

REPORT

OF THE

Indian Tariff Board

REGARDING THE

REMOVAL OF TARIFF INEQUALITY IN
RESPECT OF CERTAIN INDUSTRIES

I.—CARBON BRUSHES
II.—HEALDS AND REEDS

(including the evidence recorded
during the enquiry).



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Report.

Report regarding the removal of Tariff Inequality in respect of Certain Industries.

This report deals with two applications for the removal of tariff inequality—one in respect of the manufacture of Carbon Brushes and the other of Healds and Reeds. The applications have been enquired into under Resolution No. 38-T. (2), dated the 28th March, 1925, which runs as follows:—

“ The Government of India have received a number of representations to the effect that the development of certain industries in India is hampered by the fact that the duty on the finished article is lower than the duty on the materials which have to be imported for the manufacture of that article. A list of such representations is appended to this Resolution. The representations will now be referred to the Tariff Board. It is requested to examine these representations and any others of a similar nature which may be brought to its notice and to make such recommendations, whether general or special, as it thinks fit.

2. Firms or persons interested in the above enquiry should address their representations direct to the Secretary of the Board.”

We are not at liberty to consider the grant of substantive protection to industries referred to us for enquiry under this resolution but only such assistance as may be required for restoring tariff equality to them as compared with foreign industries competing in the Indian market. Several of the representations received by us are based on the assumption that the enquiry is one regarding the grant of protection. It is therefore necessary to make clear at the outset that the enquiry is confined to the question of tariff equality and excludes the wider issue of protection.

I.—CARBON BRUSHES.

The British Electric Construction Company, Limited, Calcutta, has applied for a reduction of the Customs duty on imported carbon blocks, in order to remove the disability which the manufacturer of carbon brushes at present suffers. Carbon blocks are imported from England, United States of America, France and Germany. They are of many different qualities, sizes and thickness, and are cut into many different sizes of brush. A large proportion of the brushes are constructed with flexible leads, fixed with a patent

cement. Both leads (made of copper wire) and cement are imported. A difficulty with which the brush-making industry has to contend is that the sizes of carbon block do not correspond closely with the sizes of brush which have to be cut from them. The size of the block is determined not by the convenience of the brush maker in India but by other considerations. Later on the industry may be in a position to command more attention to the convenience of the Indian brush maker. At present he has to meet the Indian demand for particular kinds of brush and adapt his material as best he can. The result is that a great deal of waste occurs, which we can best illustrate by a concrete example. Brushes $1\frac{3}{4}'' \times 1\frac{1}{4}'' \times \frac{1}{4}''$ may be manufactured from a block $5\frac{1}{2}'' \times 2\frac{1}{2}'' \times \frac{3}{4}''$. At the most 4 brushes can be cut from the block, and a piece is left over which is $5\frac{1}{2}''$ long and something less than $\frac{3}{4}''$ wide, and cannot ordinarily be used for brush manufacture. We have, however, assumed in some instances that smaller brushes can be cut from the waste and have added a proportion on this account to the number of brushes obtainable.

On information supplied to us by the Collector of Customs, Calcutta, and the applicant Company we find that carbon block pays a duty of 25 per cent., copper flexibles (imported from England) of 20 per cent. and patent cement (also imported from England) of 20 per cent. *ad valorem*. The duty on brushes is 10 per cent. We have calculated the inequality of duty on the following principle. Assuming that a block of carbon costs Rs. 16 (c.i.f.) it pays a duty of Rs. 4. Five brushes, say, can be cut from the block. If the c.i.f. price of the type of brush is Rs. 6 then the duty on the 5 brushes (c.i.f. price Rs. 30) at 10 per cent. is Rs. 3. In order to give tariff equality the duty on the carbon block should not exceed Rs. 3, *viz.*, 19 per cent.

Since the ordinary carbon brush contains also a flexible lead fastened with an expensive cement on both of which duty has also to be paid, if they are imported separately, it is necessary to deduct this duty from the required duty on the imported carbon block. It is not practicable to reduce the duty on these articles.

Following this principle we have taken from the information supplied to us samples of brushes, and samples of carbon block of the same grade. We have ascertained in each instance the number of brushes of the required type which can be cut from the block. The c.i.f. price of imported brushes of the sample type gives us the duty calculated at 10 per cent. (less the duty paid on flexibles and cement) required to be fixed on the carbon block.

The following table gives the information on which we base our proposals:—

Grade.	Size of brush.	Size of block.	Average number of brushes obtainable.	Wastage.	Price c.i.f. of imported brushes.	10 per cent. duty on brushes.	Cost of flexibles and cement.	20 per cent. duty on flexibles and cement.	Duty required on block Col. 7—Col. 9.	Price c.i.f. of block.	Percentage of Col. 10 to Col. 11.
1	2	3	4	5	6	7	8	9	10	11	12
	Inches.	Inches.		Per cent.	Rs.	Rs.	Annas.	Rs.	Rs.	Rs.	
Link H. M.	1½ × 1½	5½ × 2½	5.25	16	7.35	.73	11.75	.12	.61	4	15
Link C. M.	2½ × 1½	8½ × 2½	3.5	42	11.40	1.14	19.25	.20	.94	12	8
Link 1	1½ × 1½	12 × 4	18	18	28.80	2.88	45	.47	2.41	15.2	16
E. G. 12/10	1½ × 1½	5½ × 2½	3	33	9.00	.90	16½	.17	.73	4	18
C. M. 3	1½ × 1½	8½ × 2½	5	28	27.50	2.75	32½	.34	2.41	12	20
H. M. 6	1½ × 1½	5½ × 2½	6	32	12.60	1.26	15	.16	1.10	6.2	18

NOTE.—The thickness of the brush and the carbon block is the same in every instance.

The required duty works out, in the 6 examples taken by us, at the following percentages on the c.i.f. price of the carbon blocks:—

15, 8, 16, 18, 20, 18.

The low percentage in the second instance is accounted for by a very high proportion of waste and a comparatively high cost of flexible leads. The arithmetical average is 15·8 per cent. and we believe that the reduction of the duty on carbon blocks from 25 per cent. to 15 per cent. will remove the tariff inequality.

We propose the reduction of duty on the raw material instead of increasing the duty on the finished product because the bewildering number and variety of the latter makes it impossible for us to calculate the effect on other industries of raising the duty. An increase in the duty on carbon brushes would affect the cost of electrical machinery generally, and thus create an undesirable burden on consumers. On the other hand the effect on the revenues of reducing the duty on carbon blocks will be small. The British Electric Construction Company estimates the duty paid value of imported carbon blocks at Rs. 1,20,000 annually. This includes imports by the only other considerable firm, Messrs. Greaves Cotton and Company, and other minor firms. The Customs returns do not help us. Accepting the estimate of Rs. 1,20,000 the duty paid at 25 per cent. on the landed cost is Rs. 24,000. The duty calculated at 15 per cent. will be Rs. 14,400, a loss of Rs. 9,600.

Carbon blocks are assessed at 25 per cent. *ad valorem* under item 83A/90 of the Indian Customs Tariff. A new item will be required which should run as follows (the definition has been suggested by the Collector of Customs, Calcutta):—

Carbon blocks such as are only ordinarily used as material for the manufacture of carbon brushes for electrical motors and generators	. 15 per cent. <i>ad valorem</i> .
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In view of the fact that the trade is at present chiefly in the hands of the British Electric Construction Company in Calcutta and of Messrs. Greaves Cotton and Company in Bombay, we believe that for the time being this definition will suffice for the administrative purposes of the Customs Department. Probably the only effective check in case of doubt is a standard maximum value fixed on the specific resistance per centimeter cube of the carbon block. It should rarely be necessary to put this test into operation.

II.—HEALDS AND REEDS.

This is an application for the removal of tariff inequality in respect of healds and reeds. We have received representations on the subject from the following Companies:—

- (1) E. D. Sassoon and Company, Bombay.
- (2) Healds and Reeds Manufacturing Company, Bombay.

	As.
(3) Swadeshi Healds and Reeds Manufacturing Company—	
Yarn	5-50
Varnish	2-00
	7-50

=90 pies.

Average price =95-461 pies.

Duty on yarn* and varnish at 25 per cent. =95-461 × $\frac{25}{125}$
=19-092 pies.

Hence the duty on materials paid by Indian manufacturers exceeds the duty on imported healds by 19-092 pies less 12-016 pies =7-076 pies per 800 eyes.

If it is decided to grant relief to the industry by increasing the duty on imported healds, the duty should be fixed at—

$$\frac{19\cdot092}{120\cdot166} \times 100 = 15\cdot88 \text{ per cent.}$$

(B) REEDS.

Information regarding costs of materials and prices of finished products has been received from E. D. Sassoon and Company and the Healds and Reeds Manufacturing Company*. The Swadeshi Healds and Reeds Manufacturing Company does not manufacture reeds at present.

The extent of tariff inequality may be estimated as follows:—

	Pies.
I.—Duty free price of reeds (deducting commission) per 100 dents, as given by—	
(1) E. D. Sassoon and Company	17-733
(2) Healds and Reeds Manufacturing Company	17-733
Average	17-733
Amount of duty payable on imported reeds at 10 per cent. <i>ad valorem</i>	1-773
II.—Price of materials, landed, including duty, per 100 dents of reeds—	
(The figures given by the Healds and Reeds Manufacturing Company do not show the cost of each material separately. The calculations are therefore based solely on the figures submitted by E. D. Sassoon and Company.)	
Wire (consisting almost entirely of steel wire)	5-0737
Pitch	1-6120
Ribs	5-3727
Papers	0-1207
Other materials	2-6892

* The yarn is imported from the United Kingdom. Duty on heald yarn imported from the United Kingdom is 25 per cent. *ad valorem* under the recent Cotton Textile (Protection) Act.

The rate of duty included in the cost of wire is Rs. 45 a ton. The rate of duty recommended by us in our recent report on the steel industry is Rs. 25 a ton or the revenue rate, whichever is higher, on wire imported from the United Kingdom. The wire used in the manufacture of reeds is imported from the United Kingdom and will be liable to the rate of duty referred to, if our proposals are accepted. We assume that the revenue rate applicable to this class of wire will be that now levied on non-protected wire (Tariff item 103_q/236), namely, 10 per cent. *ad valorem*. Duty at 10 per cent. on steel wire of this class will be higher than the specific duty of Rs. 25 a ton and will therefore be the effective rate.

The duty on pitch is 25 per cent. *ad valorem* levied on fixed tariff values. Since tariff values are changed from time to time according to variations in market prices, we propose to calculate the duty, for our purpose, on the prices actually paid.

The duty on ribs is also 25 per cent. *ad valorem*.

Most of the paper used is imported from the United Kingdom and is liable to a duty of 20 per cent. *ad valorem*.

The other materials are also imported from the United Kingdom and are liable to a duty of 20 per cent. *ad valorem*.

At the rates shown above, the amount of duty payable on materials per 100 dents is as follows:—

Wire	Pies.
Pitch	0·461
Ribs	0·322
Other materials including paper	1·074
	0·468
	<hr/>
	2·325
	<hr/>

Hence the duty on materials exceeds the duty on the finished product by 2·325 pies less 1·773 pies = 0·552 pies per 100 dents of reeds.

If it is decided to grant relief to the industry by increasing the duty on imported reeds the duty should be fixed at $\frac{2 \cdot 325}{1 \cdot 773} \times 100 = 13 \cdot 11$ per cent.

We propose that the duty on both healds and reeds should be fixed at 15 per cent. *ad valorem*. These articles which are now included in Tariff item 97/59A should be separated out into a new item as follows:—

The following textile machinery and apparatus, by whatever power operated, namely, healds and reeds 15 per cent. *ad valorem*.

The materials used in the manufacture of healds and reeds being so numerous, we consider an increase in the duty on imported healds and reeds a more practicable method of granting relief. On information supplied to us by the Bombay Millowners' Association, the extent to which an increase in the duty on healds and reeds

from 10 per cent. to 25 per cent. would affect the cost of cotton textile goods is as follows:—

	Average increase in cost per pound of cloth.
	Pies.
Mill (A)—Sheetings, leopard cloth, fine longcloth	0·056
Mill (B)—Entire production of average count 22s	0·054
Mill (C)—Calcutta Dhutis	0·061
Fine cloths	0·23

It is also estimated on a rough calculation that the average increase in cost over the Indian cotton textile industry will work out at 0·076 pies per pound of cloth. The increase in duty from 10 per cent. to 15 per cent. proposed by us is only a third of the increase on which these estimated costs are based. We do not think that the additional burden on the industry will be perceptible. As regards the effect of an increase in duty on imported healds and reeds on the jute industry, we consulted Messrs. Andrew Yule and Company and Messrs. Bird and Company, both of whom have replied that the effect will be negligible.

J. MATTHAI,
President.

G. WILES,
Member.

G. A. NATESAN,
Member.

15th May, 1934.

Evidence.

**Press Communiqué issued by the Tariff Board on the
14th March, 1934.**

The following applications have been referred to the Tariff Board for enquiry:—

- (1) An application by the British India Electric Construction Company, Limited, for a reduction of the customs duty on imported carbon blocks.
 - (2) An application by the healds and reeds manufacturing industry for an increase in the customs duties on imported healds and reeds or alternatively for a reduction in the duties on imported materials used in the manufacture of healds and reeds.
2. Persons or firms interested who desire that their views should be considered by the Board are requested to submit representations (with four spare copies) so as to reach the Board's office, Legislative Council Chamber, Shillong, not later than the 15th of April, 1934.

British India Electric Construction Company, Limited, Calcutta.

A.—WRITTEN.

(1) *Letter dated the 28th June, 1933.*

In December last we addressed the Commerce Department, Government of India, asking that the present duty of 25 per cent., as charged on Carbon blocks from which brushes are made, might be modified to 10 per cent. to bring it on to the same scale as is charged on imported brushes, which are allowed entry as "Component parts of machinery". As manufacturers of carbon brushes for electrical machinery of all types we are badly handicapped by the above anomaly.

We enclose herewith copy of our letter to the Commerce Department, dated December 8th, 1932, which puts the matter in more detail, and we shall be glad to supply any further information which may be required. We have at length received a reply under date June 19th, in which they merely state that it is open to us to address a representation on the subject to the Tariff Board in accordance with the Commerce Department's Resolution No. 38/T. (2) of 28th March, 1925.

We shall be glad to hear that the Tariff Board are prepared to investigate this matter, and, in view of the great delay which has already taken place, we trust that they will be in a position to take up the question at an early date.

Enclosure.

Copy of letter dated the 8th December, 1932, to the Secretary, Commerce Department, Government of India, Delhi.

DUTY ON CARBON BLOCKS FOR MANUFACTURE OF CARBON BRUSHES FOR ELECTRICAL MACHINERY.

We have to bring to your attention the hardship which the present duty schedules inflict upon this Company as Manufacturers of High Grade Carbon Brushes.

As at present interpreted, duty at 25 per cent. is charged on all blocks from which such brushes are cut, whereas finished brushes, even when imported separately, are charged on the 10 per cent. basis as "component parts of machinery".

You will appreciate that all electrical motors and dynamos require brushes renewing regularly, and that for this purpose a special quality of material is required.

We have to request that a ruling may be made that carbon blocks of the special quality required for the manufacture of carbon brushes, which are essential to the operation of electrical motors and dynamos, may be allowed entry under the heading of "component parts of machinery", in a similar way to the treatment already accorded to such articles as:—

- Bolting Cloth used in connection with Flour Mill Machinery.
- Felts used in connection with Oil Expressors.
- Rubber Blankets used in connection with Printing Machinery.

The blocks imported by us are of a rectangular section up to 11" x 4" x 2" thick, and are compressed from special mixtures of carbon or carbon and copper. They are branded in one or more places with the trade marks of the Morgan Crucible Company, for whom we are Agents and whose blocks alone we import.

We are at your service for any further information, and trust that you will give this matter your prompt and careful consideration.

(2) *Letter No. 122, dated the 14th March, 1934, from the Secretary, Tariff Board, to the British India Electric Construction Company, Limited, Calcutta.*

With reference to your application dated the 28th June, 1933, for the reduction of the Customs duty on carbon blocks, I am to ask that you will kindly furnish the following information:—

- (1) Present c.i.f. price of carbon blocks per customary unit. If this is not available, the current wholesale market price.
- (2) Country or countries from which they are imported.
- (3) (a) The rate of duty leviable on imported carbon blocks and (b) the item in the Tariff Schedule under which the duty is assessed.
- (4) Approximate quantity or value of carbon blocks annually imported into India.
- (5) Quantity (including wastage) of carbon blocks consumed per unit of brushes.
- (6) Present c.i.f. price of carbon brushes per customary unit of typical class. If this is not available, the current wholesale market price.
- (7) Country or countries from which they are imported.
- (8) (a) The rate of duty leviable on imported carbon brushes and (b) the item in the Tariff Schedule under which the duty is assessed.
- (9) Approximate quantity or value of carbon brushes annually imported into India.
- (10) Total quantity or value of Indian production of carbon brushes per annum.
- (11) Are there other manufacturers in India besides yourselves? If so, please state who they are.
- (12) Can you suggest a suitable definition of carbon blocks for Customs purposes in case it is decided to reduce the duty?

I am to request that a reply to this letter with four spare copies may be sent so as to reach the Board's office, Legislative Council Chamber, Shillong, not later than the 15th of April, 1934.

(3) *Letter dated the 14th April, 1934, from the British India Electric Construction Company, Limited.*

With reference to your favour No. 122, dated the 14th March, 1934, we now have pleasure in giving you the information asked for in yours under reply to the best of our knowledge gleaned from records at our disposal.

1. Carbon blocks are imported in various sizes—we ourselves import them in the following sizes: 11" x 4", 10" x 3", 8" x 2", 5½" x 2½" and 4" x 3", all in thicknesses from ¾" to 1¼", a few 1½" thick. There are several grades of carbon used for the manufacture of brushes, these embrace the Graphitic series, the Copper Graphite series, the ordinary carbon and electro-graphitised series.

2. Carbon blocks such as are utilised for the manufacture of brushes are imported from the following countries: England, United States of America, France and Germany.

3. (a) The rate of duty on imported blocks is 25 per cent.

(b) See Tariff Schedule, item $\frac{90}{83A}$.

4. We find it rather difficult to give a reply to this query, however, basing our figures on the quantities we ourselves import we estimate the approximate value to be Rs. 1,20,000.

5. Here again it is difficult to give any reliable figures: Carbon Brushes are made in dimensions ranging from $1'' \times \frac{1}{2}'' \times \frac{1}{4}''$ up to $3'' \times 2\frac{1}{2}'' \times 1''$ or even greater. They are fitted, in the majority of cases, with flexible leads but there are some types which are not so fitted, these are especially shaped to slide into Brush Holders. As an average it might be stated that taking a $11'' \times 4''$ block as a basis an average figure of 24 brushes per block might be taken. It should, however, be borne in mind that this figure is in some cases as low as six.

6. Our reply to this query is to append herewith c.i.f. prices of six representative sizes of Carbon brushes as is in general use.

7. Carbon brushes are imported from the following countries: England, United States of America, France, Germany and a few from Holland.

8. (a) The rate of duty leviable on finished brushes is 10 per cent.

(b) See item $\frac{97}{59B}$ in the Tariff Schedule.

9. Reliable figures we fear are not available. Quite a number of important firms who do not specialise in the sale of Carbon brushes import from their home works Carbon brushes as "spares for Electric Motors": then again some of the Railway Companies import through their London House.

10. Here again it is difficult to give you reliable figures but we estimate same to be approximately Rs. 1,50,000.

11. Yes, on the Bombay side Messrs. Greaves Cotton and Company represent our Principals the Morgan Crucible Company, Limited, of London and manufacture Carbon Brushes from Indian market. Other than Messrs. Greaves Cotton and Company, Limited, and ourselves there are quite a number of small Indian concerns who import blocks and cut them up for sale as Brushes.

12. In view of the difficulty that arises in clearly defining Carbon blocks, of which it can be stated, with any confidence, they will be used only for purpose of brush manufacture. We would suggest a standard maximum value might be fixed on the specific resistance per Centimeter Cube for all blocks stated to be imported for purpose of brush manufacture. This of course is put forward only as a primary suggestion.

We shall be very pleased to furnish further particulars in this respect and go more fully into the matter should your Board desire so.

Meanwhile we trust the information we have given you meets your present requirements and we await the favour of your further commands.

Enclosure.

STANDARD CARBON BRUSHES AS USED ON DYNAMOS AND MOTORS.

Schedule of c.i.f. costs.

Size of Brushes in Milimeter.	Grade.	Fittings.	Quantity ordered.	C.i.f. cost for lot.
45 x 45 x 15 . . .	EG 12	Flexibles & Tags.	42	Rs. A. 27 0
45 x 20 x 40 . . .	CM 3	Do.	6	33 8
30 x 30 x 20 . . .	HM 6	Do.	38	60 8
45 x 45 x 21 . . .	Link 1	Do.	70	210 0

(4) Letter dated the 18th April, 1934, from the British India Electric Construction Company, Limited.

With further reference to our letter of the 14th instant and particularly in connection with items 1 and 6 of your questions we have pleasure in enclosing herewith further schedules of cost prices for—

(a) Carbon blocks as imported by us.

(b) Manufactured brushes as imported by consumers direct from home manufacturers.

This information is sent supplementary to our letter referred to and for the purpose of enabling you to have more complete information at hand.

Enclosure.

Schedule showing cost of several grades of Morganite and Battersea Carbon Blocks as imported.

Grade.	Size.	Thickness.	Price per Block f.o.b. London.		Cost per Block landed in our Stores.	C.i.f. charges plus duty.
			s. d.	Rs. A. P.		
	Inch.	Inch.			Rs. A.	Rs. A. P.
Link A .	11×4	$\frac{1}{2}$	6 7 $\frac{1}{2}$	4 6 7	5 12	1 5 5
" .	11×4	1	13 2 $\frac{1}{2}$	8 12 10	11 8	2 11 2
" B3 .	11×4	$\frac{1}{2}$	8 2 $\frac{1}{2}$	5 7 8	7 8	2 0 4
" B .	11×4	1	16 5 $\frac{1}{2}$	10 15 3	15 0	4 0 9
" C2 .	5 $\frac{1}{2}$ ×2 $\frac{1}{2}$	$\frac{1}{2}$	2 1 $\frac{1}{2}$	1 6 2	1 12	0 5 8
" .	5 $\frac{1}{2}$ ×2 $\frac{1}{2}$	1	4 1 $\frac{1}{2}$	2 12 0	3 8	0 12 0
" HM .	5 $\frac{1}{2}$ ×2 $\frac{1}{2}$	$\frac{1}{2}$	6 0	4 0 0	5 0	1 0 0
" .	5 $\frac{1}{2}$ ×2 $\frac{1}{2}$	1	12 2	8 1 9	10 8	2 6 3
" I .	12×4	$\frac{1}{2}$	21 3	14 8 0	19 0	4 8 0
" .	12×4	$\frac{3}{4}$	31 11	21 4 5	28 8	7 3 7
" CM .	8 $\frac{1}{2}$ ×2 $\frac{1}{2}$	$\frac{3}{4}$	16 10	11 3 6	15 0	4 12 6
" .	8 $\frac{1}{2}$ ×2 $\frac{1}{2}$	1	22 4	14 14 2	18 0	3 1 10
" EG10.	5 $\frac{1}{2}$ ×2 $\frac{1}{2}$	$\frac{1}{2}$	5 9	3 13 4	5 0	1 2 8
" .	5 $\frac{1}{2}$ ×2 $\frac{1}{2}$	$\frac{3}{4}$	8 6	5 10 8	7 4	1 9 4

STANDARD CARBON BRUSHES AS USED ON DYNAMOS AND MOTORS.

Schedule of c.i.f. costs.

Size of Brushes in inches.	Grade.	Fittings.	Quantity ordered.	C.i.f. cost for lot.
$1\frac{1}{2} \times 1\frac{1}{4} \times \frac{1}{2}$. . .	HM	Flexibles & tag.	111	Rs. A. P. 155 10 8
$1\frac{1}{2} \times 1\frac{1}{4} \times \frac{3}{8}$. . .	"	"	78	96 6 2
$1\frac{1}{2} \times 1\frac{1}{4} \times \frac{1}{2}$. . .	I	"	62	102 0 0
$2 \times 1\frac{1}{4} \times 1$. . .	HM3	"	206	474 0 0
$2\frac{1}{2} \times 1\frac{1}{4} \times \frac{3}{8}$. . .	CM	"	45	146 13 0

BRITISH INDIA ELECTRIC CONSTRUCTION COMPANY.

B.—ORAL.

Evidence of Mr. J. JONES, representing the British India Electric Construction Company, Calcutta, recorded at Shillong on Wednesday, the 25th April, 1934.

President.—As you know, the purpose of this enquiry is to ascertain the extent to which you are subject to tariff inequality as Indian manufacturers of brushes and what we want to do this morning is to ascertain the average tariff inequality to which you are subject and then to consider what kind of tariff alteration is necessary in order to remove this inequality. These are the two points that we have to settle this morning. As you will realise, it is entirely a matter of calculations and we want you to assist us in these calculations. The first thing which I propose to do is to take your supplementary statement that you have sent us where you have given the prices of blocks and brushes. From your point of view the most economical way of making brushes would be to take a thickness of block which corresponds to the thickness of the brush. That is the most economical way of doing it.

Mr. Jones.—That is right.

President.—But ordinarily in the course of business you will find it necessary to make brushes from blocks of thickness which are different.

Mr. Jones.—So it frequently occurs.

President.—In that case the quantity of block that you use would be higher.

Mr. Jones.—Necessarily so.

President.—Therefore the duty you pay on the raw material would be correspondingly higher.

Mr. Jones.—That is so.

President.—What we should like to do is first to take cases where brushes are made from blocks of the same thickness and see what the duty amounts to in these cases and then I would ask you to give us some cases where brushes are made from blocks of different thickness so that we might see what the duty amounts to in those cases. If you could tell us approximately what proportion of your total output is based upon different sizes of blocks we could work out an average on that basis. Supposing you find on an average—of course you can never give accurate figures in such cases—supposing you find in the course of last year's business about 75 per cent. or 50 per cent. of your output was based on different sizes of blocks, then we can work out the average on that basis. 50 per cent. on corresponding sizes and 50 per cent. on different sizes would give us a sort of working average.

Now look at the supplementary statement of prices of brushes given in the second table. Take the very first item HM grade $\frac{1}{4}$ " size brush. In the table above you give us the price of HM grade block of $\frac{1}{4}$ " size. That would be a case where brushes are made from blocks of the same thickness. The price that you give here for HM brush $\frac{1}{4}$ " thick is Rs. 155-10-8 for 111, that is to say, the c.i.f. price of one brush of that kind is Rs. 155-66 divided by 111. Is that right?

Mr. Jones.—Yes.

President.—Leave that point there. Now suppose you took a block of $5\frac{1}{2}$ " \times $2\frac{1}{2}$ " \times $\frac{1}{4}$ " HM, the cost per block landed is Rs. 5 as given in your statement.

Mr. Jones.—Yes.

President.—That includes the duty?

Mr. Jones.—Yes.

President.—The duty on that is 25 per cent. Since this includes the duty, the amount of duty is one rupee.

Mr. Jones.—That is right.

Mr. Wiles.—The freight charge is *nil* I think in this case.

President.—It is negligible.

Mr. Jones.—About $\frac{1}{2}$ per cent. or so.

President.—From an HM block of this size and thickness how many brushes of the size of $1\frac{3}{4}'' \times 1\frac{1}{4}'' \times \frac{1}{2}''$ can be made? I want you to work that out. Could you make as many as 6?

Mr. Jones.—Impossible to get 6.

President.—How many do you expect to get out of that?

Mr. Jones.—This particular case happens to be one of the worst to handle. It is one of those cases where we should be left high and dry with a piece of block on hand. Let me explain. In our cutting operations we have installed one of the most delicate cutting machines possible to avoid wastage. Now whilst admitting and endeavouring to make it clear that there are certain tolerances given in block sizes, I must also make it clear that we are always endeavouring to obtain those tolerances on the plus side. We do not always get them. But we must ignore that and take what we pay for. Out of a standard block of $5\frac{1}{2}'' \times 2\frac{1}{2}'' \times \frac{1}{2}''$ we should be able to get 3 brushes and we should be left with a piece which would be undersize.

President.—Which would not be usable?

Mr. Jones.—Not for this type of brush. It is possible that that piece of block would be usable for a brush which is say $1\frac{1}{2}'' \times 1'' \times \frac{1}{2}''$, or $1\frac{1}{4}'' \times 1'' \times \frac{1}{2}''$.

Mr. Natesan.—But not $1\frac{3}{4}''$?

Mr. Jones.—No. We have instances of that kind occurring daily and we have to put aside quite a substantial sum for loss in cuttings and things of that kind.

President.—Suppose you get only three brushes, what is the percentage of wastage without taking into account the possibility of using that piece for some other size of brush?

Mr. Jones.—It amounts to about 40 per cent.

President.—Suppose you use that 40 per cent. for some other size of brush—what is the size that you mentioned just now?

Mr. Jones.—Say $1\frac{1}{2}'' \times 1'' \times \frac{1}{2}''$ —the half inch remaining constant.

President.—How many brushes of that size could you make out of that?

Mr. Jones.—Three.

President.—Those three brushes in value would be equivalent to how many brushes of the larger size?

Mr. Jones.—75 per cent. The grade remaining constant, the value of the brush is *pro rata* to the cubic capacity.

President.—That is to say, if you were in a position to make brushes of the larger size out of this 40 per cent. left over you would be able to make 2.25 brushes of the larger size?

Mr. Jones.—That is so.

President.—Therefore for arithmetical purposes we might say you would get 5.25 brushes of $1\frac{3}{4}'' \times 1\frac{1}{4}'' \times \frac{1}{2}''$ in terms of value.

Mr. Jones.—Would you mind explaining to me how you got 5.25?

President.—In the first place you are able to get 3 brushes of the larger size. Then you make three brushes of the smaller size from the wastage?

Mr. Jones.—Yes.

President.—The three brushes of the smaller size are equivalent in value to 2.25 brushes of the larger size, so that practically from the point of view of value you get 5.25 brushes.

Mr. Jones.—That is quite correct.

President.—Therefore we might take for purposes of calculation the number of brushes that you get from this block as 5.25 brushes of the larger size.

Mr. Jones.—Yes.

President.—The price of one brush of this kind is Rs. 155.66/111.

Mr. Jones.—If I follow your reasoning correctly, I think you are endeavouring to find out what the cost of a brush is under the wasteful and cutting out arrangements against the imported price here which we have before us of Rs. 5. Is that so?

President.—Yes.

Mr. Jones.—It is Rs. 4.2 against Rs. 5.

President.—If you take the c.i.f. price of 5.25 brushes of the larger size, it is Rs. 7.35.

Mr. Jones.—Yes.

President.—The duty on that being 10 per cent., the amount of duty paid is Re. .735.

Mr. Jones.—Yes.

President.—Actually you are paying a duty of Re. 1 on the block.

Mr. Jones.—Yes.

President.—In order to give you equality, we have to reduce the duty on your block from Re. 1 to Re. .735.

Mr. Jones.—That is the position.

President.—735 on Rs. 4 which is the price on which the duty would be calculated would be what percentage? It would be about 18 per cent.?

Mr. Jones.—Yes.

President.—That is a case where your disadvantage is relatively little because we are taking the same size. Later on I want to come to cases where the thicknesses are different. Now take another case from this list. Take the Link one grade, $1\frac{1}{2}'' \times 1\frac{1}{2}'' \times \frac{1}{2}''$; there the price is Rs. 102 for 62. The price of one brush is $102 \div 62$. Now the corresponding block in the table above is $12'' \times 4'' \times \frac{1}{2}''$. If we did the same calculation on that how many brushes of this particular size would you get out of that block?

Mr. Jones.—18.

President.—Would you be able to make any use of the wastage?

Mr. Jones.—Most unlikely because here we have a case where. (I am referring to link I) we can seldom make any use of brushes of smaller sizes.

President.—You can't make any use of the waste material?

Mr. Jones.—I wouldn't like to definitely say so but it would be very difficult.

President.—Then for practical purposes we will take 18 as the number of brushes that you can make out of it. The c.i.f. price of 18 brushes at Rs. 102 for 62 would be approximately Rs. 30.4. For the corresponding block the landed price is Rs. 19 and on that I take it the duty would be Rs. 3.8. Therefore to equalise the position to the Indian manufacturer you have got to reduce the duty on the block to Rs. 3.04. That is approximately 20 per cent.

Mr. Jones.—Yes.

President.—The third case I want to take is CM, $\frac{1}{4}''$ thickness. How many brushes can you get out of the corresponding block there?

Mr. Jones.—Three.

President.—Can you make any use of the wastage?

Mr. Jones.—Unlikely. Here again is a case where I have to diverge a little from the point. Copper Morganite brushes are used only on alternating current machines and therefore the variety of sizes are not so great as the ordinary Battersea or EG brushes. It is seldom that we are called

upon to supply smaller sizes of Copper Morganite brushes. Cases do occur but I must say, to be perfectly clear on the matter, that although we should very much like to use that piece of block, it is more than likely that we should have to carry it in stock for a long time before we could use it.

President.—Although theoretically you could, actually the demand for the sort of sizes that you could make out of those pieces may be so rare that you may not be able to make use of them actually?

Mr. Jones.—The chances are that we may have to carry them for quite a considerable time.

President.—Suppose I suggested that taking into account those cases where you are able to make use of the wastage for smaller sizes of this kind, if we take the actual number of brushes in terms of value as $3\frac{1}{2}$ we would not be far out?

Mr. Jones.—That seems a reasonable figure.

President.—The c.i.f. price of $3\frac{1}{2}$ brushes landed is Rs. 11.419; on that the duty is 1.141. The duty paid on the block is Rs. 3.

Mr. Jones.—That is so.

President.—That is a case where your disadvantage is very great. If we reduce the duty from Rs. 3 to Rs. 1.141, that over 12 is 9 per cent.?

Mr. Jones.—Yes.

President.—So in order to restore the tariff equality to you the duty must be reduced from 25 per cent. to 9 per cent. That is correct?

Mr. Jones.—Yes.

President.—In these cases of corresponding thicknesses, in one case the duty on the block should be reduced to 18 per cent., in the second case to 20 per cent. and in the third case to 9 per cent.

Mr. Jones.—That is correct.

President.—Before we try to average the amount of duty on carbon blocks in these cases I want to consider the question of flexibles and tags here; that is to say the duty you pay in addition to the duty on blocks on the imported flexibles. Can you give me any sort of figure on that?

Mr. Jones.—Unfortunately no.

President.—The point is this. Suppose we took the duty on flexibles for the present at 20 per cent., can you give me approximately the value of the flexibles in the case of brushes that we have considered so far?

Mr. Jones.—I think I can.

President.—Take the first case, HM $1\frac{1}{2}'' \times 1\frac{1}{2}'' \times \frac{1}{2}''$. We have taken 5.25 brushes for the purpose of this calculation. Approximately can you tell us what the value of the flexibles would be in that case on 5.25 brushes?

Mr. Jones.—It is rather difficult without reference to the actual order. Here you have a brush with twin flexibles and here is another with a single flexible (shown). I will explain. The reasons are that with the brush of HM series the current density is high; it has to deal with a heavy current and therefore, electrically considered it is better to make the brush with two flexibles to distribute the current better than with one. Then here is a paradoxical case of a brush where even with a current density which is higher we have a single flexible but that can be explained in this way, that in-as-much as the surface area is considered the work to be done by one brush is four times greater than the other. Now, you ask me to tell you the percentage of the value of the flexible compared with the complete brush and, as I said, it is rather difficult to give that information without a direct reference to the order. However from my own experience I can state with confidence that that brush will have a twin flexible and I can calculate the value of this flexible. I should say in this particular case we are considering the actual value of the flexible. When I say value, I mean the landed cost in our works. The cost of the flexible for that brush would not exceed $1\frac{1}{2}$ annas.

President.—That is $1\frac{1}{2}$ annas per brush.

Mr. Jones.—Yes.

Mr. Wiles.—The Brush price being 1.25.

Mr. Jones.—Yes.

President.—The number of brushes we have taken into account is 5.25 and we have got to multiply 5.25 by 1.25.

Mr. Jones.—About 6.5 annas. Here we come across a rather important point. This flexible is attached to the brush by means of the patent cement. This method of attaching the flexible was a patent which held good until about 18 months ago when it ran out. This powder is prepared by a secret process. Even we do not know how it is made. We have to purchase that power from Home and to give you an idea we pay over a guinea per pound for that powder. It is practically impossible to tell you in weight the amount of powder required to make those two flexibles secure in the brush, but I should say you might put down the value of the powder in that brush at one anna.

President.—That is in addition to the flexible.

Mr. Jones.—Yes.

President.—The patent has expired.

Mr. Jones.—Yes, for the method of fixing, but not for the secret process of the manufacture of that powder which is held by the Morgan Crucible Company.

President.—You would still have to import it?

Mr. Jones.—Yes.

President.—The fact that patent has expired, would it make a difference to the price?

Mr. Jones.—No, it has not so far.

President.—We might take the same price.

Mr. Jones.—Yes.

President.—If that is added, it becomes $2\frac{1}{2}$ annas.

Mr. Jones.—Yes.

President.—What is the duty on the cement. I suppose it would be the ordinary cement duty?

Mr. Jones.—No. It comes under carbon powder for use with carbon blocks.

President.—It comes under apparatus and appliances not otherwise specified, flash lights, carbons, condensers, and bell apparatus.

Mr. Jones.—Yes.

Mr. Wiles.—Is that one anna duty paid price?

Mr. Jones.—Cost in our works. I am not allowing for any contingencies such as wastage. I am just stating facts. Are you taking the two connections?

Mr. Wiles.—Yes, the two flexibles.

Mr. Jones.—For the purpose of arriving at a ready and quick calculation the actual value of the powder would be 3 pies for one flexible and half an anna for two flexibles. That gives us a reasonable figure to work on.

President.—You gave us an anna as the cost of the cement.

Mr. Jones.—Yes. Why I want to make it 3 pies in this case is that you are now trying to arrive at a reasonable basis generally for the manufacture of brushes. That is the cost of cement for one brush.

President.—For all kinds of brush?

Mr. Jones.—Yes.

President.—For the moment I am speaking of HM $1\frac{1}{4}'' \times 1\frac{1}{4}'' \times \frac{1}{4}''$. We had better get the exact figures for each class and then average it.

Mr. Jones.—Yes.

President.—Then we can take the figure of one anna.

Mr. Jones.—Yes.

President.—That is for the two flexibles?

Mr. Jones.—Yes.

President.—Practically it comes to 5 annas and the other is 6.5 annas. I take it like this: one anna duty paid price for the cement and $1\frac{1}{2}$ annas duty paid price for the flexibles.

Mr. Jones.—Yes.

President.—Multiplying that by 5.25, taking the duty on cement at 25 per cent. and the duty on the other at 20 per cent., you have got to pay in the form of duty 2.13 annas which is .133 rupee. Now the duty we decided should be levied on your carbon was .735. Thus the duty should be reduced to .602. That is to say if we are to remove the whole of your disadvantage in the way of duties on the various materials, then we have to do it by reducing the duty only on the block. You still would be paying to the Customs people the duty on the cement and the duty on the flexibles, but the excess that you pay in that way would be made good to you by a corresponding reduction of the duty on the block.

Mr. Jones.—I understand.

President.—The whole of the relief that you get would be calculated in the duty on the block.

Mr. Jones.—Yes.

President.—Then it would be necessary to reduce the duty on block from 25 to 15 per cent. instead of 18 per cent. as we calculated before. That is what it comes to.

Mr. Jones.—It is rather a significant point. This flexible wire comes under "flexible copper wires" and we understand the duty on that could not be interfered with in any way.

President.—It is rather difficult to adjust the duty on this cement either.

Mr. Jones.—Yes.

President.—So that we calculate your disadvantage on all these items together and remedy that by a gross reduction on the block. That is the only way in which it can be done.

Mr. Jones.—Yes, that is the way we have thought of.

President.—If you take the second class of brushes, can you give me any figure for flexible, this Grade Link I, $1\frac{3}{4}'' \times 1\frac{1}{4}'' \times \frac{1}{4}''$.

Mr. Jones.—This brush would have a single flexible, but it would be much thicker than the sample I am holding here. I should say the value of that flexible would be roughly $1\frac{1}{2}$ annas.

President.—What about the value of cement there?

Mr. Jones.—It would be different. In this case we should have a proportionately larger hole and I should say the powder would be worth about an anna.

President.—That would reduce the duty on carbon blocks from 20 to 19 per cent.

Mr. Jones.—Yes.

President.—It would make a difference of slightly over one per cent. We might take it at 19 per cent.

Mr. Jones.—Yes.

President.—Taking CM3, $\frac{3}{4}''$, what allowance would you suggest for the flexible there.

Mr. Jones.—Here we get an entirely special case. This particular brush being copper morganite has a current density of between 90 and 100 amperes per square inch. Therefore the flexibles on copper morganite brush of this

quality have to be very heavy probably of maximum thickness. So we shall have to double the value of the flexible. We might say that the flexible on this brush would be worth 3 annas.

President.—And the cement?

Mr. Jones.—I should say that the value of the cement in this case might be put down at $2\frac{1}{2}$ annas.

President.—And the flexibles at 3 annas?

Mr. Jones.—Yes.

President.—The number of brushes we have taken as $3\frac{1}{2}$. It would be about $3\frac{1}{2}$ annas for cement and $10\frac{1}{2}$ annas for flexibles. It would be .22 of a rupee. That will reduce the duty from 9 per cent. to $7\frac{1}{2}$ per cent. What we calculated before was that the duty on the block should be brought down to 9 per cent. If we made allowance for that, the duty should be brought down to $7\frac{1}{2}$ per cent.

Mr. Jones.—I understand.

President.—Before we leave the question of brushes of corresponding thickness, we have three figures now 15 per cent. in the first case, 19 per cent. in the second case and $7\frac{1}{2}$ per cent. in the third case as the duty on the block. Now what I want you to tell me is this. From your experience of the business, which of these three classes of brushes that we have taken into account, represents the biggest proportion of your output?

Mr. Jones.—Neither of them.

President.—None of these things?

Mr. Jones.—No. The brush which represents the greater proportion of our output is this type of brush here (shown).

Mr. Natesan.—What is it generally used for?

Mr. Jones.—Common motors and dynamos.

President.—For that you have not given us any figures?

Mr. Jones.—You have them before you I think in Link A—the first item in the schedule $11'' \times 4'' \times \frac{1}{2}''$ —22 cubic inches costing Rs. 5-12.

President.—Where do you give us the corresponding brushes?

Mr. Jones.—I am not quite sure I did. If I have not, I can easily remedy that defect.

President.—There is no more use that we can make now of your supplementary schedule as regards brushes.

Mr. Jones.—Quite.

President.—Taking the three classes that we have taken into account, if none of these brushes represent any of the more important classes of brushes that you make, all that I will say at this stage is, taking the duties as we have calculated them on the carbon block in these three cases, if you take a plain arithmetical average, it comes to somewhere about $13\frac{1}{2}$ per cent. as the duty required on the carbon block. Now I base nothing on that. I will proceed at this stage to consider the duty on the classes of brushes which you say you make in considerable quantities and then see what kind of figure we arrive at there, do you see my point?

Mr. Jones.—I do.

President.—The commonest class of brush that you make—is it included in the original list that you have given?

Mr. Jones.—The commonest classes that we make are Link A, Link C and Link EG's.

President.—There is EG12.

Mr. Jones.—It comes under the series of EG, but EG12 is made for high speed converters. We don't sell large quantities of EG12, but the duties and all charges relative to this are the same because it comes under the same series. I have a further point to make in this connection. We have two

grades of brushes. I should not say two grades but for the purpose of general discussion let us divide them into two grades. We have Battersea and we have Morganite. Battersea brushes are the cheaper carbon quality brushes such as are found on everybody's dynamo and motor—house service pumping motors, etc. I should say easily 75 per cent. of the standard motors and small dynamos that are made are fitted with Battersea brushes. Nevertheless a very important point to be borne in mind is this. The cost of Battersea brushes when compared with the cost of brushes that we have been considering is more or less half, so that even though I say that the grades of brushes that we have considered do not represent the maximum on our output, yet the significance of their value should not be lost sight of. Returning to the point, the most common brushes that we supply are Battersea Link A and Link C's. They are all about the same price.

President.—If you take this list of carbon brushes in your original representation, in view of the explanation that you have given now, may I take Link I there as being for our purpose typical of Battersea brushes?

Mr. Jones.—No. For one series of Battersea, you may take EG12.

President.—EG12 may be taken although you do not make very large quantities.

Mr. Jones.—Yes.

President.—As far as that series is concerned, we may take EG12 as typical so that if we arrive at some kind of duty by calculating on the figures of EG12, we may take it generally that that duty would apply to most brushes in that series?

Mr. Jones.—That is so. Although this question of prices and ratio of prices is one which really gives some trouble, there are as I have shown you here so many grades of brushes and each one of those particular grades is priced differently. But I don't see how that would affect the calculation.

President.—Not only it might not affect but there is a more important point. That is the only way in which we can calculate any kind of duty. We have to take a few classes as typical for our purpose and base our calculations on them. We cannot go into the price of every kind of brush.

Mr. Jones.—I fully appreciate that point.

President.—So that if it is generally approximate, I think for our purpose we must be satisfied with that.

Mr. Jones.—Quite. To avoid any error which might arise due to the omission of any important points, I have given you in this schedule the mostly used blocks first and then as we go down the list we come to the blocks which are, shall I say, in quantities less used. Why I have not put in this list an example of imported A brushes is because it is very seldom that we import finished A brushes.

President.—You mean it is difficult to get that kind?

Mr. Jones.—No. We are rather handicapped in giving the cost of Link A brushes as compared with block, because as explained we do not import finished brushes of this grade—we keep good stocks of blocks to meet the demand and supply our own make of brushes.

President.—The best thing that we can do is this. Let us take EG12; do the same calculation we have done before and then see what results we get.

Mr. Wiles.—We have to convert the millimeters into inches.

Mr. Jones.—Yes. The first one will be $1\frac{1}{4}'' \times 1\frac{3}{4}'' \times \frac{1}{8}''$.

President.—Can you give us the number of brushes that you can get out of the same block?

Mr. Jones.—Three.

President.—That gives an enormous wastage.

Mr. Jones.—Here you have a case where you can take the length of the block. You have taken the brush of $1\frac{1}{4}''$. Three times $1\frac{1}{4}''$ is $5\frac{1}{4}''$, that is nearest to $5\frac{1}{4}''$. Let us take the other way. Supposing you take the brush and lay it across the block, the block breadth being $2\frac{1}{4}''$ we can only get one

cut. Therefore we have a multiple of the brush one way only. In this way, we can get three only and a piece of block left over.

President.—What is the proportion of wastage?

Mr. Wiles.—33 per cent.

President.—Will it be so much?

Mr. Wiles.—In one case, the wastage was even bigger. It was 40 per cent, Mr. Jones, I think you can add something to the three brushes. Can you not make some smaller brushes out of what is left over?

Mr. Jones.—No. We will be left with a piece of only $\frac{1}{4}$ " broad.

Mr. Wiles.—So far as you are concerned you would consider it a wastage?

Mr. Jones.—Yes, in as much as we may have to keep this stuff for 12 months and more.

President.—The duty on the block would be reduced in that case by 4 per cent. to make the position equal.

Mr. Jones.—We are aware of this difficult position.

Mr. Wiles.—Is it not practical policy to order blocks in sizes which would suit your output?

Mr. Jones.—We have several times and recently taken this up with the makers but the makers standardise their blocks to the nearest sizes which suit all and every grade of brush. We are more or less governed by the machine makers.

President.—The sizes of the blocks will be fixed by the Morgan Crucible Company with reference to the kind of brushes for which there is most demand in England and you have got to adapt yourselves.

Mr. Jones.—Quite so. We have correspondence in our files and they have helped us in many respects: they have drawn up blue prints and statistics showing which blocks are most suited in dimension to the general demand.

President.—If your business expands and you have a fairly large demand for particular sizes then you will be in a better position?

Mr. Jones.—That reasonably follows. Looking back some years ago the number of machines which were in use in India were not so varied as they are to-day and therefore naturally the demand for brushes of various sizes is more varied now than it was at that time and yet we do find that we have a very serious accumulation of cuttings.

President.—Can you take any other kind of brushes in this supplementary statement and give us figures?

Mr. Wiles.—Is this scrap of any value?

Mr. Jones.—I would like to let you see the position very plainly in regard to this scrap. We can grind it up and use it in the foundry as plumbago dressing. To do so would of course be a very wasteful thing. Supposing we said we would sell it: it would be on our part very foolish to do that because it would in this country get into the hands of people who would use it for all kinds of purposes and put behind it all kinds of unauthorised guarantees as having bought it from Messrs. Balmer Lawrie and Company. The situation therefore is most difficult. One of the important things we have to do in the interest of our principals is to protect their general business interests and we would do nothing with it rather than dispose of it.

Mr. Wiles.—How exactly would it come into competition with your principals' materials?

Mr. Jones.—The bazaar people may cut them up and grind them down and make all kinds of brushes for small motors and such like which they put into the market as Battersea or Morganite brushes.

Mr. Wiles.—It is possible for an ordinary bazaar man to grind these up and reblock them?

Mr. Jones.—No; the equipment is not available in this country.

Mr. Natesan.—Do I understand you to say that all this waste lies as waste in the stores and you make absolutely no use of it?

Mr. Jones.—As I have already explained, occasionally cases arise where we get an order for a dozen or so of small brushes of a certain grade and the first duty of the foreman in charge is to go to his cuttings. In our stock taking we have no value on wastage.

President.—Before I come to EG12 give me some figures for cement and flexible. What is your approximate figure for the landed price of flexibles for EG12?

Mr. Jones.—I should take it as 3 annas.

President.—Three annas per brush?

Mr. Jones.—Yes.

President.—And the cement?

Mr. Jones.—Cement I should take at 2 to 2½ annas. Make it 2½ annas.

President.—Is there any other brush in this list for which you can give us a corresponding calculation?

Mr. Jones.—In giving you figures of brushes I have given you actual cases of imports. Every one of them are taken from our records. I could give you, on the other hand, against these link A blocks. I could give you the estimated cost of the brush, but we have refrained from doing that because it would not hold much water. I have brought with me invoices which show the actual position and unfortunately on the Brush invoice we have got no link A though I should very much like to give you the landed price of link A brush blocks. You will however notice that they all come under the Battersea heading, link A as 11 × 4 × 1 and link B 11 × 4 × 1, the cubic content being equal, one f.o.b. sterling s. 13/2½ and the other s. 16/5½. Both come under Battersea but there is an appreciable difference in value per block. Link A is one of the most common brush in use.

President.—I suppose these prices are not based upon the cost but on market conditions.

Mr. Jones.—It is a question of quality. It is easily spotted.

President.—If you take any of these three—CM3, HM and link I can you give us similar calculations to EG12 from this list?

Mr. Jones.—We might take CM; the difference is very slight.

President.—Let us calculate that. Convert these millimeters into inches first of CM3.

Mr. Jones.—That would be 1¼" × ¾" × 1¼". We are taking CM3—¾" × 2" × ¼". That will be 5 brushes.

President.—Is there any use for the wastage?

Mr. Jones.—Unlikely.

President.—Give me now the price of flexibles for that class of brush.

Mr. Jones.—Four annas.

President.—And cement?

Mr. Jones.—2½ annas per brush.

President.—Will you now take HM6 from the supplementary list?

Mr. Jones.—That will be 1¼" × 1¼" × ¾".

President.—Which is the nearest block you would take for that?

Mr. Jones.—We can't take HM. I have got an invoice here covering some HM5 and we have got the f.o.b. price.

President.—Have you got the c.i.f. price too?

Mr. Jones.—We will work that out. We have a block here (shown).

President.—What are the specifications?

Mr. Jones.—It is HM5, same size as the one in the list—5½" × 2¼" × ¾"; landed cost Rs. 7-12 in the works.

President.—Suppose you are trying to make this kind of brush that you have in this list HM6?

Mr. Jones.—Here again we are faced with difficulty. We have got a size of brush here which in actual width is half of the actual width of the block. We have to allow for cutting that block and therefore we would not be able to cut 4 accurate sized brushes from that block twice, that is, although arithmetically twice $1\frac{1}{2}$ equals $2\frac{1}{2}$, practically as far as we are concerned it does not, and unfortunately you are choosing a bad block.

President.—Then we can't base anything on it.

Mr. Jones.—You have got an excellent example of the difficult position in which we often find ourselves, although here again one has to bring in one's persuasive powers to the customer. It naturally follows that faced with a case like this, we would write to our customer and ask him: "would you kindly accept a brush so much smaller than what you have specified". In nine cases out of ten in India, as it is India, we get a definite rebuff. There are cases in which it might come off. If we send the brushes without reference, 99 chances against one, we shall have the brushes returned to us.

President.—Actually if you try to make brushes of this size out of this block, you will get just four with 50 per cent. wastage.

Mr. Jones.—Yes, that is what it amounts to, although I must of course in fairness say we should expect to make some use of the piece which is left over. We should have to carry it for some time.

President.—For practical purposes we might take it at $1\frac{1}{2}$, i.e., say 6 brushes.

Mr. Jones.—Not more.

President.—For that kind of brush, what is the price of flexible?

Mr. Jones.— $1\frac{1}{2}$ annas.

President.—And cement?

Mr. Jones.—One anna.

President.—What about the case of link 1 given on the supplementary list?

Mr. Jones.—We could work that.

President.—I suppose it is practically the same as Grade Link I that we have done.

Mr. Jones.—In one case 70 Link 1 brushes cost Rs. 210 and in the other 62 Link 1 costs Rs. 102.

President.—Is there any corresponding block? It is not worth while doing it.

Mr. Jones.—You may have Link 1 block.

Mr. Wiles.—We have done that.

President.—It is not necessary to do it over again. The way it presents itself to my mind from these tentative calculations is where you are able to get the same thickness in the block and in the brush, it will be sufficient if the duty on the carbon block is reduced to somewhere about 15 per cent., to something above 10 per cent., but where you take these other cases, you would have to have a duty on block considerably lower than 10 per cent., so that for practical purposes, I am speaking subject to further consideration, about 10 per cent. would be somewhere about right.

Mr. Jones.—Yes, that is how it has appeared to us too. We know that there has got to be some give and take. We know it is a complicated subject to handle. As I said before, the only thing that has appeared to us so unfair is this inequality of duty on brushes.

President.—Coming to some of these other questions, if you look at your answer to question 4, this figure of Rs. 1,20,000 which you give us here as the approximate value, is that your own figure or is it your estimate of the total?

Mr. Jones.—It is my estimate of the total. Would you like to know how I estimated that figure? I happen to know how this carbon brush business goes. I have taken the figure this way. I have taken our own figure. I know that Messrs. Greaves Cotton and Company, Bombay, do approximately

as much business. They are very little below us and I have taken the equivalent of our business or if you care to term it, Greaves Cotton and Company's business and divided it as amongst the small importers of India which I think you would find is a fair figure.

President.—I suppose that is as approximate a calculation as you can make out.

Mr. Jones.—I can't go any further.

President.—The importance of that is if the total quantity of block imported into the country is of the value of Rs. 1,20,000, then the amount of revenue that Government gets on that at 25 per cent. would be Rs. 24,000. If we decide to reduce the duty from 25 to 10 per cent., then what Government would lose would be 14,400 a year.

Mr. Jones.—Yes.

President.—I suppose Government could stand that.

Mr. Jones.—I think I would like to go into that. We are trying to build up this business and there is no doubt about it that we are making progress. Now it is difficult for us or for anybody to find out what is the value of manufactured brushes brought into India not as carbon brushes, but as for existing dynamos and motors. Let me make myself clear. Let us take a large manufacturing firm at home having a representative house in India. They may bring out a consignment of spares for turbo-generator or alternator, which may comprise new bearings, new insulation parts and a set of brushes. I cannot tell you whether those brushes are going to be brought under the heading of carbon brushes, but we do know a number of brushes come in that way.

President.—As far as the rate of duty is concerned, there would not be any difference.

Mr. Jones.—It would be just 10 per cent.

President.—I do not know if you have noticed in the Trade Returns an item called "Electric Carbons". I was trying to compare your estimate. Is that carbon blocks?

Mr. Jones.—They are not. These are carbons electric for cinema arc and searchlight purposes and for electric furnaces.

President.—The next point I want to raise is this question of definition for Customs purposes. I will read to you the definition which has been suggested to us by the Collector of Customs, Calcutta: "The definition of carbon blocks for Customs purposes will depend upon the kinds of carbon blocks for which it is proposed to reduce the duty. The present item in the tariff (item 83 A/90) covers all electrical carbons and if it is proposed to reduce duty on all such carbons, a new tariff item 'The following electrical instruments, apparatus and appliances, namely, carbons' could be separated out from item 83A/90". You don't want that. You want a reduction of duty only on such carbon blocks as are used in the manufacture of carbon brushes.

Mr. Jones.—Quite so.

President.—But if it is intended to restrict the concession to carbon blocks which are used for the manufacture of carbon brushes the following new item is suggested: "Carbon blocks such as are only ordinarily used as material for the manufacture of carbon brushes for electrical motors and generators". That is his suggestion which I suppose from the customs point of view would be more easy to administer.

Mr. Jones.—Undoubtedly.

President.—You have no particular objection to a definition of that kind?

Mr. Jones.—None whatever, not directly. The only point is this. There ought to be some means of checking whether the carbon blocks brought out under an invoice are to be used for the purpose of making carbon brushes.

President.—As far as Calcutta is concerned, you are the chief people.

Mr. Jones.—Yes, we are.

President.—I don't think there would be any difficulty in administering it. If there is going to be an evasion of duty, it is bound to be on a very small scale.

Mr. Jones.—I estimate it would.

President.—On the Bombay side Messrs. Greaves Cotton are the only people, who import carbon blocks?

Mr. Jones.—I admit that. Our suggestion for definition is more likely to be somewhat outside their sphere, and it would enter into all kinds of difficult technical certificates.

President.—I don't think that it would be worth while doing all that.

Mr. Jones.—No.

President.—There is one other small point. Please look at item 100, page 23, of the Tariff Schedule. What I want to know is this. Are there carbon brushes imported for the purpose of working motors and generators which require less than one quarter of one brake horse power?

M. Jones.—Not much. We can ignore that item.

President.—On that there is a higher duty?

Mr. Jones.—Naturally, because it comes under the luxury arrangement. I could help you perhaps to a certain extent by explaining this. During the past five years in India, household refrigerators have become quite a big thing. Each of these household refrigerators is fitted with a small motor. The larger sizes had a motor which exceeded one quarter horse power. But once the Americans got them on the Indian market—I think I am not giving you any new information because we all know it—they started looking round as to how best to cheapen the cost. We in India are rather reluctant to pay Rs. 1,200 or Rs. 1,300 for a small household refrigerator and therefore they set about cheapening the apparatus. One of the first things they did was to fit the apparatus with a smaller horse power motor—one-sixth horse power. They then started to bring out spare carbons, spare fitments and even complete motors and down came the price.

President.—The way in which the point is of interest to us is supposing there was a considerable quantity of brushes used for motors and generators requiring for their operation less than one quarter horse power, then it is not necessary on that to reduce the duty on your carbon block?

Mr. Jones.—It hardly affects us.

Mr. Natesan.—In some households in Madras we use small motor engines for pumping water. Will they be affected if your suggestion is given effect to?

Mr. Jones.—No. They exceed one-fourth horse power. I think I am correct in saying that.

Mr. Wiles.—Your calculations regarding the total value of Indian production are, I suppose, also based on your own *plus* Greaves Cotton's and a similar quantity for small manufacturers.

Mr. Jones.—Yes.

Mr. Natesan.—These electric pumps are used pretty largely in bungalows?

Mr. Jones.—So I understand.

Mr. Natesan.—Volkart Brothers are handling that business.

Mr. Jones.—I have seen their Elco set.

Mr. Natesan.—It is an automatic thing. We don't have to switch off.

Mr. Jones.—It is worked by pressure.

Mr. Natesan.—It is automatic. These pumps are coming more and more into use and I don't want that these people should be adversely affected.

Mr. Jones.—They would not be affected in the least.

The Collector of Customs, Calcutta.

- (1) *Letter No. 123, dated the 14th March, 1934, from the Secretary, Tariff Board.*

The Tariff Board have been directed to enquire into an application from the British Electric Construction Company, Limited, Calcutta, for a reduction of the Customs duty on imported carbon blocks. In connection with this application, I am to ask that you will be good enough to supply the following information:—

- (1) (a) The rate of duty leviable on imported carbon blocks and (b) the item in the Tariff Schedule under which the duty is assessed.
- (2) (a) The rate of duty leviable on imported carbon brushes and (b) the item in the Tariff Schedule under which the duty is assessed.
- (3) Can you suggest a suitable definition of carbon blocks for Customs purposes in case it is decided to reduce the duty?

I am to request that a reply to this letter with 4 spare copies may be sent so as to reach the Board's Office, Legislative Council Chamber, Shillong, not later than the 15th of April, 1934.

- (2) *Letter No. 19, dated the 9th April, 1934, from the Collector of Customs, Calcutta.*

CARBON BLOCKS—ENQUIRY ON.

I have the honour to refer to your letter No. 123, dated the 14th March, 1934.

2. Electrical carbon blocks are assessed at 25 per cent. *ad valorem* under item 83A/90 of the Indian Customs Tariff. Finished carbon brushes for electric motors and generators are assessed at 10 per cent. *ad valorem* under item 99/59D of the Indian Customs Tariff unless they are intended for use in motors and generators requiring less than $\frac{1}{2}$ B.H.P. for their operation in which case the rate of duty leviable is 30 per cent. (standard) or 20 per cent. (preferential for goods of British manufacture) under item 100/194 of the Indian Customs Tariff.

3. The definition of carbon blocks for Customs purposes will depend upon the kinds of carbon blocks for which it is proposed to reduce the duty. The present item in the tariff (item 83A/90) covers all electrical carbons and if it is proposed to reduce duty on all such carbons, a new tariff item "The following electrical instruments, apparatus and appliances, namely, carbons" could be separated out from item 83A/90. But if it is intended to restrict the concession to carbon blocks which are used for the manufacture of carbon brushes the following new item is suggested:—

"Carbon blocks such as are only ordinarily used as material for the manufacture of carbon brushes for electrical motors and generators".

E. D. Sassoon, and Company, Limited, Bombay.

- (1) *Letter dated the 17th March, 1933, to the Secretary to the Government of India, Department of Commerce, New Delhi.*

On behalf of the four Firms listed below, who are making Healds and Reeds in India, I have the honour to forward the following application for your consideration. Any further information you may require will be forwarded by the undersigned on application.

Enclosure.

Letter dated the 27th February, 1933, from (1) E. D. Sassoon and Company, Limited, (2) Healds and Reeds Manufacturing Company of India, Limited, (3) The Swadeshi Healds and Reeds Manufacturing Company, Limited, (4) McGregor and Balfour, Limited.

Sir,

We, the undersigned, beg to draw the attention of the Government of India to certain difficulties which are being experienced by the Healds Industry. This is more or less a new Industry, which is being developed, to supply one of the essential articles of stores required by the cotton textile industry. We tried to get figures of imports of Healds and Reeds, but unfortunately this information could not be secured even from the Director General of Commercial Intelligence and Statistics. We have now suggested, through the Indian Merchants' Chamber, that separate heading be given in the Tariff Schedule to Healds and Reeds, and if this suggestion is accepted, figures may be available from the next year. For the present, however, it may be stated that the imports are fairly substantial, and that these two articles are important in the category of mill stores.

The duty on varnish and heald yarn—which is the bulk of the goods in manufacturing Healds, is at present 25 per cent., whereas the duty on imported Healds is only 10 per cent.

We have put down a fairly large plant to handle the Heald Industry, but cannot obtain a suitable varnish in India of the class required for this class of work.

To manufacture heald yarn locally, we have a duty of $\frac{1}{4}$ anna per lb. on the raw cotton which at to-day's price of cotton is as high as the 10 per cent. duty on imported healds. We therefore would suggest an enquiry by the Tariff Board into the possibility of increasing the duty on healds to a percentage which would give the local industry a chance to compete with the imported product.

Similarly with regard to the manufacture of Reeds, raw materials such as wooden reed ribs, reed staples, pitch and reed-ends is 25 per cent. while the duty on Reeds is only 10 per cent. We have endeavoured to secure these articles in the country but are unable to do so and therefore suggest that with a view to the development of a new Industry in the country, the duty on articles supplied for reed making be reduced or the duty on the articles increased.

We shall be pleased to put up a detailed case before the Tariff Board on receipt of your instructions.

(2) *Letter No. 38-T. (2)/33, dated the 18th July, 1933, from the Government of India, Department of Commerce.*

IMPORT DUTY ON MATERIALS FOR THE MANUFACTURE OF HEALDS AND REEDS.

With reference to your letter dated the 17th March, 1933, on the subject noted above, I am directed to request that the Government of India may be furnished with a detailed statement of the case for consideration. I am to add that it would be convenient if this were done at an early date.

(3) *Letter dated the 8th September, 1933, to the Government of India, Department of Commerce.*

Re IMPORT DUTY ON MATERIALS FOR THE MANUFACTURE OF HEALDS AND REEDS.

Herewith please find our detailed case as requested by you in your letter of the 18th of July and your reminder of the 18th of August last, which we trust you will find in order.

We regret the delay which has occurred due to our having to collect the necessary data.

P. S.—We also enclose copies of the case made out by the Swadeshi Healds and Reeds Manufacturing Company, Limited, and of the Healds and Reeds Manufacturing Company (India), Limited.

Enclosure No. 1.

Letter dated the 8th September, 1933, from E. D. Sassoon and Company, Limited, to the Deputy Secretary to the Government of India, Department of Commerce, Simla.

Re IMPORT DUTY ON MATERIALS FOR THE MANUFACTURE OF HEALDS AND REEDS.

In reply to your letter No. 38-T.(2)/33, dated the 18th July, 1933, and your subsequent reminder, we have the honour to state as follows:—

From careful enquiries made by us we find the average value per annum of Healds and Reeds used in Indian Mills is at least Rs. 16,74,000 for the former and Rs. 3,13,875 for the latter. This is based on an average monthly consumption of annas 12 for Healds and annas 2-3 for Reeds per loom. Total Looms in India according to latest figure is 186,000. (This does not include Healds and Reeds consumed by Hand Looms in the various parts of the country and in Jute Mills in Bengal, which will be at least another Rs. 3,00,000.)

According to our estimate the annual production of the above in India is as follows:—

	Rs.
Healds	3,87,000
Reeds	39,000

This shows that there is a large margin for expansion for Indian made Healds and Reeds, but for the handicap of the heavy import duty on the essential materials as per list attached, which we are bound to import as they are not made in India.

Our actual cost price for Healds per 800 eyes is annas 13-4 without profit and for Reeds annas 2-1-6 pies per 100 dents against the bazaar price annas 12½ for Healds and annas 1-8 for Reeds. This low price is brought about by the fact that English imported Healds are sold at those rates and to compete we have to sell at a loss. The reason for this low price of imported Healds as compared with those of Indian manufacture is that the manufactured Healds and Reeds pay only 10 per cent. import duty whereas the essential materials as per list attached pay up to 25 per cent. import duty, thus giving an advantage up to 15 per cent. to the foreign manufactured Healds and Reeds.

The following are the details of our cost for Healds:—

(a) Healds—	Per cent.
Yarn	41-86
Varnish	22-50
Wages and salaries	18-84
Fuel and stores	12-52
Rent, insurance, general charges, interest and depreciation	4-21
Total	99-93

(b) Reeds—	Per cent.
Polished reed wire	49.7
Reed ribs, staples, pitch, etc.	28.25
Fuel and stores	4.14
Rent, insurance, general charges, depreciation and interest	2.61
Wages and salaries	15.27
Total	99.97

Our application is not for protection but for relief from the heavier duties on raw materials and as stated above there is ample room for further expansion for the manufacture of Healds and Reeds in India if the handicap is removed which means the employment of Indian labour. As an alternative to reducing the duty on essential materials to that levied on manufactured Healds and Reeds, we suggest that the duty on the latter be raised to the same level as that on the former i.e., 20 to 25 per cent. in either of, which cases manufactures of Healds and Reeds in India will be able to compete on an equal footing with the imported articles.

Duty on reed sundries.

	Per cent.
Reed Pitch	25
Heald Yarn	25
Reed Ribs	25
Reed Brass Wire	20
Reed Staples	20
Reed Paper	{ 20 British 30 Foreign
Heald Varnish	25

Enclosure No. 2.

Letter dated the 12th August, 1933, from the Swadeshi Healds and Reeds Manufacturing Company, Limited, Ahmedabad, to Messrs. E. D. Sassoon and Company, Limited, Ballard Estate, Bombay.

We are not manufacturing Reeds at present, and as regards the particulars about Healds, we are forwarding herewith the following statement:—

Selling price.—At present we are selling our Healds of all counts prepared from 15/40s yarn at annas 13 per 800 eyes. The same Healds we were selling about twelve months ago at annas 15.3 per 800 eyes, when the prices of the imported Healds were on the same level. Now that the imported Healds are sold at between annas 13 to annas 13.6 per 800 eyes, and to meet the foreign competition we have to cut down our prices as stated above.

Cost of Healds.—The cost price of our Healds is annas 14 per 800 eyes (15/40s yarn) and the percentage of the various items works out as under:—

	Per cent.
Yara	35.7
Varnishes	17.3
*Manufacturing cost	47.0
Total	100.0

* (Wages, fuels, stores, rent, insurance, interest, depreciation and all other charges.)

Enclosure No. 3.

Letter from the Healds and Reeds Manufacturing Company of India, Limited.

Imports of Healds and Reeds.—According to the figures we have received from different Mills we find that the average expense of Healds per loom per month is annas 12 and that of Reeds is annas 2-3. Taking 1,86,000 Power Looms in India (according to the latest figures) the annual consumption of Healds will come to at least Rs. 16,74,000 and that of Reeds Rs. 3,13,875. The above amounts do not include the consumption of Healds and Reeds for Hand Looms and Power Looms working in the different parts of the country by hand-loom weavers but we could safely say that the minimum annual consumption of Healds and Reeds of these weavers will not be less than Rs. 3,00,000.

Our Selling Price of Healds.—At present we are selling our Healds in Counts up to 56s between annas 12-3 to annas 12-6 per 800 eyes. The same Healds we were selling six months ago at annas 14 to 14-6 per 800 eyes when the prices of Imported Healds were on the same level. Now that the imported Healds are sold at between annas 12 to annas 12-6 per 800 eyes and to meet the foreign competition we have to cut down our prices as stated above which are below actual net cost of manufacture.

Our Selling Price for Reeds.—At present we are selling our Reeds in counts up to 56s between annas 1-9 to annas 1-10 per 100 dents. Six months ago we were selling the same Reeds at between annas 2 to annas 2-3 per 100 dents. Now that the imported Reeds are sold at between annas 1-8 to annas 1-10 per 100 dents and to meet this competition we have reduced our price as stated above, and this is also below actual net cost of manufacture.

Production of Healds of Indian Factories.—According to our calculation the approximate annual production of Indian made Cotton Textile Healds is about Rs. 3,87,000 against total requirements of over 16 lacs and the existing Plant has the capacity to produce the same to the extent of Rs. 7,50,000. Were it not for the handicap of the heavier import duty on the essential materials as per attached list, which we are bound to import as they are not produced in India.

Production of Reeds of Indian Factories.—According to our calculation the approximate annual production of Indian made Reeds for Cotton Textile Industry is about Rs. 39,000 and the existing Plant has the capacity to produce the same to the extent of Rs. 70,000. Were it not for the handicap of the heavy import duty levied on the essential materials (as per attached list) which we are forced to import as same are not produced in India at present.

Our Cost of Healds.—Our average realisation price at to-day's rate (annas 12-6 per 800 eyes) of Healds per machine approximately comes to Rs. 30 whereas the cost of production comes to Rs. 33-12 and we give hereunder the percentage of our above cost distributed to items as under:—

	Per cent.
Yarn	29-63
Varnish	14-82
Wages and salaries	27-40
Fuel and stores	10-38
Rent, insurance and general charges	7-40
Interest and depreciation	10-37
Total	100-00

The above cost of production, *viz.*, Rs. 33-12 is only when we are using the yarn manufactured in India, but the other Factories who have to import the Yarn from foreign countries, their cost of production per machine comes

to Rs. 35-4 and the percentages of cost with such factories approximately come as under:—

	Per cent.
Yarn	32-63
Varnish	14-18
Wages and salaries	26-25
Fuel and stores	9-93
Rent, insurance and general charges	7-09
Interest and depreciation	9-92
Total	<u>100-00</u>

Our Cost of Reeds.—Our average realisation price at to-day's rate (annas 1-10 per 100 dents) of Reeds per machine approximately comes to Rs. 27 whereas the cost of production per machine comes to about Rs. 30-5 and the percentages of our above costs is distributed as under:—

	Per cent.
Polished reed wire	47-17
Reed ribs, staples, pitch, etc.	34-85
Wages	17-98
Total	<u>100-00</u>

The Indian Merchants' Chamber, Bombay.

- (1) *Letter dated the 19th August, 1932, to the Central Board of Revenue, Simla.*

The attention of the Committee of this Chamber is drawn several times to the component parts required for a particular industry being charged at a higher rate of Customs duty than the finished foreign articles with which that industry proposes to compete. This country is still in a backward stage as regards development of Industries and every effort to start the manufacture of articles, which are at present imported, should receive encouragement and support from Government. This was acknowledged by the Government of India themselves, when they issued the following Resolution, embodying their decision to refer to the Tariff Board cases in which the development of certain industries in the country was "hampered by the fact that the duty on the finished article was lower than the duty on the materials which had to be imported for the manufacture of that particular article".

Resolution No. 33-T. (2), dated the 28th March, 1925.—"The Government of India have received a number of representations to the effect that the development of certain industries in India is hampered by the fact that the duty on the finished article is lower than the duty on the materials which have to be imported for the manufacture of that article. A list of such representations is appended to this Resolution. The representations will now be referred to the Tariff Board. It is requested to examine these representations and any others of a similar nature which may be brought to its notice and to make such recommendations, whether general or special, as it thinks fit."

A factory is going to be started in this City to manufacture Healds and Reeds and for the manufacture of these articles it is found necessary to import certain finished materials, such as reed ribs, reed staples, polished brass reed wire and heald varnish, from foreign countries. The Customs Department charges 25 per cent. on these materials and if such heavy duties are

charged it is naturally detrimental to the industry concerned, when the imported Healds and Reeds are charged only 10 per cent. This question was brought to the notice of the Customs authorities, but unfortunately they have not accepted the request for charging all these component parts at 10 per cent. duty and have decided that the rate of duty should be 25 per cent. applicable to manufacture of wood under item 92 of the Indian Customs tariff. A copy of the Order passed by the Assistant Collector of Customs, Bombay, is enclosed herewith for ready reference. This question involves, in the opinion of my Committee, a big principle and they, therefore, hope that Government will be pleased that, in the interests of the industrial development, component parts necessary for the manufacture of any article should not be charged at a higher duty than that on the imported finished product which the industry is manufacturing or proposes to manufacture. It may be contended that these component parts may not be used for the manufacture of such article or product but may be put to any other use in any other industry. It should serve the purpose if the importer gives an undertaking that the component parts will not be used for any other purposes but will be used only in the manufacture of such article or product.

Enclosure.

Copy of Order No. A./5563 of 1932, dated the 23rd July, 1932, passed by Mr. F. J. Karaka, Assistant Collector of Customs, Appraising Department, Bombay.

ORDER (ORIGINAL).

N.B.—This copy is granted free of charge for the private use of the person to whom it is issued.

2. An appeal against this order lies to the Central Board of Revenue, Simla, within three months of its date. Any appeal should bear a court-fee stamp of Rs. 4 only and must be accompanied by a copy of this order, bearing the court-fee stamp prescribed under Schedule 1, item 6 of the Court Fees Act of 1870, *viz.*, of the value of annas 8 only.

Subject:—2 Cases Reed Ribs and Reed Staples *ex-s.s.* "Anchoria". Bill-of-Entry No. 341/217 of 11th/13th July, 1932.

Read:—Appraiser's and Principal Appraiser's reports dated the 16th July, 1932.

ORDER.

Messrs. M. C. Ghia and Company presented a Bill-of-Entry for the above-mentioned goods. On examination the goods were found to be "wood manufacture O S" and "Hardware O S"—dutiabale at 25 per cent. and not "Reed Ribs" and "Reed Staples"—component parts of Reeds—dutiabale at 10 per cent. as declared in the Bill-of-Entry. Had the declaration been accepted there would have been a loss of revenue to Government amounting to Rs. 88. Mr. M. C. Ghia, the proprietor of Messrs. M. C. Ghia and Company, is present and states that he has imported these articles for the first time—Reed Ribs in lengths (which are not cut to size) and Reed Staples. He claims under item 99 of the Indian Customs Tariff entry for these articles at the lower rate of duty of 10 per cent. as "Component parts of Reeds" mentioned in item 97 of the Indian Customs Tariff. He states that both these articles have special quality and shape which should entitle them to the lower rate of duty.

There are two classes of articles under dispute in this case. The first, *viz.*, the "staples" consists of staples which can be used ordinarily in a variety of ways and though they are imported to be used in the manufacture of Reeds, they do not fulfil the conditions of item 99 of the Tariff inasmuch as

they have not been given any special shape or quality which would not be essential for their use for any other purpose. As regards the "Reed Ribs" these are not cut to sizes to go into their place as component parts of Reeds. They are in lengths of 11, 12 and 13 feet, from which the required lengths would have to be cut. No doubt they are so shaped as to have rounded surface on the top and a flat one at the bottom. But it is considered that this shape is not so special as would not be essential for their use for any other purpose. Moreover not being cut to sizes, they have not been rendered unfit for other use. They should pay the rate of duty, viz., 25 per cent. applicable to manufacture of wood under item 92 of the Indian Customs Tariff. The above order has been passed after consulting the Collector of Customs, who agrees.

As the declaration in the Bill-of-Entry appears to have been made *bona fide* I order that the description in the Bill-of-Entry which is not correct be amended without a penalty.

(Sd.) F. J. Karaka, -

Assistant Collector of Customs.

- (2) Letter dated the 8th September, 1933, from the Indian Merchants' Chamber, to the Secretary to the Government of India, Department of Commerce, Simla.

Subject:—IMPORT DUTY ON MATERIALS USED IN THE MANUFACTURE OF HEALDS AND REEDS.

In continuation of my letter No. 1260 of the 19th August, 1932, and in reply to your endorsement No. 38-T. (2)/33 of the 19th July, 1933, I am directed by the Committee of this Chamber to submit a detailed representation setting out the difficulties experienced by the manufacturers of Healds and Reeds in India.

2. Healds and Reeds constitute an important item of stores consumed by the textile mills in India. As no detailed statistics as to the imports of these two articles into India are available either from the Annual Statements of the Seaborne Trade and Navigation of British India or from the Director General of Commercial Intelligence and Statistics, Calcutta, it has not been possible for my Committee to place before you figures showing the actual consumption in Indian mills. They have, however, collected some statistical information pertaining to the consumption of Healds and Reeds in some representative textile mills in Bombay and Ahmedabad, and the figures thus arrived at show that the average monthly consumption of Healds and Reeds is annas twelve and annas two and a quarter respectively per loom. The total number of looms in the cotton textile mills in India, according to the latest available information, is over 1,86,000. It must be stated that this figure does not include the handlooms established at various centres in India and the looms installed in the jute mills of Bengal. Leaving aside these two industries—the handloom and the jute—the total annual average value of Healds and Reeds consumed in the cotton textile mills in India would amount to Rs. 16,74,000 and Rs. 3,13,875 respectively. As these figures are worked out on the basis of statements by important groups of mills, it could be safely maintained that they are fairly accurate and give a correct idea about the consumption of these articles in the textile mills in India. If the usual normal expansion in the Indian textile mills industry is taken into consideration, the consumption of these two articles is bound to show a gradual increase.

3. As will be clear from a perusal of the details that follow, this representation has not been made with a view to secure any protection for the Healds and Reeds manufacturing industry. The object of this representation is to show that the normal development of the Indian Healds and Reeds

industry is considerably hampered by the fact that the Customs import duty on the finished Healds and Reeds is much lower than on the materials which have to be imported for the manufacture of these two articles, and that the Indian Healds and Reeds industry stands in need of immediate relief from this inequality in respect of tariff treatment. The raw materials used in the manufacture of Healds and Reeds are at present assessed to the general customs duty at 25 per cent., instead of at 10 per cent., under item No. 99 of the Tariff Schedules, that is, as component parts of machinery as defined in serial No. 97 (which includes Healds and Reeds). In the orders passed by the Assistant Collector of Customs, Bombay, on an appeal made by one of the Healds and Reeds manufacturing concerns, it was mentioned that duty on Reed staples, Reeds ribs and Reed wires was assessed at 25 per cent., as these articles are capable of being used for purposes other than those for which they were imported. My Committee would like to bring to the notice of the Government the fact that Sizing Flannels and Roller Cloth Plates are assessed at 10 per cent. under serial No. 97, although these articles could be used, and are actually used, for purposes other than those for which they are imported. They are, therefore, of the opinion that this tariff inequality to which the local manufacturers of Healds and Reeds are subjected should be removed as soon as possible.

The whole case is based upon the Government of India Res. (Dept. of Com.) No. 33-T. (2), dated the 23rd March, 1925. The Indian Tariff Board have investigated into the claims of some industries in respect of the tariff inequality between the finished article and the constituent materials, and have endorsed the principle that the inequality in respect of Customs import duty on finished articles and on the materials used in the manufacture of these articles in India should be removed. The Government of India have also accepted this principle, as could be seen from the adoption of the Tariff Board's recommendations in respect of the Printing Types, Electric Wires and Cables and Canvas and Camel Hair Belting Industries.

4. According to the information supplied to my Committee, the total estimated annual production of Healds and Reeds in the factories at present established in India is as follows:—

	Rs.
Healds	3,87,000
Reeds	39,000

My Committee are informed that the existing plant is capable of producing Healds worth Rs. 7,50,000 and Reeds worth Rs. 70,000 each year, if conditions favourable to the marketing of these two articles are created. The total Indian consumption amounts to Rs. 16,74,000 and Rs. 3,13,875 for Healds and Reeds respectively. It is thus clear that there is a very wide field for the expansion of this industry in India.

5. The principal imported raw materials used by the different manufacturing companies in the manufacture of Healds and Reeds, along with the percentage share of each item in the total cost of production, are as under:—

	Per cent.
(a) Healds—	
Yarn	41.86
Varnish	22.50
Wages and salaries	18.84
Fuel and stores	12.52
Rent, insurance, general charges, interest and depreciation	4.21
Total	<u>99.93</u>

	Per cent.
<i>(b) Reeds—</i>	
Polished reed wire	49.70
Reed ribs, staples, pitch, etc.	28.25
Fuel and stores	4.14
Rent, insurance, general charges, depreciation and interest	2.61
Wages and salaries	15.27
Total	<u>99.97</u>

(2) Swadeshi Healds and Reeds Manufacturing Company, Limited,
Ahmedabad—

	Per cent.
<i>Healds—</i>	
Yarn	35.7
Varnishes	17.3
*Manufacturing cost	47.0
Total	<u>100.0</u>

*NOTE.—Includes wages, fuels, stores, rent, insurance, interest, depreciation and all other charges.

(3) The Healds and Reeds Manufacturing Company of India, Limited,
Bombay—

NOTE.—When the yarn manufactured in India is used the cost of production works out to Rs. 33.12 but when foreign imported yarn is used the cost of production amounts to Rs. 35.4; the percentage of costs in both these cases is as follows:—

	Indigenous yarn Per cent.	Imported yarn Per cent.
<i>(a) Healds—</i>		
Yarn	29.63	32.63
Varnish	14.82	14.18
Wages and salaries	27.40	26.25
Fuel and stores	10.38	9.93
Rent, insurance and general charges	7.40	7.09
Interest and depreciation	10.37	9.92
Total	<u>100.00</u>	<u>100.00</u>

	Per cent.
<i>(b) Reeds—</i>	
Polished reed wire	47.17
Reed ribs, staples, pitch, etc.	34.85
Wages	17.98
Total	<u>100.00</u>

The cost price of Healds per 800 eyes is annas 13-4 (without profit) and for Reeds annas 2-1-6 per 100 dents, while the present bazar price of the imported Healds and Reeds amounts to annas 12½ and annas 1-8 respectively. The lower price of the imported articles has forced down the selling price of the locally manufactured Healds and Reeds. * This difference in the cost price of the Healds and Reeds manufactured in India and the selling price of the imported Healds and Reeds is due chiefly to the heavier import duty on raw materials which are used in the manufacture of Healds and Reeds and the lower import duty on finished articles. The import duty on finished Healds is 10 per cent., while the duties on constituent materials are as under:—

	Per cent.
Heald yarn	25
Heald varnish	25

The import duty on imported Reeds is 10 per cent., while the duties on the constituent materials are as under:—

	Per cent.
Reed pitch	25
Reed ribs	25
Reed brass wire	20
Reed staples	20
Reed paper	20 (British)
Reed paper	30 (Foreign)

From a perusal of these figures it will be clear that the local Healds and Reeds manufacturing industry suffers from a very severe handicap owing to this inequality in respect of tariff treatment.

6. My Committee have now briefly stated the case for the removal of the inequality in respect of tariff treatment for the Healds and Reeds industry. This industry is directly linked to the premier Indian national industry, viz., the Indian textile industry. With the increasing demand for Indian made piecegoods, it is but natural that the Indian mill industry should expand, and with it the demand for mill stores like Healds and Reeds. Here again, preference should naturally go to Healds and Reeds manufactured in India over the imported ones, and if there are any handicaps in the way of the Indian textile mills making a greater use of the Indian Healds and Reeds, these should immediately be removed by the Government of India. Government can either raise the duty on imported Healds and Reeds to 25 per cent., or reduce the import duty on materials listed above to 10 per cent., and thus assist the local manufacturers of Healds and Reeds. It must be stated, however, that any suggestion to increase duties on imported Healds and Reeds is likely to be opposed by the textile industry which would be directly affected by this rise; the only alternative then left would be to lower the duty on imported raw materials, and my Committee do not think that any objection would be taken to the adoption of this latter course.

7. My Committee have set out the main arguments for the removal of the tariff inequality which the manufacturers of Healds and Reeds are subjected to at present. They have also suggested the steps which the Government of India might take to remove the same. If the Government of India so desire, this representation may kindly be forwarded to the Tariff Board for a proper investigation of this case at an early date. My Committee hope, in conclusion, that in view of the importance of the matter, the Government of India will arrive at an early decision thereon.

The Millowners' Association, Bombay.

*Letter No. 1675/167, dated the 5th September, 1932, to the Secretary,
Central Board of Revenue, Simla.*

I am directed to refer to the appeal made by Messrs. M. C. Ghia and Company against the order of the Assistant Collector of Customs (Appraising), Bombay, assessing the duty to be paid on a consignment of reed ribs, reed staples and reed wire imported by them for the manufacture of healds and reeds in this country at 25 per cent. *ad valorem*, on the ground that such articles are capable of being used for purposes other than those for which they were imported.

My Committee, in supporting the appeal made by Messrs. Ghia and Company, against this decision, wish to point out that while finished articles like healds and reeds imported into India pay a duty of 10 per cent. *ad valorem*, articles like reed ribs, reed staples and reed wire imported in special dimensions and cut to precise specifications which would make them suitable for use in the manufacture of healds and reeds, are required to pay the higher import duty of 25 per cent. *ad valorem*. They agree with the contention advanced by the importer that such materials as he has imported having been given a special shape should more properly be classified under Serial No. 99 in the Tariff Schedule and should, therefore, pay a duty of 10 per cent. only. It is, moreover, admitted by the Assistant Collector of Customs that the "staples" in question are imported to be used in the manufacture of reeds and that the "ribs" have been given a special shape which would appear to support the point made by the importer that these staples and ribs were imported for the specific purpose of their being used in the manufacture of healds and reeds.

It has also to be pointed out that the present rates of assessment are hampering the development of a reed and heald making industry in this country as may be judged from the fact that one of the largest mill groups in Bombay, who are manufacturing their own healds and reeds, report that owing to the high rates of import duty on the materials which they still have to import, their cost of manufacture is about 8 per cent. higher than the cost of imported healds and reeds.

In these circumstances, my Committee would like to suggest the desirability of the Board taking up the matter and to see whether the importer could not be given the relief he asks for.

The Ahmedabad Millowners' Association.

(1) Letter No. 1389, dated the 7th September, 1932, to the Secretary, Central Board of Revenue, Simla.

I am directed by my Committee to invite the attention of your Board to the anomaly of charging a higher rate of import duty on certain component parts imperatively necessary for a particular Indian industry than that charged to finished articles of foreign manufacture imported into India.

In the case of a new industry desirous of seeking development in the country such lower rate on the finished foreign article would decidedly strangle its growth when it is compelled to pay comparatively higher duty on the main component parts on which the industry has to depend for its normal production.

Factories to manufacture healds and reeds are according to our information being started in the city of Bombay and it is likely that similar factories may be started in other centres as the industry receives impetus and develops on a prospective basis. It is therefore necessary for Government to make such alterations in the Schedule of duties as would give adequate and just relief to the growing industry.

In the manufacture of healds and reeds finished materials like Reed-ribs, Reed-staples and Polished Brass Reed Wire are extensively used and these are imported from foreign countries. Import Duty at the rate of 25 per cent. on the above materials is being charged by the Customs Department. Against this heavy duty of 25 per cent. on the component parts finished healds and reeds imported from foreign countries are charged at the rate of 10 per cent. The Customs Authorities in a recent instance refused to charge the same duty on the component parts as is charged to the finished articles. My Committee is strongly of opinion that this anomaly should be removed by Government at an early date with a view to remove the serious impediment that lies in the way of the development of a new and important industry in India.

Healds and reeds are used in very large quantities not only in the textile mills of India but even in handlooms, the estimated number of which is about 2,000,000 in the country. Moreover the Jute Mills also consume them in large quantities. Thus there is a very great scope for the establishing and development of this industry in India and in the interest of the industrial development of the country Government should on principle remove the higher duty charged to the component parts as early as possible.

For administrative convenience Government may be pleased to obtain undertakings from the importers that the component parts will not be utilised by them for any other purpose except the manufacture of the finished article.

(2) *Letter No. 1905, dated the 5th October, 1933, from the Ahmedabad Mill-owners' Association, to the Secretary to the Government of India, Department of Commerce, Simla.*

Subject:—IMPORT DUTY ON MATERIALS REQUIRED FOR THE MANUFACTURE OF HEALDS AND REEDS IN INDIA.

In further reference to my letter No. 1389 of 7th September, 1932, addressed to the Secretary, Central Board of Revenue, in connection with the lowering of the high import duty on certain component parts imported by manufacturers in the case of healds and reeds, I beg to acknowledge receipt of your letter No. 38-T. (2)/35, of the 18th July, 1933, and to state the views of my Association as under.

It is the accepted policy of the Government and the people of India that not only large scale industries be established in the country but subsidiary industries to supply the needs of indigenous industries should also be establish and fostered. The potential wealth of the country could only be profitably explored by the people by the starting of such subsidiary industries, and by the Government by the effective support they give in making them progressively developed.

The textile industry of India has expanded to a certain extent by now and yet there is a large scope for further expansion to supply the existing needs of the country.

Manufacture of pickers, picking bands, shuttles, shuttle tongues, healds, reeds and such other materials which are largely consumed in mills and

factories of India would raise a network of subsidiary industries in the country if capital is subscribed by the public on the one hand and assistance is rendered by Government for adequate growth and development of such industries on the other. Taking the particular case of the manufacture of healds and reeds in India it would be found that within a short period enterprising industrialists have come forward to invest capital and supply the needs of the industry. In the initial stage obstructive factors are required to be immediately removed by Government. The existing scale of import duties on the raw-materials required for these subsidiary industries is so high in relation to the finished articles that the industry could not be able to make progressive strides or to work profitably. Indian mills consume healds and reeds to the extent of Rs. 17 lakhs and Rs. 3,15,000 respectively and Government will no doubt feel that there is ample scope for the subsidiary industry to cover the field in its own country. Not only the normal growth of this industry is being blocked by such a very high rate of duty on the component parts but it is at the same time further hampered by the lower duty of 10 per cent. on the finished imported articles falling under the same category. The low price of the imported stuff would naturally crush the local industry by heavy underselling in prices when such an anomalous difference is maintained by Government in the imports of finished articles and its component parts. It may be argued that the component parts would be utilised for other purpose than a particular industry. But in the interest of the industrial development of India such a point does not arise when by facts and figures the anomaly is proved before Government. In the case of several other articles similar situation exists and yet the Government do not take any objection in keeping the import duties on component parts to a lower level.

My Association would invite the attention of Government to the detailed statistics submitted to them by the Indian Merchants' Chamber, Bombay, and urge that in the interest of cotton textile mills and subsidiary industries, import duties on the component parts required for the manufacture of healds and reeds be substantially reduced without further delay.

Government of Bombay.

Letter No. 9723-D., dated the 27th/31st July, 1933, from the Secretary to the Government of Bombay, General Department, to the Secretary to the Government of India, Department of Industries and Labour.

Subject:—INDUSTRIES—MANUFACTURE OF HEALDS AND REEDS.

I am directed by the Government of Bombay (Transferred Departments) to address the Government of India on the question of the manufacture of healds and reeds which has recently been taken up in this Presidency to meet the demand of the Textile Industry. The Director of Industries to this Government has reported that various firms in this Presidency have approached the Government of India with a view to obtaining some relief from the import duty charged on the materials which are used in the manufacture of healds and reeds. I am to enclose a copy of a letter with accompaniments from the Director of Industries No. I. C. 207/1913, dated the 30th March, 1933, which completely explains the position, and to say that the local Government are in entire agreement with his views. I am therefore to request that you will be so good as to move the Government of India to consider favourably the application which has already been made to them by the Healds and Reeds Manufacturing Company of India and other manufacturers of healds and reeds in this Presidency (copy among the papers accompanying this letter).

Enclosure.

No. I. C. 207-1913.
Office of the Director of Industries,
Old Custom House,
Bombay, 30th March 1933.

From

P. B. ADVANI, Esq., M.Sc. Tech., M.I.E., J.P.,
Director of Industries, Bombay,

To

The Secretary to Government,
General Department,
Bombay.

Subject:—CUSTOMS DUTIES ON COMPONENT PARTS REQUIRED IN THE
MANUFACTURE OF HEALDS AND REEDS.

Sir,

I have the honour to state that the manufacture of healds and reeds has recently been taken up in this Presidency to meet the demand of the Textile Industry. Two factories have recently been started, one in Bombay and the other at Ahmedabad, the names of which are the Healds and Reeds Manufacturing Company of India, Limited, Agents—Messrs. M. C. Ghia and Company, 24, Elphinstone Circle, Fort, Bombay, and the Swadeshi Healds and Reeds Manufacturing Company, Limited, Mirzapur Road, Ahmedabad, for the manufacture of healds and reeds. In the manufacture of healds and reeds finished materials like reed-ribs, reed-staples and polished brass reed wire are extensively used which are imported from foreign countries as same are not available in this country. A special kind of varnish has also to be imported from abroad as this kind of varnish is not made in India. Import duty at the rate of 25 per cent. *ad valorem* on the above materials is being charged by the Customs authorities whereas finished healds and reeds imported from foreign countries are charged at the rate of 10 per cent. *ad valorem*. With a view to remove the serious impediment in the development of a new and important industry such as the Heald Industry, it is desirable that the anomaly should be removed.

Recently the Healds and Reeds Manufacturing Company of India, Limited, imported reed-ribs and reed-staples and polished brass wire on which the Customs authorities charged 25 per cent. duty. The orders of the Assistant Collector of Customs passed in the case of the above are attached hereto—Enclosures A and B. Against these orders the firm appealed to the Central Board of Revenue, Simla, who have rejected the appeals on technical grounds—*vide* enclosures C and D attached hereto.

To my mind the assessment of duty on the component parts, *viz.*, reed-ribs, reed-staples, polished brass wire and the special kind of varnish used in the manufacture of healds and reeds at the *ad valorem* duty of 25 per cent. is likely to retard the establishment of such factories and will hamper the growth of the industry already recently established in this Presidency. In this connection the Bombay and Ahmedabad Millowners' Associations and the Indian Merchants' Chamber, Bombay, have already addressed the Secretary, Central Board of Revenue, Simla, pointing out the difficulties in the way of fostering this industry. Copies of their letters are attached hereto as enclosures E, F and G.

The Healds and Reeds Manufacturing Company of India and other similar manufacturers of healds and reeds in this Presidency have also sent a representation to the Secretary to the Government of India, Department of Commerce, New Delhi, as per the enclosure H.

I am in agreement with the views expressed in the joint representation and request that you will kindly move the Government of India to grant

them the relief which they seek by allowing the firms mentioned therein to import component parts required in the manufacture of healds and reeds at the *ad valorem* duty of 10 per cent. which is charged on the finished healds and reeds or if this is not possible, to refer the case to the Tariff Board for investigation under Government of India Resolution No. 38-T. (2), dated the 28th March, 1925, a reference to which is invited in enclosure G hereto.

I have the honour to be,
Sir,
Your most obedient servant,

(Sd.) P. B. Advani,
Director of Industries.

Enclosure A.

In the office of the Assistant Collector of Customs, Appraising Department,
Bombay.

Order No. A/5563 of 1932, dated the 23rd July, 1932.
Passed by F. J. Karaka, Esq., B.A.

ORDER (ORIGINAL).

N.B.—(1) The copy is granted free of charge for the private use of the person to whom it is issued.

(2) An appeal against this order lies to the Central Board of Revenue, Simla, within three months of its date. Any appeal should bear a Court-fee stamp of Rs. 4 only and must be accompanied by a copy of this order, bearing the Court-fee stamp prescribed under Schedule L, Item 6 of the Court Fees Act of 1870, *viz.*, of the value of annas 8 only.

Subject:—2 cases Reed-ribs and Reed-staples *ex s.s.* "Anchoria". Bill-of-Entry No. 341/217 of 11th/13th July, 1932.

Read:—Appraiser's and Principal Appraiser's Reports, dated the 16th July, 1932.

ORDER.

Messrs. M. C. Ghia and Company presented a Bill-of-Entry for the abovementioned goods. On examination the goods were found to be "wooden manufacture O. S." and "Hardware O. S."—dutiable at 25 per cent. and not "Reed-ribs" and Reed-staples—component parts of reeds—dutiable at 10 per cent. as declared in the Bill-of-Entry. Had the declaration been accepted there would have been a loss of revenue to Government amounting to Rs. 88. Mr. M. C. Ghia, the proprietor of Messrs. M. C. Ghia and Company, is present and states that he has imported these articles for the first time—Reed-ribs lengths (which are not cut to size) and Reed-staples. He claims under item 99 of the Indian Customs Tariff for these articles at the lower rate of duty of 10 per cent. as "component parts of reeds" mentioned in item 97 of the Indian Customs Tariff. He states that both these articles have special quality and shape which should entitle them to the lower rate of duty.

There are two classes of articles under dispute in this case. The first, *viz.*, "staples" consists of staples which can be used ordinarily in a variety of ways and though they are imported to be used in the manufacture of reeds, they do not fulfil the conditions of item 99 of the Tariff inasmuch as they have not been given any special shape or quality which would not be essential for their use for any other purpose. As regards the "Reed-ribs"

these are not cut to sizes to go into their place as component parts of reeds. They are in lengths of 11, 12 and 13 feet, from which the required lengths would have to be cut. No doubt they are so shaped as to have rounded surface on the top and a flat one at the bottom. But it is considered that this shape is not so special as would not be essential for their use for any other purpose. Moreover, not being cut to sizes they have not been rendered unfit for other use. They should pay the rate of duty, namely, 25 per cent. applicable to manufacture of wood under item 92 of the Indian Customs Tariff. The above order has been passed after consulting the Collector of Customs who agrees.

As the declaration in the Bill-of-Entry appears to have been made *bonâ fide* I order that the description in the Bill-of-Entry which is not correct be amended without penalty.

(Sd.) F. J. Karaka,
Assistant Collector of Customs.

Enclosure B.

In the Office of the Assistant Collector of Customs, Appraising Department,
Bombay.

Order No. A. 5834 of 1932, dated the 2nd August, 1932.

Passed by F. J. Karaka.

ORDER (ORIGINAL).

Subject:—1 case Brass Reed Wire *ex s.s.* "Clan Buchanan". Bill-of-Entry No. 328/379 of 4th/5th July, 1932.

Read:—Appraiser's and Principal Appraiser's Reports, dated the 11th July, 1932, and 25th July, 1932.

ORDER.

Messrs. M. C. Ghia and Company presented a Bill-of-Entry for the abovementioned goods. On examination the goods were found to be brass reed wire of different dimensions wound on tin rims—dutiable at 25 per cent. and not brass reed wire—component parts of reeds—dutiable at 10 per cent. as declared in the Bill-of-Entry. Had the declaration been accepted there would have been a loss of revenue to Government amounting to Rs. 35-6-0. Mr. M. C. Ghia, the proprietor of the firm, is present and states that he has imported these articles for the first time—in lengths (and are not cut to size) and claims under item 99 of the Indian Customs Tariff entry for the article at the lower rate of duty of 10 per cent. as component parts of reeds mentioned in item 97 of the Indian Customs Tariff. He states that the article has special quality and shape which would entitle it to the lower rate of duty.

The brass wire in question though imported to be used in the manufacture of reeds can be used ordinarily in a variety of ways and does not fulfil the conditions of item 99 of the Tariff inasmuch as it has not been given any special shape or quality which would not be essential for their use for any other purpose. He should therefore pay the rate of duty, *viz.*, 25 per cent. applicable to manufacture of Brass under item 111/98 of the Indian Customs Tariff. The above order has been passed after consulting the Collector of Customs who agrees.

As the declaration in the Bill-of-Entry appears to have been made *bonâ fide* I order that the description in the Bill-of-Entry which is not correct be amended without penalty.

(Sd.) F. J. Karaka,
Assistant Collector of Customs.

Enclosure C.

Central Board of Revenue.

Simla, the 14th September, 1932.

Customs Appeal No. 38 of 1932 of the Central Board of Revenue.

MACHINERY—COMPONENT PART—REED-RIBS AND STAPLES—ASSESSMENT OF.

Read:—Order of the Collector of Customs, Bombay, refusing to assess the above goods as component parts of machinery, appeal of the importers, Messrs. M. C. Ghia and Company, Bombay, and the records of the case.

ORDER:—The Central Board of Revenue agrees with the Collector of Customs. Appellants say that they have started a factory for the manufacture of healds and reeds; and the dispute relates to materials to be used for such manufacture. No. 97/59B of the Tariff specified "healds" and "reeds" but not materials for the manufacture. So long as that is the law, the latter materials cannot be included under that number of the Tariff.

(Sd.) A. H. Lloyd,
Member, Central Board of Revenue.

Enclosure D.

Central Board of Revenue.

Simla, the 14th September, 1932.

Customs Appeal No. 39 of 1932 of the Central Board of Revenue.

MACHINERY—COMPONENT PARTS—BRASS REED WIRE—ASSESSMENT OF.

Read:—Order of the Collector of Customs, Bombay, refusing to assess the above goods as component parts of machinery, appeal of the importers Messrs. M. C. Ghia and Company, Bombay, and the records of the case.

ORDER:—The Central Board of Revenue agrees with the Collector of Customs. Appellants say that they have started a factory for the manufacture of healds and reeds; and the dispute relates to materials to be used for such manufacture. No. 97/59B of the Tariff specifies "healds" and "reeds" but not materials for their manufacture. So long as that is the law, the latter materials cannot be included under that number of the Tariff.

(Sd.) A. H. Lloyd,
Member, Central Board of Revenue.

Enclosure E.

No. 1675/167 of 1932.
The Millowners' Association,
Bombay, 5th September, 1932.

The Secretary,
Central Board of Revenue,
Simla.

Sir,

I am directed to refer to the appeal made by Messrs. M. C. Ghia and Company against the order of the Assistant Collector of Customs (Appraising), Bombay, assessing the duty to be paid on a consignment of

reed-ribs, reed-staples and reed wire imported by them for the manufacture of healds and reeds in this country at 25 per cent. *ad valorem* on the ground that such articles are capable of being used for purposes other than those for which they were imported.

My Committee, in supporting the appeal made by Messrs. M. C. Ghia and Company against this decision, wish to point out that while finished articles like healds and reeds imported into India pay a duty of 10 per cent. *ad valorem*, articles like reed ribs, reed staples and reed wire imported in special dimensions and cut to precise specifications which would make them suitable for use in the manufacture of healds and reeds, are required to pay the higher import duty of 25 per cent. *ad valorem*. They agree with the contention advanced by the importer that such materials as he has imported having been given a special shape should more properly be classified under Serial No. 99 in the Tariff Schedule and should, therefore, pay a duty of 10 per cent. only. It is, moreover, admitted by the Assistant Collector of Customs that the "staples" in question are imported to be used in the manufacture of reeds and that the "ribs" have been given a special shape which would appear to support the point made by the importer that these staples and ribs were imported for the specific purpose of their being used in the manufacture of healds and reeds.

It has also to be pointed out that the present rate of assessment is hampering the development of a reed and heald making industry in this country as may be judged from the fact that one of the largest mill groups in Bombay who are manufacturing their own healds and reeds report that owing to the high rates of import duty on the materials which they still have to import, their cost of manufacture is about 8 per cent. higher than the cost of imported healds and reeds.

In these circumstances, my Committee would like to suggest the desirability of the Board taking up the matter and to see whether the importer could not be given the relief he asks for.

I have, etc.
(Sd.) T. Maloney,
Secretary.

Enclosure F.

Ahmedabad, 7th September, 1932.

To

The Secretary,
Central Board of Revenue,
Simla.

Sir,

I am directed by my Committee to invite the attention of your Board to the anomaly of charging a higher rate of import duty on certain component parts imperatively necessary for a particular Indian industry than that charged to finished articles of foreign manufacture imported into India.

In the case of new industry desirous of seeking development in the country such lower rate on the finished foreign article would decidedly strangle its growth when it is compelled to pay comparatively higher duty on the main component parts on which the industry has to depend for its normal production.

Factories to manufacture healds and reeds are according to our information being started in the city of Bombay and it is likely that similar factories may be started in other centres as the industry received impetus and develops on a prospective basis. It is therefore necessary for Government to make such alterations in the Schedule of duties as would give adequate and just relief to the growing industry.

In the manufacture of healds and reeds finished materials like Reed-ribs, Reed-staples and Polished Brass Reed Wire are extensively used and these are imported from foreign countries. Import duty at the rate of 25 per cent. on the above materials is being charged by the Customs Department. Against this heavy duty of 25 per cent. on the component parts finished healds and reeds imported from foreign countries are charged at the rate of 10 per cent. The Customs Authorities in a recent instance refused to charge the same duty on the component parts as is charged to the finished articles. My Committee is strongly of opinion that this anomaly should be removed by Government at an early date with a view to remove the serious impediment that lies in the way of the development of a new and important industry in India.

Healds and reeds are used in very large quantities not only in the textile mills of India but even in handlooms, the estimated number of which is about 2,000,000 in the country. Moreover the Jute Mills also consume them in large quantities. Thus there is a very great scope for the establishing and development of this industry in India and in the interest of the industrial development of the country, Government should on principle remove the higher duty charged to the component parts as early as possible.

For administrative convenience Government may be pleased to obtain undertakings from the importers that the component parts will not be utilised by them for any other purpose except the manufacture of the finished article.

I have the honour to be,

Sir,

Your most obedient servant,

(Sd.)

Secretary,
The Millowners' Association,
Ahmedabad.

Enclosure G.

19th August, 1932.

From

J. K. Mehta, Esq., M.A.,
Secretary, The Indian Merchants' Chamber,

To

The Secretary,
Central Board of Revenue,
Simla.

Sir,

The attention of the Committee of this Chamber is drawn several times to the component parts required for a particular industry being charged at a higher rate of Customs duty than the finished foreign articles with which that industry proposes to compete. This country is still in a backward stage as regards development of industries and every effort to start the manufacture of articles, which are at present imported, should receive encouragement and support from Government. This was acknowledged by the Government of India themselves, when they issued the following Resolution, embodying their decision to refer to the Tariff Board cases in which the development of certain industries in the countries was "hampered by the fact that the duty on the finished article was lower than the duty on the materials which had to be imported for the manufacture of that particular article".

Resolution No. 32-T. (2), dated the 28th March, 1925.—"The Government of India have received a number of representations to the effect that the development of certain industries in India is hampered by the fact that the

duty on the finished article is lower than the duty on the materials which have to be imported for the manufacture of that article. A list of such representations is appended to this resolution. The representations will now be referred to the Tariff Board. It is requested to examine these representations and any others of a similar nature which may be brought to its notice and to make recommendations, whether general or special as it thinks fit."

A factory is going to be started in this city to manufacture healds and reeds and for the manufacture of these articles it is found necessary to import certain finished materials, such as reed-ribs, reed-staples, polished brass wire and heald varnish, from foreign countries. The Customs Department charges 25 per cent. on these materials and if such heavy duties are charged it is naturally detrimental to the industry concerned, when the imported healds and reeds are charged only 10 per cent. This question was brought to the notice of the Customs Authorities, but unfortunately they have not accepted the request for charging all these component parts at 10 per cent. duty and have decided that the rate of duty should be 25 per cent. applicable to manufacture of wood under item 92 of the Indian Customs Tariff. A copy of the order passed by the Assistant Collector of Customs, Bombay, is enclosed herewith for ready reference. This question involves, in the opinion of my Committee, a big principle and they, therefore, hope that Government will be pleased that, in the interests of the industrial developments, component parts necessary for the manufacture of any article should not be charged at a higher duty than that on the imported finished product which the industry is manufacturing or proposes to manufacture. It may be contended that these component parts may not be used for the manufacture of such article or product but may be put to any other use in any other industry. It should serve the purpose if the importer gives an undertaking that the component parts will not be used for any other purposes but will be used only in the manufacture of such article or product.

I beg to remain,

Sir,

Your most obedient servant,

(Sd.) J. K. Mehta,
Secretary.

Enclosure H.

27th February, 1933.

The Secretary to the Government of India,
Department of Commerce,
New Delhi.

Sir,

We, the undersigned, beg to draw the attention of the Government of India to certain difficulties which are being experienced by the Healds Industry. This is more or less a new industry, which is being developed, to supply one of the essential articles of stores required by the Cotton Textile Industry. We tried to get figures of imports of Healds and Reeds, but unfortunately this information could not be secured even from the Director General of Commercial Intelligence and Statistics. We have now suggested, through the Indian Merchants' Chamber, that separate heading be given in the Tariff Schedule to Healds and Reeds, and if this suggestion is accepted, figures may be available from the next year. For the present, however, it may be stated that the imports are fairly substantial and that these two articles are imported in the category of mill stores.

The duty on varnish and heald yarn—which is the bulk of goods in manufacturing Healds, is at present 25 per cent., whereas the duty on imported healds is only 10 per cent.

We have put down a fairly large plant to handle Heald Industry, but cannot obtain a suitable varnish in India of the class required for this class of work.

To manufacture heald yarn locally, we have a duty of $\frac{1}{2}$ anna per lb. on the raw cotton which at to-day's price of cotton is as high as the 10 per cent. duty on imported healds. We therefore would suggest an enquiry by the Tariff Board into the possibility of increasing the duty on healds to a percentage which would give the local Industry a chance to compete with the imported product.

Similarly with regard to the manufacture of Reeds, raw materials such as wooden reed-ribs, reed-staples, pitch and reed-ends is 25 per cent. while the duty on Reeds is only 10 per cent. We have endeavoured to secure these articles in the country but are unable to do so and therefore suggest that with a view to the development of a new Industry in the country, the duty on articles supplied for reed making be reduced or the duty on the articles increased.

We shall be pleased to put up a detailed case before the Tariff Board on receipt of your instructions.

We beg to remain,

Sir,

Your most obedient servants,

For and on behalf of
E. D. Sassoon & Co., Ltd.,

(Sd.) Fred Stones,
Director.

For and on behalf of
Healds and Reeds Mfg. Co. of India, Ltd.,

(Sd.) M. C. Ghia & Co.,
Agents.

Per Pro. McGregor and Balfour, Ltd.,

(Sd.) J. Stevert,
Manager.

For and on behalf of
The Swadoshi Healds and Reeds Mfg. Co., Ltd.,

(Sd.) J. R. Patel & Co.,
Secretaries, Treasurers and Agents.

Jones Textilities Export Company, Limited, Bombay.

Letter dated the 13th April, 1934.

* In connection with the application for Healds and Reeds Manufacturing Industry for an increase in the customs duty on importations, as the largest Manufacturers and Importers supplying the majority and most important mills in the whole of India, we beg to state our views in opposing this application.

There are only 4 or 5 small factories in India manufacturing Healds and Reeds, and apart from the output of these factories which is only sufficient to supply approximately 5 per cent. of the Mills' requirements, the quality is very inferior as compared with the imported Healds and Reeds. The industry in India is in its infancy and when we state that the quality and durability of our products has only been attained after 60 years' experimental and practical experience in the manufacture it clearly proves that this application for additional protection is somewhat premature.

A further point to bear in mind is the Indian Heald makers are mainly engaged in the manufacture of Healds and Reeds for coarse weaving up to and including 64 counts, notwithstanding that there has been a gradual change by the mills from coarse to fine counts.

We have already approached the Association of Bombay Millowners, who themselves readily admit the time is not opportune for this hardly commenced industry to apply for protection, and furthermore, they quite realise that should a Protective Duty be imposed, it will only result in an additional cost on cloth production. As you are aware the majority of the Cotton Mills at the present time are fighting for their existence and to place an additional burden on cost at this juncture would be a great hardship, especially in view of the severe Japanese competition prevailing in this market.

We, of course, would immediately have to increase our prices by the amount of any protective duty imposed and are quite confident that imports will not be affected thereby.

Letter No. 121, dated the 14th March, 1934, from the Secretary, Tariff Board, to (1) Healds and Reeds Manufacturing Company of India, Limited, (2) The Swadeshi Healds and Reeds Manufacturing Company, Limited, (3) McGregor and Balfour, Limited, (4) E. D. Sassoon and Company, Limited.

With reference to the application of the Healds and Reeds manufacturing industry for the removal of tariff inequality, I am to ask that the following information may be kindly supplied to the Tariff Board:—

(1) Present c.i.f. price, or if this is not available, the current wholesale market price per customary unit of (a) healds, and (b) reeds imported into India.

(2) The duties applicable to imported (a) healds and (b) reeds—and the tariff items under which they are assessed.

(3) Country or countries from which they are imported.

(4) (a) The kind of yarn used in the manufacture of healds, (b) the country or countries from which it is imported, (c) the Customs duty leviable on it and (d) the tariff item under which the duty is assessed.

(5) (a) The specifications, if any, of the varnish used in the manufacture of healds, (b) the country or countries from which varnish is imported, (c) Customs duty leviable on varnish and (d) the tariff item under which the duty is assessed.

(6) (a) Principal imported materials used in the manufacture of reeds, (b) the country or countries from which they are imported, (c) the duties leviable on them and (d) the tariff items under which the duties are assessed.

(7) (a) The cost of manufacturing healds and reeds and (b) the quantity and the cost of each of the principal imported materials consumed, per customary unit of healds and reeds.

(8) The approximate extent to which the cost of textile products would be increased if the duties on imported healds and reeds were raised.

2. It is requested that a reply (with four spare copies) may be sent so as to reach the Board's office, Legislative Council Chamber, Shillong, not later than 15th April, 1934.

McGregor and Balfour, Limited, Calcutta.*Letter dated the 6th April, 1934.*

We beg to acknowledge receipt of your letter No. 121, dated the 14th March, in connection with the application of the Healds and Reeds manufacturing industry and reply as follows:—

(1) We regret we are not in a position to give the prices of imported reeds and healds.

(2) The duty on imported reeds and healds is 10 per cent.—tariff item 50B.

(3) Reeds and Healds are imported from Great Britain and Germany.

(4) (a) Healds are manufactured from Heald cord made from American and Egyptian Cotton, (b) imported from Great Britain, (c) Customs duty leviable is 25 per cent., (d) tariff item No. 100.

(5) (a) The varnish used in the manufacture of healds is a special Copal Heald Varnish, (b) imported from Great Britain, (c) Customs duty leviable is 25 per cent., (d) tariff item No. 93.

(6) We give you as follows the principal imported materials used in the manufacture of reeds with the duties leviable and tariff:—

(a) Material.	(b) Country from which imported.	(c) Duty.	(d) Tariff item.
Reed makers Pitch.	Great Britain	25 per cent.	No. 113.
Reed Ribs	" "	25 "	No. 79.
Reed Wire (Cast Steel)	" "	Rs. 45 per ton.	No. 149.
Jute Twist	" "	25 per cent.	No. 106.

(7) It is impossible for us to give our costs of manufacturing healds and reeds as these are entirely dependent on the quantity manufactured per month.

You will appreciate that for this trade skilled workmen are difficult to obtain and we must keep on our staff whether we have the work for them or not. Unless we get a sufficient quantity of healds and reeds to keep our machines and workmen fully employed it is impossible to arrive at accurate costs on a unitary basis.

We manufacture entirely for the Jute Trade and the customary unit is per piece. We enclose for your information our price list. Owing to the competition from imported Healds and Reeds we are at present selling on this list less 20 per cent.

(8) In our opinion an increase in the duty on imported reeds and cambs would have no effect whatever on the cost of textile products as healds and reeds constitute an infinitesimal part of the running costs of a jute mill.

We trust the foregoing information will be of assistance to you.

**Healds and Reeds Manufacturing Company of India, Limited,
Bombay.**

Letter dated the 10th April, 1934.

We beg to acknowledge receipt of your letter No. 121, dated the 14th March, 1934, and have the honour to submit the following information in reply to the various queries raised in your above letter.

(1) The present c.i.f. price for—

- (a) Healds is 12*d.* per 800 eyes less 5 per cent. and that of
- (b) Reeds is 1½*d.* per 100 dents less 5 per cent.

The present wholesale market price of Healds is As. 11-6 per 800 eyes and of Reeds is As. 1-8 per 100 dents.

(2) The duty applicable to imported—

- (a) Healds is 10 per cent., and
- (b) Reeds is 10 per cent.

The tariff item under which Healds and Reeds are assessed is No. 97/59B.

(3) Healds and Reeds are imported from the United Kingdom, Germany, Italy and Czechoslovakia.

(4) (a) The kind of yarn used in the manufacture of Healds is Egyptian combed yarn in various folds from 40s to 100s count.

(b) So far as we are aware this kind of yarn is imported mainly from the United Kingdom.

(c) The duty applicable to imported Healds yarn is 25 per cent., and the tariff item under which this duty is assessed is No. 123.

(5) (a) The varnish used in the manufacture of Healds is a special varnish of which we are unable to obtain specifications from the Varnish makers.

(b) It is imported from the United Kingdom and Germany.

(c) The duty applicable to imported Varnish is 25 per cent., and

(d) The tariff item under which the duty is levied is No. 91/93.

(6) (a) The principal imported materials used in the manufacture of Reeds are:—

- (i) Polished Reed Wire,
- (ii) Brass Reed Wire,
- (iii) Reed Ribs,
- (iv) Reed Staples,
- (v) Reed Pitch,
- (vi) Reed Paper, and
- (vii) Reed Ends.

(b) So far as we are aware all the above materials are imported from the United Kingdom.

(c) The duties applicable to imported—

- (i) Polished Reed Wire is Rs. 45 per ton.
- (ii) Brass Reed Wire is 20 per cent.
- (iii) Reed Ribs is 25 per cent.
- (iv) Reed Staples is 20 per cent.
- (v) Reed Pitch is 25 per cent.
- (vi) Reed Paper is 20 per cent. on British manufacture; and 30 per cent. on foreign manufacture.
- (vii) Reed Ends is 10 per cent.

(d) The tariff items under which the duty is assessed on the above materials are:—

- (i) Polished Reed Wire No. 103r-149.
- (ii) Brass Reed Wire No. 111-96.
- (iii) Reed Ribs No. 166-120.
- (iv) Reed Staples No. 84a-185.
- (v) Reed Pitch No. 150-113.
- (vi) Reed Paper No. 112-197.
- (vii) Reed Ends No. 99-59D.

(7) The cost of manufacturing Healds is As. 15'323 per 800 eyes and of Reeds pies 24'7 per 100 dents. The cost of manufacturing Healds at As. 15'323 is calculated on the basis of imported yarn being entirely used in the manufacture of Healds. If it is possible to obtain similar yarn manufactured in India, the cost is likely to be reduced to As. 13'860 per 800 eyes. We may state, however, that Egyptian combed yarn is not easily obtainable, and that there are no facilities of folding such yarn for use in the manufacture of Healds. We may further state that we have the advantage of obtaining such yarn from the Ambica Mills, Limited of Ahmedabad, but other manufacturers of Healds have usually to use imported yarn, and, therefore, the general cost of manufacturing Healds may be fairly calculated on the basis of the price of imported yarns. The cost of production on the basis of imported yarn:—

	Per cent.	As.	
Yarn	38'608	5'916	4'75 oz. yarn at Re. 1'4 per lb.
Varnish	13'726	2'103	3'75 oz. varnish at Rs. 5 per gallon.
Overhead	6'810	1'043	
Wages	14'979	2'296	
Fuel and Stores	13'619	2'087	
Interest	8'172	1'252	
Depreciation	4'086	0'626	
	<u>100'000</u>	<u>15'323</u>	

Cost of manufacturing Healds, if Indian made yarn is used—

	Per cent.	As.	
Yarn	32'128	4'453	4'75 oz. yarn at As. 15 per lb.
Varnish	15'173	2'103	3'75 oz. varnish at Rs. 5 per gallon.
Overhead	7'529	1'044	
Wages	16'563	2'297	
Fuel and Stores	15'058	2'087	
Interest	9'032	1'251	
Depreciation	4'516	0'625	
	<u>99'999</u>	<u>13'860</u>	

	Pies Per cent. per 100 dents.	
(b) Reeds.—The cost of manufacturing Reeds:—		
Polished Reed Wire	}	52.02 12.85
Brass Reed Wire		
Reed Ribs		
Reed Staples		
Reed Pitch		
Reed Paper		
Reed Ends	47.98 11.85	
Wages Fuel, Rent, Interest, Depreciation, etc.		
TOTAL	100	24.70

(8) As stated above, the present duty applicable to imports of Healds and Reeds in India is 10 per cent. If these duties are raised in each case to 25 per cent. we submit that the additional cost of producing cotton piece-goods would be quite infinitesimal, as will be seen from the facts stated hereunder:

In our representation, dated the 2nd August, 1933, sent to the Deputy Secretary, Government of India, Department of Commerce, we have shown the total number of power looms for 1931-32 as 1,86,000; the average expense of Healds and Reeds per month per loom at As. 12 and As. 2-3 respectively. The annual consumption of Healds on this basis comes to about Rs. 16,74,000 and that of Reeds to Rs. 3,13,875 making in the aggregate a total cost to the industry of roughly Rs. 20 lakhs per year.

According to the recent figures in our possession supplied to us by the Millowners Association, Bombay, the total number of looms in 1932-33 has increased to 189,000 and taking the average consumption of Healds and Reeds at As. 12 and As. 2-3 respectively per month per loom, the total cost to the industry on this head works out a little higher than Rs. 20 lakhs.

It will be seen that, whilst consumption of Healds and Reeds is not entirely confined to the cotton textile power looms as both jute mills and hand looms are also amongst the consumers of these articles, the figures given above are only in relation to the cotton textile power looms. The production of cotton cloth by power looms in India for the year 1931-32 was 2,989.9 million yards (see page 17 of Cotton Textile Tariff Board's Report, 1932). The production of cotton cloth in India by handlooms has been estimated for the year 1931-32 at 1,459.9 million yards (see page 38 of Cotton Textile Tariff Board's Report, 1932).

For the year 1932-33 the cotton cloth production by the power looms increased to 3,170 million yards. The value in crores has also risen from 53.6 in 1931-32 to 54.9. (The 1932-33 figures have been obtained from the Millowners Association, Bombay). The approximate value of Healds and Reeds consumed by the power looms which is shown at Rs. 20 lakhs includes a 10 per cent. import duty, the deduction of which leaves the cost of Healds and Reeds to the industry of Rs. 18.2 lakhs per year. If the duty is now raised to 25 per cent. it will raise the value by Rs. 4.55 lakhs, making a total charge on the industry of Rs. 22.75 lakhs, i.e., an additional extra cost of Rs. 2.75 lakhs on a total production of cloth estimated to be worth Rs. 54.9 crores. The incidence of this extra cost works out at Rs. 0.05,009 on Rs. 100 worth cloth; or 0.09,617 pies for Re. 1 worth of cloth; or, in other words, 0.01,665 pies for the one yard of cloth. If duty is raised to 25 per cent., the extra cost of Healds and Reeds per yard taken in our calculations is based on an estimate prepared by the Indian Merchants' Chamber in 1933. An examination of the list of mills, who then submitted returns, indicates the average counts of yarn and cloth prepared in those mills

higher than the average count for the Indian mill industry as a whole. As the cost of Healds and Reeds per yard increases considerably with the fineness of cloth produced, our final estimate must be considered to be rather on the high side for the industry as a whole. To elucidate the position which would be created in the event of the duty being raised to 25 per cent., we have compiled the following table:—

All-India Cotton Mills Production.

	Year ending March, 31st.		
	1930-31.	1931-32.	1932-33.
In million yards	2,561	2,990	3,170
Value in crores	50.4	53.6	54.9
Looms installed	182,429	186,341	189,000
Annual production per loom in rupees	2,751	2,876	2,904
Total additional cost if the duty on Healds and Reeds is increased from 10 per cent. to 25 per cent. in rupees			2.75 lacs.
Extra cost per year per loom if duty on Healds and Reeds is increased to 25 per cent.			Rs. 1-7-3
Additional cost on account of further extra duty 15 per cent.—			
On hundred rupees worth cloth			Rs. 0-05,009
or			
One rupee worth cloth			0-09,617 pies.
or			
One yard of cloth			0-01,665 pies.

We take this opportunity of inviting your attention to a further decline in the price realised by our products since we submitted our representation through Messrs. E. D. Sassoon and Company, Limited, to the Government of India, Department of Commerce, on 2nd August, 1933. This realization has declined from Rs. 30 per machine to Rs. 27-14 per machine. (The approximate production per machine per day is 30,800 eyes.) At the same time, our cost of production has increased from Rs. 33-12 to Rs. 33-14 owing to the increased cost of producing home yarn from 40s to 100s count. The additional loss to which we have been put as a result of the diminished realisation is entirely the result of the lower prices at which foreign Healds and Reeds have been offered into this country since August, 1933, as may be seen from the comparative prices of As. 12-6 per 800 eyes and As. 11-6 or As. 11-9 per 800 eyes in August, 1933, and the current rates.

Reeds.—During the same period the prices realised for Reeds have declined from Rs. 27 to Rs. 25-12 per machine as foreign Reeds are offered now at As. 1-8 to As. 1-9 per 100 dents compared to As. 1-10 per 100 dents in August last.

(The production of Reeds per machine per day is approximately 23,500 dents.)

We submit that the total value of Healds and Reeds consumed in India by power looms alone is sufficiently large to warrant the establishment of a subsidiary industry which would give employment at least to 2,000 workmen per working day when the industry attains the position of supplying the entire requirements of Healds and Reeds by power looms worked in India. We believe the scope for this industry is much larger, but in absence of definite statistical data we are not in a position to make an exact estimate as to the total amount of Healds and Reeds consumed by hand-looms and jute looms.

We may also be permitted to point out that the establishment of this industry will give a fresh impetus to the manufacture of Egyptian combed

yarn of 40s to 100s count. If the entire requirements of Healds and Reeds in India were manufactured locally the consumption of the yarn required would be about 600,000 lbs. per year, which would keep an additional 15,000 spindles per day fully employed.

The next important raw material used in the manufacture of Healds, namely, Varnish also finds scope for local manufacture if the demand for such varnish is assured in sufficiently large quantity. We estimate that the total quantity of varnish that would be required for the production of Healds for local consumption by power looms would be at least 50,000 gallons per year.

We believe that our current cost of production can be gradually reduced if we are assured protection for our products for at least 10 years, which would make possible the extension of our plant and additional outlet in securing trained labour to obtain a reduction both in overheads and efficiency.

The above cost of production of Healds made from imported yarn at As. 15-323 per 800 eyes evidently shows a larger disparity with the price at which foreign healds are offered, namely, As. 11-6 to As. 11-9 than would be covered by an additional 15 per cent. duty on Imported Healds. In the first place, it is necessary to point out that the cost of production here is bound to be higher in view of the fact that the raw materials, principally used in the manufacture of Healds have to be imported and that Healds yarns and varnish both carry import duties of 25 per cent. The handicap to the local manufacturer compared to the foreign producer is, therefore, obvious and needs no further emphasis. Even in cases where local manufactured yarn may be used, it will be appreciated that the local manufacturer of combed yarn suffers from the handicap of import duty on raw cotton of half-anna per lb. which he has to pay to make possible the manufacture of such yarn in India as the requisite cotton is not available in India.

We, however, estimate that the cost of production shown above can be gradually reduced to a level where an additional import duty of 15 per cent. on foreign imports of Healds and Reeds would secure to us a fair selling price for our products. It is not possible without a definite assurance of protection to the industry for a number of years—and we think it very essential that the period of protection should be at least 10 years—to extend our plant and equipment to secure the necessary reduction in the cost of production, as this is entirely a new enterprise in the country and stands the obvious danger of being crushed out of existence by the foreigner entering into cut-throat competition to perpetuate his hold on the local market. In this connection we beg to invite your attention to the policy of the foreign manufacturers, who, since our entry into the manufacturing field, have reduced the prices for Healds from As. 14-6 in February, 1933, to As. 11-6 or As. 11-9, for Reeds from As. 2-2-3 to As. 1-8-1-9. We need also scarcely mention that an assured period of protection to this industry would result ultimately in supplying these products to consumers at prices as cheap as, if not cheaper, than the imported products.

We submit that it is necessary that we should be called to give oral evidence to amplify the information contained herein as well as in our representation to the Government of India, Department of Commerce, dated the 2nd August, 1933. We shall also be pleased to offer all facilities for inspection of our factory at a time and date to suit the convenience of the Tariff Board.

Messrs. E. D. Sassoon and Company, Limited, Bombay.

(1) *Letter No. nil, dated the 12th April, 1934.*

We have the honour to forward the particulars below in answer to your questionnaire, dated the 14th ultimo.

- (1) The present wholesale market price for the imported articles are:—
- (a) Healds—12 pence c.i.f. Bombay less 5 per cent. commission per 800 eyes.
 - (b) Reeds—1½ pence c.i.f. Bombay less 5 per cent. commission per 100 dents.
- (2) The current import duties are:—
- (a) Healds—10 per cent. *ad valorem*.
 - (b) Reeds—10 per cent. *ad valorem*.

Both items are assessed under Textile Machinery and Apparatus. Serial 97 of the Import Tariff.

(3) Healds and Reeds are imported from the United Kingdom and Germany.

- (4) (a) Egyptian Yarn.
 (b) Imported from the United Kingdom.
 (c) Duty is 25 per cent. *ad valorem*.
 (d) Assessed under Yarns and Textile Fabrics. Serial 123 of the Import Tariff.

(5) (a) The varnish used in the manufacture of Healds is a special varnish known as "Heald Varnish"—further specification unknown.

(b) It is imported from the United Kingdom.

(c) The item is assessed under Paints, Colours and Painters materials. Serial 91 of the Import Tariff.

(6) (a) The principal materials used for the manufacture of Reeds are:—

1. Reed Wire—
 - (a) Brass.
 - (b) Steel.
2. Reed Ribs.
3. Reed Staples.
4. Reed Pitch.
5. Paper.

(b) The materials are imported from the United Kingdom (item 5 may sometimes be imported from the Continent).

(c) The duties leviable are:—

1. (a) 20 per cent. *ad valorem* from United Kingdom (30 per cent. from other sources).
 (b) Rs. 45 per ton.
2. 25 per cent. *ad valorem*.
3. 20 per cent. *ad valorem* if from United Kingdom (30 per cent. from other sources).
4. 25 per cent. *ad valorem*.
5. 20 per cent. *ad valorem* from United Kingdom (if from other sources 30 per cent).

(d) The items are assessed under:—

1. (a) Metals and Manufactures thereof. Serial 111b.
 (b) Wire other than barbed or stranded. Serial 103r.
2. Timber. Serial 49.
3. Hardware. Serial 84A.
4. Pitch and Tar. Serial 150.
5. Paper, Pasteboard and Stationery. Serial 112.

Item.	Particulars.	Quantity in oz.	Cost.	
			As.	p.
<i>Cost of Healds.</i>				
A	Yarn	3·88	4	10·6765
B & C	Varnish	5·91	3	5·4781
D	Other articles (bands, sun- dries and brushes).	..		6·9896
E	Manufacturing cost (re- pairing, Liquid fuel, power and light, salary and wages, insurance, etc.)	..	4	11·4670
Total per 800 eyes .			13	10·6112
<i>Cost of Reeds.</i>				
A & E.	Wire (brass, steel and iron).	1·733		5·0737
B	Pitch	0·486		1·6120
C	Ribs	7 inch sets.		5·3727
D	Papers		0·1207
F	Other articles (sundries and bands).	..		2·6892
G	Making charges, (repair- ing, liquid fuel, power and light, insurance, gas, etc.)	..		9·1489
Total per 100 dents .			2	0·0172

NOTE.—We manufacture our own Healds from Egyptian Cotton which bears a duty of $\frac{1}{4}$ anna per lb. to-day, equal to about 8 per cent. duty.

(8) We attach herewith a statement showing the cost of Healds and Reeds per lb. of cloth of three varying types, this together with the other information herewith of Healds and Reeds in Bombay, will allow you to calculate the effect of any change you might suggest in the *ad valorem* rate.

Our own feeling is that it would be much better to reduce the duty on the raw materials if used for Heald and Reed making and in view of the small number of Heald and Reed makers at present existing in India, we think no difficulties would be met with in connection with Customs, since the duties could be controlled on a similar basis that was used in former years for allowing a refund to Mills on Tallow.

Combined cost of Healds and Reeds per lb. of cloth.

	M. M. Sheeting.		Leopard Cloth.		Fine Longcloth.	
	Healds.	Reeds.	Healds.	Reeds.	Healds.	Reeds.
Cost per pound of cloth in annas.	00,22,614	00,01,160	00,03,643	00,00,230	00,07,161	00,00,581
Life in days	75	900	85	900	100	900
Cloth production in lbs.	1,425	17,100	1,232	13,050	733	6,597
Production per loom per day in lbs.	19	19	14.5	14.5	7.33	7.23
No. of eyes or dents.	1,650	825	2,300	1,150	3,200	1,600
Healds and Reeds together, per lb. of cloth.	0.00,23,774		0.00,03,873		0.00,07,742	

(2) *Telegram dated the 21st April, 1934, from the Tariff Board.*

Your letter April 12th see cost of reeds, please telegraph figures quantity cost for steel wire and brass wire separately.

(3) *Telegram dated the 23rd April, 1934, from Messrs. E. D. Sassoon and Company.*

Your wire 21st, steel wire 99" per cent. of total wire used, letter follows.

**The Swadeshi Healds and Reeds Manufacturing Company, Limited,
Ahmedabad.**

Letter dated the 13th April, 1934.

While acknowledging your letter No. 121, dated the 14th March, 1934, we have the honour to submit the following information as desired therein by you.

In the first place we have to state that at present we are manufacturing Healds only, and so we are not in a position to supply any first-hand information regarding Reeds.

(1) The present c.i.f. price for healds is 11d. per 800 eyes.

(2) The duty leviable on imported healds 10 per cent. and the tariff item under which they are assessed is No. 97/59B.

(3) Healds are generally imported from the United Kingdom, Italy and Germany.

(4) (a) The kind of yarn used in the manufacture of healds is Egyptian Combed yarn in various folds from 40s to 100s counts.

(b) It is mainly imported from the United Kingdom and to some extent from Germany and France.

(c) The Customs duty applicable to such yarn is 25 per cent.

(d) It is assessed under tariff item No. 123.

(5) (a) As far as we have been able to gather the varnish used in the manufacture of healds is a special preparation from congo gum, raisins, shellacs, linseed oil and turp, etc.

(b) It is imported from the United Kingdom and Germany.

(c) The customs duty leviable on varnish is 25 per cent.

(d) It is assessed under tariff item No. 91/93.

(6) As stated above we are not in a position to supply the desired information relating to reeds.

(7) (a) The cost of manufacturing healds from Egyptian Combed yarn manufactured in Ahmedabad with imported varnish is annas fourteen per 800 eyes.

(b) The quantity and the cost of each of the principal materials consumed per customary unit of healds of 800 eyes is as under:—

Material.	Per cent.	Quantity.	Price.	Rate.
		ozs.	As. P.	
Yarn	35-70	3-75	5 6	At Rs. 1-7 per lb.
Varnish	15-30	3-25	2 0	At Rs. 5-10 per gal.
Manufacturing Cost	49-00	...	6 6	
	100-00	...	14 0	

NOTE.—The manufacturing cost includes wages, overhead, fuel, store, interest, rent, commission, depreciation charges, etc.

(8) The raising of duties on imported healds from 10 per cent. to a level by which reasonable protection can be given to the indigenous heald industry would not increase the cost of textile products to any appreciable extent as detailed below:—

Before however dealing with this aspect of the case, we should like to put forward our view about the kind of protection that would be most suitable under the present circumstances.

The protection can be in the form either of reduction in duty on imported yarns and varnishes or of an increase in the duty levied on imported healds.

1. *Reduction in duty on yarn.*—In our opinion this will not help the heald industry at all.

A. There are several kinds of yarns required to manufacture several kinds of healds suitable for different kinds of fabrics. To keep in stock so many kinds of yarns in sufficient quantities would necessitate the blocking up of so large an amount of capital as would be deemed uneconomic.

B. Generally all foreign heald manufacturers have their own doubling plants in order to ensure the speedy supply of the several kinds of yarns required, as also to economise the prices. In the same manner the two Bombay heald manufacturing firms also have their own doubling plants, and we are also thinking of installing a suitable plant in our own factory. In the meanwhile our requirements of yarns are being supplied by a local Mill, though at a somewhat higher price—which however we do not grudge as we are getting the most satisfactory quality.

C. Our customers also insist upon our using indigenous raw materials as far as they are available, in order to support our healds in preference to imported healds which they can get even cheaper.

All these considerations would show that the reduction of duty on imported yarns is out of question.

2. *Reduction in duty on varnish.*—The cost on this item in the manufacture of healds is comparatively very small and so any reduction in duty on imported varnish will not help the heald industry to any appreciable extent.

Moreover, there are many varnish makers in India who will in the long run be able to supply the kind of varnish required for the heald industry; and as in the case of yarn the policy must be to avoid depending upon outside supplies as far as possible.

It would thus appear that reduction in duty on raw materials is not the kind of protection which will help the heald industry and therefore we have to think of the other alternative, *viz.*, of increasing the duty on imported healds.

In this connection we have to consider the extent to which the duty on imported healds has to be raised.

The obvious reply to this is that the duty must be so high as to bring the price of imported healds on a level with the cost price of indigenous healds.

We have stated above that the cost price of our healds is 14 annas per 800 eyes, whereas we realise only 12 annas. Now the c.i.f. price of imported healds is 11d., *i.e.*, As. 9-9 and in order to bring it to a level with our cost price, allowing 3 pies as inland freight the price must be raised by As. 4. That is the duty must be raised to 40 per cent., in other words an additional duty of 30 per cent. must be levied on the imported healds over and above the 10 per cent. which is the existing duty.

This increase of 30 per cent. duty will not affect the cost price of the textile products to any appreciable extent:—

A mill manufacturing fabrics of coarse and medium counts warps with 1,400 looms consumes on the average healds worth Rs. 650 per month which works out at As. 7-6 per loom per month. Now one such loom manufactures cloth worth Rs. 350 per month; so the heald cost on Rs. 350 worth of cloth produced by one loom will come to As. 9-9. If the duty is raised by 30 per cent., *i.e.*, the additional cost per 100 rupees worth of cloth will be 9 pies only. This increase is nothing but very inconsiderable.

Moreover, if the indigenous heald industry be kept alive by protective measures against foreign competition the Mill industry itself is the gainer.

When we started business the price of imported healds was As. 15-6 per 800 eyes which had gradually come down to As. 13-6 when we sent in our representation to the Government of India and it is now As. 11-6 to As. 12. So even if the price goes up to As. 14 owing to the increase in duty on imported healds the Mill industry has to pay As. 1-6 less than what it paid last year. But if the foreign competition kills the indigenous heald industry the prices of healds will not fail to go up to Re. 1 so, it is in the interest of the textile industry itself that the heald industry should be kept alive by bearing a very small extra burden which will result from the imposition of additional customs duty on imported healds.

Lastly, we beg leave to urge that the protection which may be given should be for a period of at least ten years so that being assured of a fair selling price for our products we may be in a position to extend our operations by and by which would thus enable us to produce more and thus in the end facilitate the reduction of duty on imported healds at least to the original level.

Looking to the number of looms in India at present, and to the possibility of starting many more Mills in the near future and also owing to the existence of the hand loom industry on a large scale the heald industry in

India has a very bright future before it, and thus besides giving employment to a number of hands, it will in addition be instrumental in procuring employment on a large scale of many more hands in by industries like varnish making and fine yarn spinning.

It is needless to add that we shall be pleased to furnish any further information which the Tariff Board may require and to offer all facilities for inspection of our factory if necessary by the tariff board.

Letter No. 119, dated the 14th March, 1934, from the Secretary, Tariff Board to (1) the Bombay Millowners' Association, Bombay, (2) the Ahmedabad Millowners' Association, Ahmedabad, (3) Messrs. Andrew Yule and Company, Calcutta, (4) Messrs. Bird and Company, Calcutta.

The Tariff Board have been directed to enquire into an application from manufacturers of healds and reeds for the removal of tariff inequality. If it is decided to grant relief to the industry by increasing the duties on imported healds and reeds from 10 per cent. to 25 per cent. *ad valorem*, I am to ask that you will be good enough to supply the Board with information regarding the extent to which the increases in duties will affect the cost of cotton/jute products in which you are interested.

2. I am to request that a reply to this letter (with four spare copies) may be sent so as to reach the Board's office, Legislative Council Chamber, Shillong, not later than the 15th April, 1934.

The Millowners' Association, Bombay.

Letter No. 770/74 of 1934, dated the 11th April, 1934.

I am directed to acknowledge receipt of your letter No. 119, dated the 14th March, in which the Association has been asked to supply the Board with information as to the extent to which the cost of production would be affected in the Cotton Mill Industry if the duty on imported healds and reeds was increased from 10 to 25 per cent. *ad valorem*. In reply, I am to point out that the increase in cost would vary considerably in different classes of fabrics; in fabrics made from coarser yarns with a low reed and pick, the cost of healds and reeds per pound of cloth would be very much lower than in the case of cloths made from fine yarns with a high number of ends and pick per inch.

In response to the inquiry sent out by the Association, a number of representative mills have submitted estimates showing what the increase in duty would amount to per pound of cloth of various descriptions.

Mill (A) estimates that the increase in costs per pound of cloth in their case would be 0.056 pies. The cloths included in their estimate were sheetings, leopard cloth and fine long-cloth. In the first two cloths, the average count would be below 18s and the reed and pick would be fairly low. The fine long-cloth referred to would be from about 38s warp and 44s weft and the reed and pick would be fairly high.

Mill (B) has given an estimate covering the whole of their production. The average count produced in this mill is about 22s. Their estimate of the increase in cost is 0.054 pies per pound.

Mill (C) has submitted an estimate for Calcutta *dhoties* and for fine cloths. Their estimate on Calcutta *dhoties* shows that an increase of 15 per cent. in the duty on healds and reeds would put up the cost per pound by about 0.061 pies per pound. Their estimate for the finer cloths manufactured in their mills works out at 0.23 pies per pound.

A general estimate covering the whole production of power looms in India has been made by the Healds and Reeds Manufacturing Company

(India), Limited. The estimate is based on the average monthly expenditure on healds and reeds in a considerable number of mills in Bombay and Ahmedabad. According to this estimate, if the duty is increased from 10 to 25 per cent., the additional expenditure works out at 0'01,665 pies per yard of cloth. Converted to a poundage basis, the average additional expenditure per pound over the Indian Textile Industry as a whole will work out at 0'076 pies.

In submitting this information to the Tariff Board, I am also desired to submit my Committee's general views on the application, which has now been received by the Board. My Committee understand that the application of the healds and reeds manufacturing industry of this country is limited to a request for the removal of tariff inequality. It has been suggested, I believe, that help is required by reason of the fact that a number of the "raw materials" used by the industry have to pay a duty ranging from 20 to 25 per cent. *ad valorem* on importation, whereas imported reeds and healds have to pay a duty of 10 per cent. *ad valorem* only. Protection in the ordinary sense has not been claimed; probably for the reason that the conditions laid down by the Fiscal Commission could not be satisfied by the industry. While my Committee do not object in principle to the removal of tariff inequality, they submit that in view of the fact that the Cotton Textile Tariff Board of 1926 after detailed examination recommended the entire removal of the import duty on the more important classes of mill stores, and by reason of the fact that the industry now asking for protection is not one, which satisfies the conditions laid down by the Fiscal Commission that the tariff inequality in fairness to the textile industry should be removed by bringing into being an arrangement under which the healds and reeds manufacturing industry of this country might be permitted to import "raw materials", which they have to use, free of duty. As there are at present only two or three healds and reeds manufacturing companies in India, no insuperable difficulties should be experienced in giving effect to this suggestion. In this connection I am also desired to point out that a recommendation for the reduction or removal of the duties on the "raw materials" of the healds and reeds manufacturing industry would be more in consonance with the original demand put forward by the representatives of that industry, who, on various occasions, have approached the Customs authorities and the Central Board of Revenue in this matter. Messrs. E. D. Sassoon and Company Limited, who are agents for a number of cotton mills have for a number of years been in the habit of manufacturing a considerable number of healds and reeds used by their mills, and I am informed by them that they would certainly prefer the removal of the tariff inequality by a reduction in the duty on "raw materials" in preference to the imposition of higher duties on imported healds and reeds. From the point of view of the cotton textile industry as a whole, there can be no question as to which method would be preferred since the removal of the duty on "raw materials" would in no way increase the cost of manufacture of cloth.

It may be pointed out that the Indian Cotton Textile Industry has been, during the last few years, heavily penalised by the duties imposed on its "raw materials". For example, in 1931, duties amounting to 10 per cent. on textile machinery, spare parts and accessories, mill stores and dyes and six pies per pound on raw cotton were levied for revenue purposes. The duty on artificial silk yarn was also raised to 18½ per cent. and will be further raised to 25 per cent. Proposals are also before the Legislature to impose a duty of 15 per cent. on starch and farina. The Association also understands that the Indian Woollen Mill industry contemplates making an application to the Tariff Board for a further increase in the duty on roller cloth, clearer cloth and sizing flannel, which were free of duty till September, 1931, and are now paying 10 per cent. The cumulative effect of these increases and possible increases in duties on the industry's "raw materials" has considerably reduced the benefits of the protective import duties on cotton piecegoods and cotton yarns, and taking into

consideration the reductions recently made or contemplated in the import duties on cotton piecegoods and yarn, the proposed reduction in working hours in factories, and the serious depression now existing, any further burdens, however small, on the cotton textile industry's cost of manufacture should, if possible, be avoided.

My Committee maintain that an undesirable precedent was set by the Tariff Board recently, when an alleged tariff inequality suffered by the Indian Flour Milling industry was removed by raising the duty on starch and farina, which had the effect of raising the cost of manufacture of the Indian Textile Industry, and desire to point out that wherever possible tariff inequalities should be removed by methods which would not have the effect of raising the cost of finished product manufactured by one industry, when that finished product is essentially an important "raw material" of another indigenous industry, which has to meet very severe external competition.

Messrs. Bird and Company, Calcutta.

Letter dated the 14th April, 1934.

We acknowledge receipt of your letter dated the 14th ultimo, reference No. 119, with regard to an application which the Board has received for the removal of tariff inequality in connection with the manufacture of healds and reeds.

We have to advise you that we purchase the majority of our Healds and Combs from a local manufacturer and consider that any increase in duty on these articles which are imported would have only a negligible effect on the cost of manufacturing Jute products.

Messrs. Andrew Yule and Company, Limited, Calcutta.

Letter dated the 14th April, 1934.

With reference to your letter No. 119, dated the 14th March, we beg to inform you that we purchase all our Reeds and Combs from local manufacturers. The increase of 25 per cent. duty on the imported article does not affect our manufacturing cost.

The Ahmedabad Millowners' Association, Ahmedabad.

Letter dated the 19th April, 1934.

I have the honour to acknowledge receipt of your letter No. 119 of March 14th, regarding proposals to increase the duties on imported healds and reeds from 10 per cent. to 25 per cent. *ad valorem* and to express the opinion of my Committee as under:—

In this connection I beg to send herewith a copy of our letter addressed to the Central Board of Revenue on 7th September, 1932.

We are in favour of giving protection to this industry but the method we suggest is by giving refund of duties on raw materials used in the manufacture of healds and reeds instead of increasing import duty on healds and reeds from 10 per cent. to 25 per cent. To achieve this end import duties on all raw materials, *e.g.*, polished reed wire, brass reed wire, reed ribs, reed staples, reed pitch reed paper, reed ends, etc., should be refunded to factories manufacturing healds and reeds.

At present the duty on imported reed wire is Rs. 45 per ton, on imported brass wire is 20 per cent., on imported reed ribs is 25 per cent., on imported reed staples is 20 per cent., on imported reed pitch is 25 per cent., on imported reed paper is 20 per cent. on British manufactures and 30 per

cent. on non-British manufactures and on reed ends 20 per cent. on British manufactures and 30 per cent. on non-British manufactures.

Probably it is not possible as yet to manufacture in India the component parts for making healds and reeds and these are exempted from the present heavy duties. My Committee believes the industry should be able to establish itself within a reasonable time.

Enclosure.

COPY.

No. 1389.

The Ahmedabad Millowners' Association,
Ahmedabad, 7th September, 1932.

The Secretary,
Central Board of Revenue,
Simla.

Sir,

I am directed by my Committee to invite the attention of your Board to the anomaly of charging a higher rate of import duty on certain component parts imperatively necessary for a particular Indian industry than that charged to finished articles of foreign manufacture imported into India.

In the case of a new industry desirous of seeking development in the country such lower rate on the finished foreign article would decidedly strangle its growth when it is compelled to pay comparatively higher duty on the main component parts on which the industry has to depend for its normal production.

Factories to manufacture healds and reeds are according to our information being started in the city of Bombay and it is likely that similar factories may be started in other centres as the industry receives impetus and develops on a prospective basis. It is therefore necessary for Government to make such alterations in the schedule of duties as would give adequate and just relief to the growing industry.

In the manufacture of healds and reeds finished materials like reed ribs, reed staples and polished brass reed wire, are extensively used and these are imported from foreign countries. Import duty at the rate of 25 per cent. on the above materials is being charged by the Customs Department. Against this heavy duty of 25 per cent. on the component parts finished healds and reeds imported from foreign countries are charged at the rate of 10 per cent. The Customs Authorities in a recent instance refused to charge the same duty on the component parts as is charged to the finished articles. My Committee is strongly of opinion that this anomaly should be removed by Government at an early date with a view to remove the serious impediment that lies in the way of the development of a new and important industry in India.

Healds and reeds are used in very large quantities not only in the textile mills of India but even in handlooms, the estimated number of which is about 20 lacs in the country. Moreover the jute mills also consume them in large quantities. Thus there is a very great scope for the establishing and development of this industry in India and in the interests of industrial development of the country Government should on principle remove the higher duty charged to the component parts as early as possible.

For administrative convenience Government may be pleased to obtain undertakings from the importers that the component parts will not be utilised by them for any other purpose except the manufacture of the finished articles.

I have the honour, etc.,
G. I. Patel,
Secretary.

Letter No. 120, dated the 14th March, 1934, from the Secretary, Tariff Board, to the Collector of Customs, Calcutta/Bombay.

The Tariff Board have been directed to enquire into an application from the healds and reeds manufacturing industry in India for an increase in the duties on imported healds and reeds or alternatively for a reduction in the duties on imported materials used in manufacturing them. In connection with this application, I am to ask that you will be good enough to supply the following information.

(1) The duties leviable on (a) the yarn and (b) the varnish used in the manufacture of healds and the tariff items under which the duties are assessed.

(2) The duties leviable on the following materials used in the manufacture of reeds and the tariff items under which the duties are assessed:—

- (a) polished reed wire;
- (b) reed ribs;
- (c) reed staples;
- (d) pitch.

(3) The duties leviable on imported (a) healds, (b) reeds and the tariff items under which the duties are assessed.

2. I am to request that a reply to this letter (with 4 spare copies) may be sent so as to reach the Board's Office, Legislative Council Chamber, Shillong, not later than the 15th April, 1934.

Collector of Customs, Calcutta.

Letter No. 849, dated the 24th March, 1934.

I have the honour to refer to your letter No. 120, dated the 14th March, 1934.

2. I give below the tariff items under which the goods in question are assessed:—

	Rate.	<i>Item of the Indian Customs Tariff.</i>
(1) (a) Heald yarn—also described as Heddle yarn or Heald Cord—varnished or unvarnished.	25 per cent.	123/100.
(b) Varnish—containing dangerous petroleum .	25 per cent.	91/93
Varnish—not containing dangerous petroleum.	30/20 per cent.	91B/189
(2) (a) Polished reed wire—if of iron or steel ; .	Rs. 45 per ton.	103r/149(a).
if of brass or any other material.	20/30 per cent.	84A/185
(b) and (c) Reed ribs and reed staples . . .	20/30 per cent.	84A/185
(d) Pitch	25 per cent.	150/113
(3) (a) and (b) Healds and Reeds	10 per cent.	97/59B

Collector of Customs, Bombay.

Letter C. No. 255/34, dated the 29th March, 1934.

HEALDS AND REEDS MANUFACTURING INDUSTRY—PROTECTION TO—QUESTION REGARDING.

In reply to your letter No. 120, dated the 14th March, 1934, I have the honour to furnish below seriatim the information required:—

Article.	Rate of Duty.	Serial No. in the Indian Customs Tariff (9th issue).
1. (a) Yarn (known as heald yarn and made up of cotton or jute.)	25 per cent. <i>ad valorem</i> .	123/100
(b) Varnish used in the manufacture of healds .	Do.	91/93
2. (a) Polished reed wire	Rs. 45 per ton.	103r/149
(b) Reed reeds (manufacture of wood)	25 per cent. <i>ad valorem</i> .	166/120
(c) Reed staples (hardware)	30/20 per cent. <i>ad valorem</i> .	84A/185
(d) Pitch—		
Coal pitch	25 per cent. on the Tariff Value of Rs. 2/8 per cwt.	} 150/113
Stockholm pitch	25 per cent. on the Tariff value of Rs. 14 per cwt.	
3. (a) Healds	} 10 per cent. <i>ad valorem</i> .	97/59B.
(b) Reeds		