific Production Association Penza Compressor Plant and the Halberstadt Machine-Building Plant, which is affiliated with the Heavy Machine-Building SKL Combine imeni Karl Liebknecht (Magdeburg, GDR) signed a contract setting up direct production and scientific-technical ties. The expansion of these ties is aimed at implementing sectorial programs for collaboration between the USSR Ministry of Chemical and Petroleum Machine Building and the GDR Ministry for Construction of Heavy Machinery and Equipment, and at carrying out the tasks called for in the Integrated Program for Scientific and Technical Progress for CEMA Member-Nations to the Year 2000.

### THE HALBERSTADT MACHINE-BUILDING PLANT: A PRODUCTION PROFILE

This, the second-largest of the SKL combine's enterprises, is one of Europe's largest manufacturers of diesel

engines and industrial plants. In the past, its primary mission has been, and remains for the future, to meet the GDR export shipbuilding industry's needs for medium-speed high-powered diesel engines and for opposed gas compressors for the chemical industry and to supply gas to the GDR and other CEMA member-nations.

All the diesel engines and compressors now being manufactured by the combine's enterprises are highest quality products and were developed by the combine itself. They, particularly the Mukran main drive plant for freight train ferries, have repeatedly won gold medals at the Leipzig Trade Fair. The Halberstadt plant's opposed compressors have been awarded the German Democratic Republic's State Committee for Standards, Measurements and Tests' symbol of highest quality goods.

Halberstadt's compressor-building industry has a long-standing tradition. From the moment it was founded, the plant passed through all the developmental stages of piston compressor-building. Horizontal low-speed large-piston compressors were developed in its own drawing and design bureaus, and were subsequently used in the chemical industries of the the GDR, the PNR [Polish People's Republic] and the KNR [People's Republic of China].

The plant then went from developing the vertical-piston compressor to the opposed-piston design, which has defined the compressor-building industry's products line since the mid-1960's. Today's opposed compressors operate highly efficiently and practically trouble-free in almost all the GDR's chemical enterprises as well as in the gas-supply system and throughout the PNR's gas industry. Working jointly with such leading firms as UDE (FRG), Toyo Engineering (Japan) and Fest-Alpine (Austria), the plant has helped solve complicated technical compressor-building problems for plants producing chlorine and polyvinyl chloride, as well as viscosity-breaking and aromatic hydrocarbon complexes.

#### **A PARTNERSHIP UNITING PRECISION CALCULATION WITH TECHNICAL SENSE**

The first deliveries of lubrication-free compressors to the USSR have been made through Khemokompleks, a Hungarian enterprise. This marks the beginning of an intimate and productive collaboration with the Soviet Leningrad Scientific-Research and Design Institute of Chemical Industry Machine Building. One example of this collaboration is the testing of Soviet-designed high-efficiency in-line valves in compressor plants in the GDR and the importing of these valves from the USSR for use in low-gas-pressure areas.

By delivering two- and three-stage air compressors to the Soviet Union, our plant has had a considerable effect on more completely meeting the Soviet national economy's needs for compressor equipment during this five-year plan period. However the development of relations

between our enterprises has not always been in the interest of both our countries. In particular, by the middle of 1986, Soviet customers had placed new requirements on output from the GDR. In light of the policy adopted by the 27th CPSU Congress on improving national economic effectiveness, vigorous requirements were put on stepping up deliveries and on the quality of the GDR's traditional export output.

As a result, the Halberstadt plant was unable, before the beginning of 1987, to conclude a one-year contract to deliver compressors in the numbers stipulated in the Agreement on Commodity Circulation and Payments for 1986-1990. This is why representatives of our plant, together with our foreign trade organization, held consultations with Soviet customers in Moscow.

From the beginning, this effort ran into considerable organizational difficulties, since the Soviet foreign trade organizations were unable to set up these consultations directly with Soviet specialists—the consumers of the GDR's products. For the most part, the people participating in the initial consultations were co-workers from various USSR ministries and the institutions immediately subordinate to them. Consumers from the Donetsk Oblast were the only exception, since they asked to be allowed to hold their consultations directly at the mine-faces where the compressors were to be installed.

As a result of the conference which was hastily set up by our mine-face specialists, it turned out that the compressors sent to the USSR Ministry of the Coal Industry were meant to be used to renovate existing compressor plants. Our output is used primarily in setting up new air-compressor plants, and the base used on our compressors, which meet the highest technical standard—is a compact and lightweight platform. Moreover, the delivered equipment included preassembled pipeline systems, which considerably reduce the time needed to set up the compressor stations, provided that they meet specific technical and construction conditions for operating compressor plants. This was the reason the GDR and USSR specialists drew up and agreed upon the design for a specific compressor unit right at the mine face. Agreeing on the design totally ruled out the possibility of using a plan for a construction tie-in for a previously-assembled piping system. As a result, the compressor plant could not be put into operation until a new compressor-pipeline manifold was manufactured, which required the assistance of a representative of the contract supervisor.

After this, a general evaluation of the situation was provided by the Soviet importer and a second consultation was held with specific customers of our output. This approach was more effective, since those directly involved in using the compressor plants took part. As it happened, the plans and tie-in systems for all the compressors obtained from the GDR had to be completely

reexamined. The Soviet consumers' desire to obtain a compressor suitable for the production conditions in which it is to be used, and at the best price, is both lawful and understandable.

When the long-term commodity circulation agreement for 1986-1990 was being drawn up between the USSR and the GDR, air compressors were among the products to be manufactured in the GDR.

The Halberstadt Machine-Building Plant quickly reacted to the Soviet requests and offered to deliver a new two-stage compressor, one of a series of standard compressors they had developed. However, this compressor does not have identical output parameters for every climatic region.

At the same time, within the framework of the intersectorial contract on collaboration, the Soviet side announced its interest in setting up direct cooperation with the GDR manufacture air compressors based on a Soviet design. In August 1986 a delegation of Soviet specialists from the Soviet producer-enterprise and the USSR Ministry of Chemical and Petroleum Machine Building visited the Halberstadt plant and discussed possible cooperative manufacturing and production efforts.

The Soviet side suggested that production of Soviet-designed compressors meant for specific applications be initiated at the GDR's production facilities, but that we use production methods which were totally at variance from ours. This was not in the GDR's interests. As has already been emphasized, the primary mission of the GDR's sole manufacturer of piston compressors in a prescribed range of capacities is to meet the needs of the producers of chemical and power-producing installations in the GDR. Moreover, we meet the demands of the Polish People's Republic and the Hungarian People's Republic for gas compressors. Considering the available production capacities, changing over to manufacturing Soviet-designed air compressors would cause us to fail to meet the needs of the GDR and other CEMA member-nations for special-purpose compressors.

In the course of the discussions, we explained that this was our duty to our national economy, and suggested scientific and technical cooperation for the purpose of developing a more efficient compressor which, in principle, should have been designed and modified based on the specifications provided by both compressor manufacturers' customers. The Soviet side's particular opinion was that despite the long-term agreement on commodity circulation, exporting traditional compressors to the USSR would be contraindicated. In later discussions, the GDR proposed to its Soviet partners that we jointly develop a new type of compressor. Discussions continued in the USSR immediately following the signing of the intergovernmental agreement in November 1986.

#### USING DIRECT TIES

A draft agreement was worked out by agreement of the USSR-GDR Intergovernmental Commission. It highlights the fact that the direct manufacturing and scientific and technical ties which have been established are aimed at setting up cooperative production of general-purpose compressors and their assemblies so as to more completely meet both countries' national economic needs for state-of-the-art products equal to the highest international standards. The draft agreement calls for solutions to the following problems:

stepping up the manufacture and export of products equal in technical level and quality to the finest world examples;

further improving and upgrading output through joint scientific research and experimental design operations;

providing mutual assistance when adjusting equipment and introducing latest production methods, eliminating operational malfunctions, setting up joint tests of new or improved equipment and introducing unified technical requirements on jointly manufactured output;

setting up relations between output manufacturers and consumers.

The partners can carry out scientific research, drawing and design operations and experiments which will ensure that they are technically innovative and that they match the world level. They can also exchange, purchase and sell those results of the scientific and technical research achieved by the parties which do not constitute inventions, according to procedures established in each country.

The partners can submit proposals to the USSR Ministry of Chemical and Petroleum Machine Building and the Ministry of for Construction of Heavy Machinery and Equipment pertaining to:

collaborating in production renovation or retooling;

making coordinated or joint purchases of licences or know-how in third countries, and collaborating in their use;

specialization in the production of finished products, including those produced via cooperation, and the coordinated or joint development of capacities needed to manufacture special-purpose finished products.

The contract for direct ties stipulates that each party shall finance its own efforts pertinent to the programs for collaboration. Moreover, so that reciprocal transfer of samples of products, individual assemblies, parts and accessories, tools, materials etc. is made promptly, the Penza Compressor Plant and the Halberstadt Machine-Building Plant may conclude yearly global contracts with

their foreign-trade organizations for an agreed-upon sum without indicating a specific list of products and services or prices for them with figures at year's end.

It is important that we emphasize that the prices for corresponding goods and services must be agreed upon prior to concluding the general agreement, and that the prices for reciprocally-supplied goods and services be based on effective CEMA price-setting principles.

It should be remembered that there is no unity of views regarding making the scientific research and planning work to develop and initiate production of a new compressor the primary objective of direct ties.

At the GDR's request, the following points were included in the minutes of the November conference:

1. The goal of the direct ties is to jointly develop a modified compressor whose production highly effectively meets the needs of both parties.
2. The consumer-oriented features of the GDR's compressors should be improved by using tested plain bearings, seals and Soviet-produced materials-economizing heat exchangers as a prerequisite for continued meeting of the demand for air compressors in accordance with the Long-Term Agreement on Commodity Circulation and the guaranteed sales volumes agreed to therein, and including the provision of cooperation.
3. The GDR is to set up an automated production line to manufacture welded pistons and to provide know-how and essential production elements.

The agreement was initialled in December 1986. At the same time, Minkhimmash actively helped establish direct ties with enterprises whose demand for compressors in 1987 could not be met by domestic production. This resulted in the conclusion of contracts for delivery

of 20 more compressors in December 1987 after the best conditions for operating the compressors had been discussed and agreed upon with the three client-ministries' chief designers.

During a meeting of specialists held in February 1987, an agreement was signed and determinations made concerning further specific stages of this effort. In so doing, an agreement was arrived at concerning the extent of modernization of the GDR compressor's bearings, seals and heat exchangers and concerning deliveries of upgraded compressors in accordance with the Long-Term Agreement on Commodities Circulation.

They then discussed questions related to developing and selling Soviet welded piston technology, including deliveries of production equipment. A deadline for concluding contracts through foreign trade organizations was established for both positions.

As a result of subsequent consultations with Minkhimmash and its scientific research institute for compressors, they were able to agree that developing a new compressor comprised the primary thrust for direct ties, after which both sides' specialists will jointly and without delay determine research and development stages and bases, and will draw up a contract for the work to be done by both sides. Both plants are slated to initiate production at the end of 1989.

As a result of this major effort, we have succeeded in improving the effectiveness of collaboration by establishing direct ties.

In February 1987, using standard contracts on scientific and technical and production collaboration, agreement was reached on volumes and deadlines for deliveries of assemblies to the Penza plant. The delivery deadlines were stipulated in a rider to the contract on direct ties, and the GDR guarantees delivery of the modernized air compressor to the USSR as of the 2nd quarter of 1988.

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## CIVIL AVIATION

**Ministry Official on Il-96-300, Tu-204 Use**  
*18290102a Moscow VOZDUSHNYY TRANSPORT*  
*in Russian 17 Mar 88 p 1*

[Interview with L. Verkhovin, chief of the Scientific and Technical Main Administration of the USSR Ministry of Civil Aviation, by VOZDUSHNYY TRANSPORT correspondent V. Torishnyy under the "Timely Interview" rubric: "When Will Our Sector's 'New Recruits,' the Il-96-300 and the Tu-204, Be Flying?"; first paragraph is editorial introduction]

[Text] Time does not stand still. Civil aviation's progress is linked with the new generation of aircraft. The airliners we have become accustomed to should be replaced by other more reliable, economical, and comfortable ones... Which aircraft will be coming to the sector and when. This is the subject of a discussion our correspondent, V. Torishnyy, had with L. Verkhovin, chief of the Scientific and Technical Main Administration of the USSR Ministry of Civil Aviation.

[Question] Leonid Gavrilovich, we have already heard a great deal about the new Soviet aircraft, the Il-96-300, the Tu-204, and the Il-114. We know that there will be highly economical aircraft with improved aerodynamics and structural and weight characteristics which will be better able to ensure that passengers are comfortable and provided with high-quality service, and the sector is waiting for them...

[Answer] All this is correct, but the technical re-equipment of the sector in recent years can hardly be considered satisfactory. In the current five-year plan, for example, Tu-154M and Yak-42 aircraft are being delivered and the existing fleet is being modernized at rates which are inadequate to completely meet the country's requirements for air transport. And as in any major undertaking, one flaw is certain to be followed by another. This is not the classic "Trishka's Caftan" [Krylov fable "Trishkin Kaftan," about a man who cut sleeves shorter to correct holes worn through at the elbows], of course, but we have to extend the service life of Tu-134 aircraft because the plan for Yak-42 deliveries was not fulfilled in the 12th Five-Year Plan, all the same. The delay in the periods for developing and introducing the Il-114 aircraft in the sector "dragged out" an extended service life for An-24 aircraft. And their fuel efficiency, incidentally, is less than half that of the long-awaited Il-114.

[Question] It turns out that the fleet being operated basically consists of aircraft which are obsolete and have poor economic and fuel efficiency by today's standards?

[Answer] To our profound regret, we have to admit this. The problem of increasing the volume of civil aviation operations can be resolved either by substantially

increasing deliveries of aviation fuel or sharply accelerating the introduction of new, highly economical mainline aircraft. It is more practical to "break the spell" with new aircraft.

But let us look at matters realistically. Work is under way at the OKB [Experimental Design Bureau] imeni S. V. Ilyushin and the OKB imeni A. N. Tupolev to develop the long-range Il-96-300 mainline passenger aircraft and the medium-range Tu-204 mainline aircraft. In 1986 (with serious delay, we must point out), the designers presented full-scale mock-ups of these aircraft for examination by civil aviation specialists (or the customer, in design bureau terminology). The basic specifications and fundamental characteristics of the future aircraft were approved and plans for steps to correct the deficiencies revealed were adopted.

[Question] Were there many deficiencies?

[Answer] These aircraft are a new stage in aircraft manufacturing. A great number of complicated problems are being resolved, which also indicates the difficulties in resolving them. The demands made on all the systems of the new aircraft are very high, which guarantees their flight safety. But unfortunately, these programs are still far from completion.

[Question] All the same, there is still considerable interest in the question: just when will the new aircraft be flying?

[Answer] A fundamental question, I would say. Let us try to answer it.

Assembly of Aeroflot's "new recruits," as you called them—the first experimental models of the aircraft which are to fly this year—is now finally under way at full speed in the assembly shops of Ministry of the Aviation Industry enterprises.

[Question] From an experimental model to flight with passengers is not a short path...

[Answer] And definite steps are being taken on this path, in spite of all the difficulties. The sector's scientists have an important role in developing this new equipment and putting it into operation. To begin with, the technical assignments for future aircraft are shaped on the basis of our scientists' research efforts. The refinement of designs and testing of the models are being conducted with their active participation. Here is a fact: work by the mock-up committee for the Il-96-300 was preceded by the efforts of an expert group of the MGA [Ministry of Civil Aviation] and 29 accompanying scientific and technical working groups of the GosNII GA, NETs AUVD, and "Aeroprojekt" [State Civil Aviation Scientific Research Institute, Scientific Experimental Center for Civil Aviation Air Traffic Control Automation, and the "Aeroprojekt" State Planning and Surveying and Scientific Research Institute], which held more than 150 meetings.

The materials developed in the process formed the basis for the results of the mock-up committee's work. In addition to scientists and designers, specialists from operations enterprises also have taken part in the mock-up committee's work.

Comprehensive plans for measures to prepare enterprises and services expeditiously for the start of actual operations by the "96" and the "204" were approved by our ministry and the Ministry of the Aviation Industry in 1986 (I must admit that this could have been done much earlier).

[Question] What do they involve?

[Answer] The preparation is very simple in form, which cannot be said of the content; all measures connected with preparing runways, air terminal complexes, ATB's [aircraft maintenance bases], NII's [scientific research institutes], flight subunits, and training of specialists should be completed before these aircraft begin operating in 1990.

[Question] Does this mean that in 1990 we will be taking part in at least the first proving flights of the Il-96-300 and the Tu-204 on Aeroflot routes?

[Answer] The sector's specialists will do everything in their power to ensure that passenger flights in the new aircraft begin in 1990. The MGA's Scientific and Technical Main Administration and the Civil Aviation Equipment Administration of the Ministry of the Aviation Industry are holding joint planning sessions every week. We are reviewing the course of operations to develop the new aircraft. We are inviting specialists from ministries, scientists, designers, and enterprise representatives where we plan to begin operations of the new "Il's" and "Tu's."

Last year the Ministry of Civil Aviation approved the "General Plan for Il-96, Il-86, and Tu-204 Flights in the 1991-1995 Period" so that the start of operations by the "new recruits" does not bring any unpleasant surprises and is businesslike and efficient, taking into account experience in putting the Il-86 into operation and its subsequent work on the air routes. It provides for operational testing and initial operation of the Il-96-300 and Tu-204 accordingly at the Domodedovo, Sheremetyevo and Borispol Airports.

Domodedovo and Sheremetyevo have been assigned as the base airports for the Il-96-300 for that same period; Leningrad, Vnukovo, Irkutsk, Khabarovsk, Kiev, Kuybyshev, and Sverdlovsk have been assigned as base airports for the Tu-204. At the same time, continuous participation by the future operations employees in developing and refining the new aircraft and the facilities and technologies for their maintenance is very important.

[Question] So the future of the new aircraft has been determined in general terms. But what is the state of affairs today?

[Answer] I will try to respond by using the language of official documents: the combined measures that have been carried out have made it possible to improve the fuel efficiency of the Il-96-300 and the Tu-204 in comparison with the performance originally designated, but at the same time, many organizational and technical problems related to the development, testing and introduction of the new aircraft continue to be unresolved. These include the fact that deadlines are being extended by the Ministry of the Aviation Industry's enterprises and that the mock-up committees' measures with respect to a number of the aircraft functional systems are not being carried out completely; manufacture of the engines is not proceeding at a satisfactory pace, and none of the engines produced to date are suitable for the model design submitted for state testing. Work to develop the engine reverser assembly is proceeding slowly; the situation that has developed in connection with the complexes of digital flight control equipment for the aircraft is a source of serious concern; significant delays are being noted in the periods set for building most test benches and conducting checkout and testing operations on them, including the benches to support the first flight; problems in developing facilities for ground servicing and monitoring and checkout equipment have not been worked out properly by industry; and there are many complications in getting airports and production bases of civil aviation enterprises prepared for operations with the Il-96-300 and the Tu-204.

I can state precisely in this connection that the situation that has taken shape makes us gravely concerned about meeting the deadlines that have been set for developing the Il-96-300 and the Tu-204, which are completely in line with the customer's technical mission, and putting them in operation on passenger routes, since there is a tremendous amount of work that has to be done in the remaining 2 years.

It appears that considerable additional effort by the Ministry of the Aviation Industry will be required to resolve the existing problems successfully.

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**Deputy Minister on Aeroflot Ground Problems**  
*18290102b Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 23 Apr 88 p 4*

[Interview with B. Panyukov, first deputy minister of civil aviation, by TASS correspondent N. Marunov in Moscow for SOTSIALISTICHESKAYA INDUSTRIYA: "Aeroflot's Problems on the Ground"; first paragraph is editorial introduction]

[Text] The thermometer is gradually coming into line with the calendar. Summer is not far off. The busiest time for Aeroflot is approaching. At the request of

SOTSIALISTICHESKAYA INDUSTRIYA readers, the first deputy minister of civil aviation of the USSR, B. Panyukov, tells about its readiness for the "peak" workloads.

[Question] Boris Yegorovich, what baggage is Aeroflot bringing to the takeoff position for the spring and summer season?

[Answer] Unfortunately, the demand that has not been met is high at present. Millions of persons cannot take advantage of air transport services. Taking this into account, attention basically is being devoted to serving the regions of Siberia, the Far North, and the Far East, where aircraft are sometimes the only means of transportation. More than an additional 2,000 flights will be made to these areas, mainly in the summer. In other words, the number of passengers will increase by nearly 240,000, including 130,000 in "peak" operations. The increase will be particularly significant—nearly 15 percent—on the Moscow to Petropavlovsk-Kamchatskiy and Moscow to Vladivostok routes.

There are more than 20 new air routes. These include ones that provide a direct link between airports in Siberia and the North with southern cities and popular resorts.

The overall capacity of air terminal complexes meets the norms by only 54 percent at present. Last year Aeroflot carried 119 million passengers, which is nearly twice as much as the "capacities" of airports. New air terminal complexes are now being built in Blagoveshchensk, Khabarovsk, Omsk, Syktyvkar, Baku, Vilnius and other cities. The terminals in Kuybyshev and Bratsk are being modernized. Plans have been worked out to renovate the aircraft "piers" at Domodedovo, Sochi, Simferopol, and Kharkov. The ministry has presented directive organs with a program for development of civil aviation ground facilities which calls for the modernization of approximately 150 airports up to the year 2005.

It is hard to speak about all-weather aviation when we lack what is needed most, such as powerful equipment for clearing airfields of snow and ice and for drying the runways... The USSR Ministry of Construction, Road, and Municipal Machine Building is not turning out enough, despite repeated requests from aviators. And this is with our weather conditions! There are not enough efficient chemical reagents, either.

We are also trying, within the limits of our capability, to increase the number of flights under reduced weather minimums. Airports are being equipped with more improved landing systems.

[Question] Last year the weather was "to blame" for 66 percent of all delays. So a considerable number of them resulted from technical problems, all the same. Departure delays because of "aircraft nonarrivals" and the tiresome waiting at airports have already become the talk of the town.

[Answer] If this were the only problem, we could establish tomorrow that Aeroflot is financially responsible for the lack of coordination. But there are many ingredients in this.

Fuel interruptions are perhaps the worst sore point. The irregular deliveries have become a real scourge. Last year 2,300 flights were delayed because of lack of fuel. And 6,600 flights involved additional landings to refuel for the same reason. And every unplanned landing and takeoff means that 6 tons of aviation kerosene are consumed unnecessarily.

All is not well with the supply of aviation equipment and spare parts, either. For example, the plan for delivering Tu-154M aircraft in 1987 was approved by directive organs and accepted for fulfillment by the Ministry of the Aviation Industry. However, we did not receive nearly one-third of the aircraft planned. I will add that this involves an airliner with high fuel efficiency; it enables us to save up to 20 percent of the fuel on each flight, compared with the previous modification of this aircraft. The situation with the Yak-42 is even worse. After all, central and local schedules are being put together with this aircraft in mind...

Last year an average of seven Il-86 "airbuses," each of which carries 350 passengers, as many as an Il-62M and 26 Tu-154 aircraft, stood idle each day because of disruption in aircraft engine deliveries.

All the problems listed are added to each other. An aviation enterprise is only the last link in the chain of these problems. For this reason, we are now paying compensation in those cases where it can be accurately determined who is responsible for a flight delay. Only the first step has been taken. The next step will be to extend Aeroflot's financial responsibility to the passenger. But we must prepare ourselves for this...

[Question] Aeroflot has received a considerable number of complaints in connection with the abolition of preferential rates for students. What is the reason for this decision?

[Answer] In conformity with the USSR Council of Ministers decree, our ministry has the right to set preferential rates only on the routes that are not utilized to capacity. But with the demand that is not being met and the fuel limitations we have been forced to reduce the volume of service in the central region and certain other regions of the country where the network of ground transportation is well developed. As a result of this, services to the northern and eastern regions are being increased, as already mentioned.

We are carefully analyzing the capacity of each national route, and until September we will examine the possibility of introducing preferential rates for the winter holidays on specific routes. As far as the local routes are

concerned, the aviation enterprises themselves will be handling matters such as this under the conditions of self-financing and self-support.

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## RAIL SYSTEMS

### First-Quarter Railroad Transport Performance

18290098a Moscow GUDOK in Russian 16 Apr 88 p 3

[Unattributed article taken from materials of the MPS Statistical Administration, "From Goal to Goal: A Roundup of 1988 First Quarter Railroad Transport Performance Figures"]

[Text] The following data describe the railroad transport sector's first-quarter performance.

**Freight deliveries** came to 1,014,000,000 t. This is the first time the billion t goal has been surpassed during a first quarter. Centrally-planned Goszakaz shipments came to 28 million t above the plan, and Goszakaz MPS surpassed the 20 million t mark. Locally planned shipments were over 1 million t above slated quotas.

Deliveries of the full range of Goszakaz freight cargoes were completed. Total volumes amounted to 83 percent, and the plan was overfulfilled by 98 percent. Some 9.6 million t of hard coal, 2.3 million t of ferrous metals, 3.5 million t of ore, 2.8 million t of petroleum cargoes, over a million t of cement, about 6 million t of grain, 734,000 t of timber cargoes and a large volume of food and industrial consumer goods were hauled. The plan for transporting peat, motor vehicles, agricultural machinery and mechanisms and miscellaneous cargoes was underfulfilled.

All railroads met their quarterly plan targets, except for the West Siberian Railroad, which underdelivered 274,000 t of freight.

Collectives of the Donetsk, Kemerovo, Dnepr, October, South Urals, Southern and Belorussian railroads made the greatest contribution to above-plan rail deliveries. At the same time, the rail system plan for shipping 100 percent of the Goszakaz nomenclature of goods was fulfilled by only 53.8 percent by the West Siberian and Transbaykal railroads, 60 percent by the Baltic Railroad, 62.5 percent by the Far Eastern Railroad and 64.3 percent by the West Kazakhstan Railroad, 64.7 percent by the Tselina Railroad, 66.7 percent by the Lvov and North Caucasus railroads and 68.8 percent by the Transcaucasian Railroad. The **static load** was 330 kg over the plan figure and was 540 kg greater than for the same period last year. As a result, over 10 million t of freight were transported without having to bring in extra cars. All the railroads except the Sverdlovsk, Volga, Alma-Ata and East Siberian fulfilled their static load quotas. Loading losses on these railroads came to 350,000 t.

The static load plan for all State Order cargoes except coke, and including coal, was overfulfilled by 490 kg, by 380 kg for petroleum and petroleum products, by 230 kg for iron ore, by 440 kg for ferrous metals, by 250 kg for fertilizers, by 300 kg for cement, by 1,350 kg for forestry products cargoes and by 250 kg for construction materials.

Daily **unloading** surpassed the plan by 3,700 cars, and by 10,700 cars for the same period last year. Some 25 railroads coped with the plan. The Baltic, Lvov, Moldavian, Azerbaijan, Central Asian, Transbaykal and Far Eastern railroads allowed a lag to develop. This caused considerable losses of local cargo wagons on the Transbaykal, Azerbaijan and Baltic railroads.

**Freight turnover** increased by 8.4 percent compared to the 1st quarter of 1987, and amounted to 970.6 billion t/km charged. This is 48.8 billion, or 5.3 percent higher than called for, and a 92 percent increase in freight turnover was achieved by increasing delivery volumes with only 8 percent by increasing delivery distances. These distances were increased for such bulk cargoes as crude oil, iron, manganese, and non-ferrous ores, raw sulfur, ferrous metals, mineral fertilizers etc.

**Passenger traffic** increased by 2.4 percent and amounted to 60.8 million passengers on long-distance domestic routes. At the same time, the average daily suburban passenger traffic fell off by 0.4 percent. There was a considerable influx of foreign passengers. The January-February flow of these passengers in transit through our country increased more than 3-fold, and the amount of passengers travelling into the USSR increased 86.5 percent.

Passenger traffic volumes increased on 18 railroads. At the same time, passenger traffic, primarily suburban commuter service, decreased in the Ukraine (except for the Southwest Ukraine), the Volga, North Caucasus and certain other railroads.

The Goszakaz target for passenger turnover on the railroad system was overfulfilled by 3.9 percent. The same indicator stood at 4.6 percent last year.

The passenger train departure schedule was met for the first quarter by 97.7 percent, by 94.3 percent for passing, and by 89.3 percent for arrivals. Passenger train passing improved on 23 lines. The Belorussian, East Siberian and Krasnoyarsk railroads achieved the best results. Worst results were achieved on the Kemerovo, Volga, Azerbaijan, Transcaucasian, Central Asian and West Siberian railroads. With the exception of the Volga Railroad, train passing on these railroads was worse than last year.

Average daily **reforwarding among inter-railroad junction stations** amounted to 390,800 railroad cars per day. This is 28,200 more than for the same time period last year and 15,000 more than the quota. The established quotas

were fulfilled by 27 railroads, and were covered most significantly on the Kemerovo and Belorussian railroads. The Alma-Ata, Transcaucasian, Tselina, Transbaykal and Far Eastern railroads failed to fulfill their forwarding quotas.

The stepped-up forwarding of increasing wagonstreams has improved the use of our rolling stock.

**Railcar turnaround** has been sped up by more than 8 hours. At the same time, the plan target was underfulfilled by 1.4 percent. Railcar turnaround time was reduced in all its constituent elements, except "being in transit", which increased due to delays in entry and block signals, too low a level of equipment operation reliability and numerous speed limit warnings.

Railcar turnover has been accelerated on 25 railroads. Goszakaz quotas were fulfilled by 21 railroads. An unhappy state of affairs has come about on the Moldavian, Azerbaijan, Transcaucasian, West Siberian, Kemerovo, East Siberian and Transbaykal railroads. Not only have these railroads failed to meet their quotas for railcar turnaround, but they have slowed it down compared to the corresponding period for 1987.

The **average weight for freight trains** was 3,109 t, or 39 t greater than last year. However, the plan quota was underfulfilled by 61 t.

Right now, 62.8 percent of the freight turnaround is being handled by electric traction. However, average electric train weight is increasing more slowly than that of diesel-powered trains. Increased empty car running is having an effect. Only the Belorussian, Baykal-Amur, Krasnoyarsk, Transcaucasian, Lvov, West Kazakhstan and East Siberian railroads met Goszakaz train weight quotas. Many railroads are doing a poor job of putting existing reserves into operation. There are still a great many trains not running at full weight or not made up into full consists. If the percentage of these trains on the system has been reduced by 0.3 and 0.5 percent respectively, it has increased on the North Caucasus, Azerbaijan, Transcaucasian, Kemerovo and Central Asian railroads, and is far greater than the average level for the system.

The **service speed** of freight train traffic has increased by 1 km per hour and has come to 32.8 km per hour. It has been stepped up on 24 railroads. Not only have the Azerbaijan, Kemerovo, West Siberian and Transbaykal railroads not raised this speed, they have actually lowered it.

Freight trains passed 74.8 percent on schedule and with less lateness. This is 3.3 percent higher than for the first quarter of last year. This indicator was improved on 23 railroads, and to the greatest extent on the Southern, Southeastern, North Caucasus and Volga railroads.

However, the Alma-Ata, South Urals, West Siberian and North Caucasus, the Southeastern, Kuybyshev, Gorkiy and Sverdlovsk railroads are still experiencing extremely long passing delays.

**Industrial transport enterprises** increased their overall production volumes by 3.9 percent, which is higher than the assigned quota. The increase in output production stems from increased labor productivity and an attendant cutback in the number of workers, i.e., as a result of intensifying production.

In the wake of the changeover to the new system of economic operation, the industrial enterprises made improvements in their fulfilling of contractual obligations for deliveries, achieving a figure of 99.5 percent. This is overall, but 14 percent of the sector's enterprises failed to fulfill their contractual obligations, failing to deliver R3.4 million in output. Contractual obligations were not fulfilled at the Voronezh TRZ [Diesel Locomotive Repair Plant], the Kizil-Arvat VRZ [Railcar Repair Plant], the Baku VRZ, the Yaroslavskiy ERZ [Electric Locomotive Repair Plant and a number of other TsTVR [not further identified] plants, and the same is even true for one out of three Remputmash [Track-Laying Machine Repair] Production Association plants and one out of five Soyuzzheldoravtomatizatsiya Scientific Production Association plants.

The railroad transport sector had 4.4 percent more cars delivered to it than called for in the plan. At the same time, gondola cars were underdelivered by 1.7 percent and flatcars by 3 percent. The railroads received 486 passenger cars or 89.3 percent of the planned number. However, domestic plants overfulfilled the delivery quota by 3.8 percent.

During the first quarter, **subways** transported 1,213,500 passengers, or 8.5 million more than called for in the plan. Prime transporting costs were reduced by 2.5 percent against the plan. The quota for labor productivity was overfulfilled by 5.8 percent. According to preliminary data, the funds allocated to expand the subways' material and technical base were utilized by using capital outlays.

According to current data, **Industrial Railroad Transport Main Administration enterprises** overfulfilled the transport plan by 5.1 percent. Transport volumes here increased 8 percent over last year. Only the Groznyy Production Association failed to fulfill the plan. The plan for transloading operations was overfulfilled by 2.9 percent. This reflected an increase of 1.3 million t. The Vladimir, Volgograd, Groznyy and Ukrainian production associations failed to fulfill their quotas for this indicator. Although the change time for main administration subdivision railcars exceeded the norm by 0.18 hours, this was still somewhat less than for the same period last year.

**Capital construction.** The ceiling on overall MPS capital outlays was R65 million, or 4.3 percent less than met. Construction operations went better where centralized financing sources (Goszakaz) were used, by which R22 million were appropriated above the prescribed quota for the quarter. The overall amount of capital investments appropriated via State Order amounted to R739 million, or 50.6 percent of the total appropriation.

In capital construction operations, particular emphasis was placed on finding solutions to social problems. Since the beginning of the year, and not counting BAM-related projects, some 196,000 square m of total living space has been made ready for use. This is 76,000 square m more than for the same period of last year. The quarterly target was overfulfilled 2.5-fold, including by 186.8 percent on State Order.

The plan for making housing ready for use (using all available sources of financing) was overfulfilled several-fold on a number of railroads, primarily the Moscow, Donetsk, Sverdlovsk, South Urals, West Siberian and Transbaykal lines. In-house financing opportunities and resources were used to make housing ready for occupancy by the Belorussian, Gorkiy, Northern, Odessa, Azerbaijan, Southeastern, Tselina, East Siberian and certain other railroads. At the same time, the Baltic, Southwestern and Transcaucasian railroads failed to fulfill the quarterly plan.

The rates of progress of construction and installation operations increased 3.1 percent compared to last year. Using in-house forces, the MPS completed 19.1 percent of the yearly plan's quota for this type of work, against 17.8 percent in 1987, and Mintransstroy [Ministry of Transport Construction] organizations achieved figures of 21.8 and 20.8 percent, respectively. The quarterly target was overfulfilled by R26 million, or 4.7 percent, including 6.1 percent by Mintransstroy and 1.1 percent by the MPS.

Use of cash assets is lagging on the Moldavian, West Kazakhstan, Southeastern, Transbaykal, Dnepr, Krasnoyarsk and East Siberian railroads.

**Railroad Construction Trusts** have overfulfilled the quarterly plan by 2.5 percent. However, they failed to meet

the targets for production stages and jobs combinations. The Belorussian, October No 1, Moscow No 1, North Caucasus, West Kazakhstan, Far Eastern, Gorkiy and Krasnoyarsk railroads achieved the best results in completing contract jobs. The output per worker on construction and installation jobs and auxiliary production work increased 8.1 percent with a 4.8 percent increase in average monthly earnings.

As has already been mentioned, the sector's **labor productivity** increased by 10.1 percent during the first quarter (the plan target was overfulfilled by 9.6 percent). This was responsible for the total increase in transport volumes. According to the data for two months, the Gorkiy, Baltic, Donetsk, Southeastern and Lvov railroads achieved the greatest increase in labor productivity.

The **average monthly wages** of rail transport workers amounted to R301.2 for January-February. This reflects an increase of R30.5, or 11.3 percent. Growth rates for wages and labor productivity have been brought into right relation.

The work of the locomotive brigades has become better organized. The number of trips having the work schedule disrupted and extended by order of railroad division chiefs was reduced compared to the same period last year from 115,000 to 40,000, or by two-thirds. All the same, a great deal still remains to be done to bring this affair to order, to create normal work and leisure conditions for those employed in this leading profession.

Right now, it is crucial that everyone everywhere carry out a thorough analysis of the results of the first quarter's work, reveal shortcomings and take decisive steps to eliminate them as quickly as possible, be more vigorous in seeking out reserves and putting them in action in this business and be persistent in making more effective use of our equipment and material and manpower resources.

In securing and continuing to step up the pace of work completed in the first quarter, our steel mainline workers are striving to successfully fulfill their quotas and socialist obligations in honor of the 19th All-Union Party Conference.

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