

REPORT
OF THE
Indian Tariff Board
REGARDING THE
GRANT OF PROTECTION
TO THE
PLYWOOD AND TEA CHEST
INDUSTRY



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1927

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9726
X9(191):53.2
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APPENDIX A.

Comparison of the Board's estimate of Capital Expenditure and running charges with that prepared by Mr. J. Kenneth Pearce, Chief Forest Engineer, Madras.

We have estimated the capital expenditure required for a factory producing 5 lakhs of tea chests a year at Rs. 10 lakhs and the fair selling price of 19" x 19" x 24" chest at Rs. 2-15-6⁴. Our attention has been called to an estimate of the capital cost and running charges for a ply wood factory producing 2,40,000 tea chests annually which appears on page 54 *et seq* of the report on Progress and proposed future Expansion in the utilization of the Forest Resources of Madras, by Mr. J. Kenneth Pearce. The capital cost there given is Rs. 2,50,000 and it would appear, therefore, allowing for the difference in output, that our estimate is at least 100 per cent. too high and that the capital cost for a factory producing 5 lakhs of boxes a year should not exceed Rs. 5 lakhs. It seems necessary, therefore, by a critical examination either to reconcile the discrepancies between the two estimates or to indicate our reasons for believing that manufacture on a commercial scale could not be undertaken at a lower capital cost. The first and most obvious difference relates to the extraction of timber. Whereas Mr. Pearce's estimate is framed on the understanding that the Forest Department will deliver timber at the factory at a fixed price (*viz.*, 10 annas per cubic foot), which includes the return of any capital expenditure incurred in extraction, a commercial firm must provide in its capital account for expenditure on tram lines, boats and elephants for extracting timber and conveying it to the works. If allowance is made for such items, the capital cost is reduced by Rs. 1.7 lakhs.

2. Mr. Pearce's estimate also contains no charge for the construction of quarters for the staff. It may be perfectly true that where an economic rent is paid, it is unnecessary to include the cost of such buildings in the capital account. This, however, implies that the rate of wages must be higher than that offered by firms who provide free quarters for their staff, which is the general practice in the factories which we have seen. An economic rent on that portion of cost of the quarters specified in paragraph 236 allocated to the ply wood factory would amount to about 20 per cent. of the salary of the staff (paragraph 221). Apart from the fact that under the Fundamental Rules, recovery of rent from Government employees is limited to 10 per cent. of their pay, it is certain that if rent were charged, the average manufacturer in India would find it necessary to pay a much higher scale of pay than that specified in paragraph 221 of the report. The charge would, therefore, merely be transferred from capital to working expenses. Items which would probably not be necessary for a Government factory such as a dispensary, compounders' quarters, etc., must also not be overlooked. Expenditure on quarters and dispensary accounts for about Rs. 1½ lakhs, and if these were omitted our estimate would be reduced by this amount.

3. So far we have accounted for an excess of Rs. 3 lakhs in our estimate, that is to say, if the two estimates were framed on exactly similar lines, our estimate would be reduced from Rs. 10 lakhs to

Other items. Rs. 7 lakhs. Before dealing with other points in the estimate, we should explain that it is not our intention to imply that the estimate is in any way unsuited for the purpose for which it was framed. There may be local conditions which have been taken into account but of which we are ignorant. Our purpose is rather to show that this estimate, however suited to local conditions, cannot be considered to represent even approximately the capital expenditure required for the erection and equipment of a works under commercial management. The following are the principal omissions. No expenditure has been included on account of the cost of

clearing the site. Provision for buildings other than quarters (Rs. 50,000) appears very low. During the periods when demand for tea chests slackens, the stock of panels accumulates and it is important that proper storage should be provided. Very few spare parts have been provided. Only three spare knives have been provided for the lathe and an equal number for each clipper. Usually at least 12 spare knives are provided for each machine. If sufficient spare parts are not available, the work of the factory may be seriously affected with a consequent increase in costs. No provision has been made for an electric crane or for trollies or trolley lines in and near the factory. If the timber and ply wood is moved by hand, a very considerable increase in labour charges will be necessary. Transport and erection charges (Rs. 13,000) are very low; erection charges alone are usually estimated at about 20 per cent. of the cost of plant. No expenditure has been included on account of the cost of vats for boiling logs nor has allowance been made for workshop equipment. Provision has been made for one clipper only, whereas two clippers are necessary for each lathe, one to cut the veneer after leaving the lathe, and the other to trim it after drying and before gluing. When manufacture is undertaken on a commercial scale, it is necessary to utilize timber of all girths. In addition to the ordinary lathe, a large lathe is therefore installed to deal with logs of exceptional diameter. This estimate contains provision for one lathe only. These are some of the directions in which we consider the estimate fails to furnish a correct indication of the capital cost of establishing a ply wood factory as a commercial undertaking.

4. Turning now to the cost of manufacture and the fair selling price, in paragraph 223 of Mr. Pearce's report the conclusion was reached that the cost of production of a tea chest 19" x 19" x 24", including interest on capital at 6 per cent., at the fair selling price. Fair selling price. the ply wood factory, which it is proposed to erect in Madras, would be Rs. 2-8-0 or some 7-5 annas less than the figure at which we have arrived. If our conclusions as to the cost of plant, buildings and erection are accepted, it would be necessary to estimate profit and depreciation on nearly 5 lakhs instead of 2½ lakhs capital cost. Taking reasonable commercial rates for depreciation, profit and working capital, namely 6½ per cent., 8 per cent. and 7 per cent., and allowing as working capital a sum which the experience of commercial firms shows to be necessary, namely about Rs. 2½ lakhs, this estimate would require to be raised by about 2½ annas on account of overhead charges and manufacturer's profit alone. Further, nothing has been included in the estimate on account of packing charges which we have found to amount to 2 annas 3-4 pies per chest and commission and insurance 1 anna 1 pie. Vegetable glue is proposed to be used, though experience up to the present indicates that it is unsuitable for tea chest manufacture. The estimate for this is 3½ annas while casein glue costs between 4 and 5 annas per chest. No allowance appears to have been made for miscellaneous charges, leave allowances and the like. These amount to nearly 1 anna per chest. Apart from any increase in labour charges or under the head repairs and renewals, which we consider not improbable, it appears that even allowing for a reduction in timber charges consequent on the inclusion in the block account of the capital cost of plant, etc., required for extraction of timber, an addition of about 7 annas must be made to the estimate. In our opinion, therefore, there is nothing in the report to cause us to vary the estimates at which we have already arrived.

APPENDIX B.

Copy of letter No. 483-T., dated the 7th June 1927, from the Secretary to the Government of India, Department of Commerce, to the Secretary, Tariff Board, Calcutta.

Subject:—Reference to the Tariff Board for enquiry of the question of protection for the Indian ply wood and tea chest industry.

With reference to this Department Resolution No. 483-T., dated the 26th May 1927, on the subject noted above, I am directed to invite the attention of the Board to certain remarks reproduced below made by Mr. (afterwards Sir James) Westland in the Imperial Legislative Council on the 27th December 1894, when presenting the report of the Select Committee on the Bill to amend the Indian Tariff Act, 1894. Sir James in the course of his speech enunciated the following general principle which should be followed in the framing of a tariff:—

“It is not possible to work a tariff upon the principle that the same article may be taxed, or may be exempt, according to the purpose which the particular importer has in view. Wire gauze, for example, is used for a hundred different purposes. We cannot allow a paper manufacturer to claim an exemption for his importation on the ground that he requires it for the working of his paper machines, and tell all other importers that because they are not paper manufacturers they must pay duty.”

2. I am to add that the Government of India are still guided by this principle and are ordinarily unwilling to word items in the tariff schedules in such a way that the amount of the duty depends upon the purpose for which an article is imported. I am accordingly to suggest that should the Board consider it necessary, as a result of their enquiry, to recommend any alterations in the Tariff Schedules, this principle may be borne in mind.

APPENDIX C.

Table showing India's share in the world trade in Tea for the three years ending 1913-14 and 1923-24.

Three financial years ending 1913-14.

(Millions of lbs.)

TABLE I.

	India.	Ceylon.	China.	Java.	TOTAL.
1911-12	263	185	195	50	693
Percentage of total	38	27	28	7	...
1912-13	252	187	198	62	729
Percentage of total	39	26	27	8	...
1913-14	292	197	191	65	745
Percentage of total	39	26	26	9	...
Average	279	190	195	59	722
Percentage of total	39	26	27	8	...

Three financial years ending 1923-24.

(Millions of lbs.)

TABLE II.

	India.	Ceylon.	China.	Java.	TOTAL.
1921-22	317	161	57	67	602
Percentage of total	53	27	9	11	...
1922-23	295	172	76	81	624
Percentage of total	47	28	12	13	...
1923-24	345	182	107	90	724
Percentage of total	48	25	15	12	...
Average	319	172	80	79	650
Percentage of total	49	27	12	12	...

Tables I and II are re-printed from Appendix VII, Taxation Enquiry Committee's Report, Volume II.

Three calendar years 1921, 1922 and 1923.

(Millions of lbs.)

TABLE III.

	India.	Ceylon.	China.	Java.	Total.
1921	350	162	57	69	638
Percentage of total	54.8	25.4	9	10.8	...
1922	307	172	77	77	633
Percentage of total	48.5	27.3	12.1	12.1	...
1923	327	168	107	90	712
Percentage of total	45.9	26.4	15.0	12.7	...
Average	328	174	80.3	78.7	661
Percentage of total	49.6	26.3	12.1	12	...

Three calendar years 1924, 1925 and 1926.

(Millions of lbs.)

TABLE IV.

	India	Ceylon.	China.	Java.	Total.
1924	347	211	104	105	765
Percentage of total	45.4	27.6	13.3	13.7	...
1925	339	215	111	95	760
Percentage of total	44.6	28.3	14.6	12.5	...
1926	342	225	112	119	799
Percentage of total	42.8	28.3	14.0	14.9	...
Average	343	217	108	106	774
Percentage of total	44.3	28	13.9	13.8	...

APPENDIX D.
Value of tea chests imported into India.

TABLE I.
Wooden Chests.

Year.	COUNTRIES OF ORIGIN.														Total.
	United Kingdom.	Ceylon.	Other British Possession.	North Russia.	South Russia.	Finland.	Esthonia.	Sweden.	Norway.	Germany.	Belgium.	Italy.	Japan.	Other Foreign countries.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1921-22 . . .	51,62,866	10,147	...	4,30,065	...	...	...	8,546	...	7,769	...	...	1,10,018	...	57,29,481
1922-23 . . .	58,59,174	20,492	971	93,415	...	...	85,963	6,667	2,256	1,09,817	6,685	6,021	10,167	403	62,02,031
1923-24 . . .	47,61,221	17,632	...	4,14,835	...	4,80,215	5,08,525	13,322	...	76,285	...	...	29,548	...	62,96,563
1924-25 . . .	73,46,788	436	355	40,176	16,042	10,97,911	1,41,580	16,512	12,181	3,70,427	115	...	44,665	...	90,87,178
1925-26 . . .	67,04,041	35,867	...	11,617	...	14,27,714	4,003	2,133	13,457	2,08,553	10,974	...	26,866	...	84,41,745
1926-27 . . .	48,67,528	16,069	1,070	...	...	9,20,836	2,46,495	733	5,836	1,49,171	4,796	12,303	29,719	9,304	62,63,952

TABLE II.
Share of each Province.

Year.	Bengal.	Bombay.	Madras.
	Rs.	Rs.	Rs.
1921-22 . . .	50,70,050	...	6,59,381
1922-23 . . .	53,48,218	...	8,53,813
1923-24 . . .	53,12,361	...	9,84,222
1924-25 . . .	79,58,408	...	11,28,770
1925-26 . . .	72,72,731	2,085	11,69,879
1926-27 . . .	51,85,545	4,184	10,74,223

APPENDIX E.**List of factories and forests visited by the Board.**

No.	Factories or forests.	Date of visit.
1	Veneer factory of the Assam Railways and Trading Company, Limited, at Margherita, Assam.	15th July 1927.
2	Extraction operations in the forest worked by the Assam Railways and Trading Company, Limited.	16th July 1927.
3	Extraction operations in the forest in the Pasighat area, Assam, worked by the Assam Saw Mills and Timber Company, Limited.	18th July 1927.
4	Veneer factory of the Assam Saw Mills and Timber Company, Limited, at Murkong Selek, Assam.	16th July 1927.
5	Meckla Saw Mills of the Assam Saw Mills and Timber Company, Limited.	20th July 1927.
6	Experimental ply wood plant at the Forest Research Institute, Dehra Dun.	25th August 1927.
	The Triangle Lead Mills, Kidderpore	8th September 1927.