

INDIAN TARIFF BOARD

STATUTORY ENQUIRY—1933

Steel Industry

Volume IV

**Oral Evidence tendered before
the Tariff Board in connection
with the Steel Enquiry**



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Re-Rolled Steel.

MESSRS. INDIA COMPANY, LIMITED,
and
MESSRS. S. K. SAWDAY AND COMPANY.

**Evidence of Messrs. C. RAJAM and R. SITARAMAN, representing
Messrs. India Company, and Mr. S. K. SAWDAY, representing
Messrs. S. K. SAWDAY AND COMPANY, recorded at
Calcutta on Wednesday, the 29th November, 1933.**

President.—Mr. Rajam, you represent the India Company, Limited?

Mr. Rajam.—Yes.

President.—You are proposing to install a re-rolling mill at Negapatam?

Mr. Rajam.—Yes.

President.—What stage has the proposition reached now?

Mr. Rajam.—I have purchased the mills in England and they are being shipped. I expect them to reach here by the end of December.

President.—They are now in transit, are they?

Mr. Rajam.—Yes.

President.—When do you propose to start work?

Mr. Rajam.—Immediately. I have also purchased land and building. The building is ready.

President.—What period of time would you require for erection?

Mr. Rajam.—I think about 4 to 5 months.

President.—So that you would be in working order by about the middle of next year?

Mr. Rajam.—Yes.

President.—Say about June or July next year?

Mr. Rajam.—Yes.

President.—Now I should like to get a clear idea of the capacity of your mill and also of the normal output that you expect. With regard to capacity, you estimate in your letters to us both the present capacity and the future capacity?

Mr. Rajam.—Yes.

President.—The present capacity you estimate at what?

Mr. Sitaraman.—40 tons per day.

President.—That is 8,000 tons a year?

Mr. Sitaraman.—12,000 tons.

President.—The future capacity is double that?

Mr. Sitaraman.—That is what we expect.

President.—What exactly is the difference between the present and future capacity due to? What makes the difference? Are you setting up a new mill?

Mr. Rajam.—We intend working double shift.

President.—I may perhaps explain, Mr. Sawday, that we have invited you this afternoon because I understand you are interested in the problem of re-rolling mills?

Mr. Sawday.—Yes.

President.—My suggestion therefore is while examining Mr. Rajam in connection with his proposed re-rolling mills if any points arise relating to this question on which you would like to express any opinion, we should

be glad to hear them. I find also in your letters to us you raise certain questions in addition to points that Mr. Rajam has raised so that when we had finished Mr. Rajam's examination I would come to those points and we would be glad to know your views on them.

Mr. Sawday.—Yes.

President.—Mr. Rajam, you take the future capacity at 24,000 tons.

Mr. Rajam.—Yes.

President.—What precisely is the addition to your plant which will make this addition to your capacity possible?

Mr. Sitaraman.—The present mill is quite enough. We propose to work two shifts.

President.—For the next year or two, you propose to work on a single shift basis?

Mr. Rajam.—Yes.

President.—Later on you work double shift and increase the output?

Mr. Rajam.—Yes.

President.—What precisely are the classes of steel which you propose to roll on this mill?

Mr. Sitaraman.—Ordinary mild steel quality required for bazar purposes.

President.—Are they all bars?

Mr. Sitaraman.—No—bars, beams, flats and channels, of various sizes.

President.—They are all of the kinds required in the bazar?

Mr. Sitaraman.—Yes.

President.—What proportion of the total output would be these small sections?

Mr. Sitaraman.—80 per cent. bars and 20 per cent. sections.

President.—With regard to these bars, I suppose the whole quantity would be of the kinds which are now protected?

Mr. Rajam.—Yes.

Mr. Sitaraman.—The demand for these sections is there. These are not protected.

President.—That is to say, they are sections which are either half inch or below but they are of the sorts which are at present not rolled by Tata's.

Mr. Sitaraman.—Quite so.

President.—Is it possible with reference to market requirements in that part of the country to say that of the total quantity of bars that you propose to roll, what proportion would be protected bars of the kinds not rolled by Tata's? Let me put it this way. In the first year, your output would be 12,000 tons.

Mr. Rajam.—Yes.

President.—Four-fifths of this would be bars. That gives you about 9,500 tons of bars.

Mr. Rajam.—Yes.

President.—Out of this 9,500 tons, what proportion would be protected bars of the kinds not rolled by Tata's? Is it possible at all to make any estimate, Mr. Sawday?

Mr. Sawday.—They might do 1,200 tons of these non-Tata sections protected. That would mean specialising a few sections.

President.—That leaves you with about 8,500 tons of bars of the standard classes.

Mr. Rajam.—Yes.

President.—I should like to examine this question with reference to the capacity of the market in your area to absorb an amount of this order. You have given some calculations in your recent letter to us which are

based on Tata's statement. For 1932-33 the total consumption of bars in India is given as about 123,000 tons.

Mr. Rajam.—Yes.

President.—Out of that, Tata's produced 86,000 tons and despatched 82,000 tons. Their future programme is based on an output of bars of 80,000 tons.

Mr. Rajam.—Yes.

President.—That leaves you with 43,000 tons as the surplus for the whole of India.

Mr. Rajam.—Yes.

President.—You have to come down to the share of it which may be allocated to your market?

Mr. Sitaraman.—We have got some figures which show protected bars as 26,039 tons.

President.—Where did you get these figures from?

Mr. Sitaraman.—From the Seaborne Trade.

President.—They are not in any published returns.

Mr. Sitaraman.—They are from the published returns, from the Madras volume.

President.—You have not got it here.

Mr. Sitaraman.—I got it from the Commercial Intelligence Department.

President.—That is for all the ports in South India?

Mr. Sitaraman.—Yes.

President.—The total imports for 1929-30 of bars came to 98,477 tons. Out of that, the Madras ports took 26,039 tons.

Mr. Rajam.—Yes.

President.—I am afraid that will not take us any further. If you take the year 1932-33, the figure for protected bars for the whole of India is 21,821 tons.

Mr. Sitaraman.—That is the net import.

President.—I am assuming that Tata's are going to roll 80,000 tons of bars in the future, so that the surplus market on the basis of 1932-33 would be 21,821 tons plus 6,000 tons.

Mr. Rajam.—Yes.

President.—That will give you 28,000 tons.

Mr. Rajam.—Yes.

President.—We have got to assume a certain proportion for Madras.

Mr. Sitaraman.—Yes, we could find out definitely from the figures. This 26,039 tons is in addition to what Tata's rolled and sent out to Madras. The total I think would be 34,000 tons.

President.—If you are going to take that market away from Tata's, their figures of output would get rather upset. I am trying to see how the position stands.

Mr. Sitaraman.—I am saying about the demand.

President.—For the moment I am trying to see what is the total surplus market in the country for protected bars in the Madras area—surplus in the sense of over and above what Tata's supply. Can we get a figure for that?

Mr. Sitaraman.—We cannot reconcile 43,000 tons with this 23,000 tons. According to Tata's statement, we have 123,000 tons.

President.—That was for a different year. 123,000 tons is the total consumption of protected bars in 1932-33. I should obviously not be justified in taking the proportion of Madras imports as given in the Customs returns for 1929-30 to the total imports of that year and apply that proportion to the total imports of 1932-33. That I think would give you

misleading results. If we took the surplus requirements of the Madras market over and above the portion supplied by Tata's it would be somewhere in the neighbourhood of 7,000 tons.

Mr. Sawday.—Yes.

President.—If we assumed a market say for 7,000 or 8,000 tons as the surplus market in the Madras area, then 20 per cent. of your output would be sections.

Mr. Rajam.—Yes.

President.—The imported sections for 1931-32 amounted to 2,000 tons. If we take that 2,000 tons, that will give you about 10,000 tons. What I feel is if you want to make up a market corresponding to your first year's output you would have to roll in addition to this about 2,000 tons of unprotected bars.

Mr. Rajam.—Yes.

President.—Is that correct, Mr. Sawday?

Mr. Sawday.—Is it not possible that some unprotected bars might become protected? Have you not got that proposal before you.

President.—Now I am simply thinking of bars which are at present not protected. That proposal is before us; that is to say, in regard to the development of re-rolling mills hereafter we may have to take into consideration the question of extending the protective duty to classes of bars which are at present unprotected. In fact, that is one of the questions which we want to settle in connection with re-rolling mills. Assuming that there is nothing to prevent your rolling 2,000 tons of these small sections of less than half inch.....

Mr. Sitaraman.—The unprotected bars will be about 10,000 tons.

President.—Unprotected bars would give you a much larger market.

Mr. Sitaraman.—Provided there is no competition with Mr. Indra Singh.

President.—The total imports of small bars in 1932-33 were somewhere about 47,347 tons.

Mr. Sitaraman.—Yes.

President.—I presume at the end of seven years Mr. Indra Singh will be able to roll, if conditions were favourable, about 30,000 tons.

Mr. Sitaraman.—Yes.

President.—So that it leaves you about 17,000 tons and considering that Madras is rather far away and his sales programme has first got to be mapped out, it is very likely that probably the greater part of the Madras market will be left out from his programme. Therefore if you want the market of 2,000 or 3,000 tons for unprotected bars, you may not find it difficult to supply.

Mr. Sitaraman.—Possibly we may be able to do it because our mill is also adapted to a certain extent to do that. We can go down to $\frac{3}{8}$ and not lower than that.

President.—That is very nearly the limit.

Mr. Rajam.—Also quarter inch.

President.—That is the kind of bars which are at present imported by people who want to evade the duty.

Mr. Sawday.—Quite. They are importing for instance $\frac{1}{2}$ " flats.

President.—That problem would disappear the moment we extend the duty to unprotected bars. It looks to me that it is to some extent on your ability to roll unprotected bars that you would be able to find food for your mill?

Mr. Sitaraman.—At present we are working on the sub-normal years' figures.

President.—When the markets revive the position is different. If you go back to the pre-war position your difficulties might completely disappear.

Mr. Sitaraman.—The lowering of prices might increase the demand. Last time when the Tariff Board sat it was Rs. 129; it has come down to Rs. 113.

President.—The whole difficulty is this; the extent to which steel prices have fallen is very much to the extent to which agricultural prices have fallen; you have got to rely on the general purchaser, the buyer of the steel. It is a very speculative kind of question.

Mr. Sitaraman.—Yes.

President.—The point is this: taking the worse year from the point of view of the quantities imported, 1932-33, it will be possible for you by rolling small quantities of bars which are at present unprotected to find enough market in your area provided there are no other competitor in that area?

Mr. Sitaraman.—That is so, if other rolling mills do not come forward.

President.—I want to clear up the position with regard to the price of billets: The way I look at it is this: Tatas have proposed certain duties on bars and sections and on the basis of those duties they have estimated the price at which the imported steel must sell at the ports. Supposing we accept the duties that they have proposed, we may or may not, but assuming we do, the price of steel including duty at port, that is to say the price of untested bars at port would be Rs. 113.2. That is the fair selling price estimated by the Tata Company at port: what I want to do is this. We start from this figure of Rs. 113 and work down to the price at which you can afford to buy billets and sell your finished products at a price at which any rate you avoid losses.

Mr. Rajam.—Yes.

President.—Supposing your realised price at Negapatam would be the port price—is steel landed at Negapatam now?

Mr. Rajam.—No, but other materials are.

President.—Let us assume that you would be able to realise Rs. 113 at Negapatam, I want to deduct from that your conversion cost. What is your estimated conversion cost?

Mr. Rajam.—We want Rs. 30 per ton to start with.

President.—Are you prepared to work down to an estimated price for billets at a conversion cost of Rs. 30.

Mr. Sitaraman.—Yes, we can barring losses on wastage.

President.—I am coming to that later.

Mr. Rajam.—I think you can take a figure of Rs. 30.

President.—You want a figure for depreciation

Mr. Rajam.—Yes, and interest on capital.

President.—If you deduct Rs. 30 from Rs. 113 you get Rs. 83; Rs. 83 would be your cost of billet including wastage; am I right? That is to say Rs. 83 would represent 11/10ths ton of billets.

Mr. Sitaraman.—You will have to allow profit.....

President.—It does not include depreciation

Mr. Rajam.—Rs. 30 for conversion and Rs. 5 for covering depreciation and interest.

President.—Let us take it at Rs. 35; that leaves you Rs. 78 which is the cost of billets including wastage of billets. In other words if you take the wastage on this kind of thing at about 10 per cent., Rs. 78 would represent 11/10ths ton of billets; therefore the price per ton of billets would be Rs. 71.

Mr. Rajam.—Yes.

President.—That is the price you can afford to pay for billets at Negapatam if you are to sell at a price which would cover your expenses and give you a small return. Is that right?

Mr. Sitaraman.—That is right.

President.—The import price of billets has been given to us by the Tata Iron and Steel Company as Rs. 57.

Mr. Rajam.—But to-day's price works out at Rs. 67-8, if you see to-day's import prices.

President.—I thought there have been very little of imports of billets?

Mr. Sitaraman.—It is £4-18 f.o.b.

President.—And landing?

Mr. Sitaraman.—It will be about Rs. 4 in Madras.

President.—Make it Rs. 70. Unless you get your billets free of duty, your mills would not operate?

Mr. Rajam.—Not at all.

President.—That is a stiff proposition. If you ask for a moderate duty or for a small reduction in duty I should be prepared to keep an entirely open mind on the question but when you ask for the entire abolition of the duty it raises points which require careful consideration.

Mr. Sawday.—As a matter of fact if you are going to take these figures as correct and putting the duty at the difference between 65 and 113, then we say the price landed of bars would be more than Rs. 130.

President.—In a place like Negapatam what would be the price at the port? The price in that part of the country would be different from the price say at Calcutta?

Mr. Sitaraman.—The price at Negapatam will be about Rs. 10 more.

President.—We would be justified in basing it on the Madras price?

Mr. Rajam.—Yes.

President.—Have you got any c.i.f. prices for bars in Madras?

Mr. Sitaraman.—£6-2-6 which is equal to Rs. 81.

President.—Let us take it at Rs. 82; Rs. 82 c.i.f. Madras, landing charges Rs. 2-8, duty Rs. 47. That gives you a price of Rs. 131.

Mr. Sitaraman.—Landing charges is much more; it is Rs. 4.

President.—That puts a different phase on the problem. Supposing you get Rs. 131 at works then it will be possible for you to bear a duty of Rs. 18 on the billets?

Mr. Sitaraman.—That is what it comes to.

President.—If those figures are right you can definitely pay a duty at the present rate on Continental billets.

Mr. Sitaraman.—Provided the duty on the finished products is Rs. 47; as long as there is a difference of Rs. 29 between the two we have no objection.

President.—That is to say you can afford to pay Rs. 89 for your billets?

Mr. Rajam.—That is right.

President.—What is the freight from Tatanagar to your part of India?

Mr. Rajam.—About Rs. 11 more than Madras.

President.—Would it be possible to ship it by sea; what would be the freight in that case?

Mr. Rajam.—We can't say; it means negotiating with the steamer companies, but it would have the advantage of going as ballast.

President.—Can you give us a sort of approximate figure for the basis of calculation.

Mr. Sawday.—It would be safe to take Rs. 7 or 8.

President.—Make it Rs. 10.

Mr. Rajam.—Then there is the freight from Tatanagar to Calcutta, say Rs. 7; and landing charges Rs. 4.

President.—So that if Tatas sold their billets at Rs. 70 f.o.r. Tatanagar and then you paid a freight of Rs. 7 to Calcutta it would be Rs. 77 f.o.b.

Calcutta, plus Rs. 10 plus Rs. 4 or a total of Rs. 91, which is Rs. 2 more than what you can afford to pay.

Mr. Rajam.—Yes, according to the present prices.

President.—If we keep the present duty on Continental billets I think Tatas ought to be able to send their billets to Negapatam at a price which would accommodate you.

Mr. Sawday.—But I want to put another complication before you. Madras is the chief market for that area and these people have got to pay Rs. 11 freight to Madras. You are making all these calculations on the assumption that Negapatam and Madras are the same places.

President.—No. The point is, supposing they made their steel products at Negapatam I take it that in a considerable part of the area served by Negapatam they would have a freight advantage as compared with importers. In other parts they would have a disadvantage and it seems to me not unlikely that in that kind of area the advantage and disadvantage may cancel out unless you can produce evidence that it won't.

Mr. Sawday.—It may do but you have got to remember that the course of the trade has got to change before that happens.

President.—Can you put a money value on this freight disadvantage?

Mr. Sawday.—I should say about Rs. 4.

President.—That brings it down to Rs. 86. Tatas can send it at their fair selling price of Rs. 91; if they sold it to you at Rs. 86 they have got to give up Rs. 5 out of their pocket.

Mr. Sawday.—Why should you take the worse year?

President.—Rs. 70 is the fair selling price at works.

Mr. Sawday.—If you are going to fix the c.i.f. price at Rs. 75 and a rolling mill have got to pay Rs. 38 to take it to say Benares, whatever the freights are you must average it.

President.—In determining the fair selling price for billets you have got to take into account the cost of transport from Tatanagar to the most important centres of consumption in the country. Then you have got to average the sales in the areas where there is a freight advantage and the sales in the areas where there is a freight disadvantage and then average it out. It is possible to do this kind of averaging in the case of products which have been actually sold during the past six years or 10 years. You can work it on the basis of actuals but in the case of billets this is impossible. What I am trying to get at is this: supposing we took the fair selling price as estimated ex-Tatanagar which is Rs. 70, ultimately when we have finished this enquiry the fair selling price may be entirely different. I am now trying to see at what price billets can be bought at distant centres like Negapatam which will make it possible for a works at Negapatam to work economically and I find it is a figure of somewhere about Rs. 86. If Tatas have got to supply that area what they have got to do is to deduct from overheads and profits a figure of Rs. 5. What I am trying to consider is this: is it a fair proposition to put to Tatas with regard to billets sold to a distant market like Madras to so sell it in Madras that you get it at a price of Rs. 65 instead of Rs. 70?

Mr. Sawday.—That Rs. 65 covers your works cost and in addition to that gives you about Rs. 19 over your works costs.

President.—The proposition we have got to consider in consultation with Tatas is this; supposing in a distant market like Madras you have got to sell billets at a price which gives you Rs. 5 less than the fair selling price, are there re-rolling mills in other parts of India where you would be able if necessary to sell at a price which would make up the loss incurred on sales to the distant area?

Mr. Sawday.—You know that other re-rolling mills are already existing.

President.—In any case we have got down to this figure, Tatas can afford to sell billets at Rs. 65 f.o.r. Tatanagar as far as you are concerned?

Mr. Rajam.—Yes.

President.—If they agree to sell their billets at Rs. 65 f.o.r. Tatanagar then you ought to be able to use it economically?

Mr. Sitaraman.—If the duty on bars is Rs. 47 it is Rs. 127 at the port; Tatas are asking for Rs. 113.

President.—I had better make my point clear. The Tata Iron and Steel Company assumed that if the port price is Rs. 113, their realisation would be considerably shorter than that as the result of various adjustments that would have to be made. Of course it is a problem to be considered whether a similar adjustment has to be made in your case. It may or it may not. Since your turnover is very small, you may be able to get prices closely approximating to standard market prices.

Mr. Rajam.—Still there is competition from Tata's.

Mr. Sitaraman.—During the first two years, it will be rather difficult to get those prices.

President.—We go on the basis of no competition.

Mr. Sawday.—Most of that adjustment is due to the freight disadvantage and as far as we are concerned we are saying that we want Rs. 3 or Rs. 4.

President.—In some cases the adjustment is about Rs. 16 or Rs. 17.

Mr. Sawday.—Rs. 19.

President.—So that the freight disadvantage is the smaller part of it. It is the other adjustments that make up the greater part of it. What sort of duty on billets do you fancy on these figures? That is what I want to get down to if these figures more or less correctly represent the situation?

Mr. Sitaraman.—We can work it on the ratio of finished products which would be quite all right.

President.—May we take this figure of Rs. 68 as more or less stable price for billets for next year or two, because I find prices of billets have gone up very considerably. At the time Tata's prepared their representation, the date to which their prices refer is February, 1933 when the landed price in India of billets without duty was Rs. 57.

Mr. Sitaraman.—Yes.

President.—Since then it has gone up to Rs. 68 which is rather confirmed by the figure that we got from Messrs. Henry Williams. How far are we justified in taking Rs. 57 as the stable price?

Mr. Rajam.—The prices of finished articles will also sag with it, the German or Belgian cartel.

President.—Is semi-finished steel part of the steel articles covered by the cartel?

Mr. Sawday.—That is quite clear. If you make the duty on billets Rs. 29 less than the duty on bars, we think we can succeed. That is what it comes to. That gives us about Rs. 44 for conversion, overhead and everything else.

President.—Does it make any difference to you at all whether the duty on bars should be fixed at Rs. 47 or some lower figure?

Mr. Sawday.—Yes. It is better to fix the whole thing at a lower figure.

President.—I think the duty on bars should be lower than the figure proposed by Tata's.

Mr. Sawday.—Yes the price is too high.

President.—After all you are rolling the same class of products. It would be of greater advantage to you to have a high duty on bars rather than a low duty on billets.

Mr. Sawday.—As long as the duty is there, we say we are content.

President.—These duties do not operate with mathematical precision. In an area like Madras where you have got freight advantages as compared with Tata's to the extent of Rs. 15 don't you think it is of greater importance to be protected against the imports of bars?

Mr. Rajam.—Certainly.

Mr. Sitaraman.—There would not be any imports.

President.—Assume that your re-rolling mill is sufficiently protected. In fixing the protective duty my main consideration should be the competition that you are likely to face owing to the importation of bars.

Mr. Sawday.—If you fix the difference as Rs. 29, it is enough for us to be all right.

President.—It is your responsibility. As far as we are concerned, it makes no difference.

Mr. Sawday.—Except from the general point of view. If you lower the price of steel, there will be a bigger demand.

President.—You would rather have it in the way of lower duty on billets.

Mr. Sawday.—Yes, if you have a lower duty on billets, you will have a lower duty on bars.

President.—The point I am considering is this: situated in a place like South India with a large coast line, supposing we offered you assistance in two alternative forms?

Mr. Sawday.—Give us the alternative.

President.—You can have it in the form of a sufficiently effective protective duty on finished bars. We give you assistance alternatively in the form of a sufficiently low duty on billets. From the point of the view of the practical necessities of the case, which of these two would you accept?

Mr. Sawday.—It is the difference that matters.

President.—Mathematically it works out all right. One is as good as the other.

Mr. Sawday.—Give us the alternative in figures.

President.—You take your figures.

Mr. Sawday.—We would rather have nothing and 29.

President.—No duty on billets and a lower duty than that proposed by Tata's on bars, that represents your view?

Mr. Sawday.—Yes.

Mr. Rajam.—What I think is we must have protection on finished bars.

President.—I don't think I can carry the question any further. There is just another question which I want to raise, Mr. Sawday. I find you refer particularly to that question in your letter and that is the question of railway freight. What precisely is the position. What is the proposal that you want to make?

Mr. Sawday.—The complaint of these re-rolling mills is that Tata's are able to carry materials towards them at a cheap rate which is denied to them. They don't think that it should last or that it can last.

President.—You are aware that the Tariff Board is not a competent body for the consideration of railway rating.

Mr. Sawday.—That is quite true. On the other hand you have taken cognizance of these freights in the past and you cannot help taking cognizance of these rates now.

President.—We have taken cognizance of them in this sense that we have accepted the existing rates.

Mr. Sawday.—And based the duties accordingly.

President.—And took them into account in fixing the measure of protection.

Mr. Sawday.—If you do the same thing, instead of Rs. 18 and Rs. 47, if you have Rs. 8 and Rs. 47, Mr. Rajam will get his way.

President.—The protective duty which is suggested by Tatas represent to them a freight disadvantage on bars of an average figure of Rs. 6 per ton. Are you suggesting that in fixing the assistance for bars re-rolled by re-rolling mills, we ought to take a different figure into account.

Mr. Sawday.—Because you must work on the assumption that re-rolling mills will be turning out billets in the next few years.

President.—The freight disadvantage is not likely to exceed Rs. 3 or Rs. 4. We are giving you Rs. 6 duty.

Mr. Sawday.—As regards Negapatam this mill is in a better position than others, because it is on a port where the competition is fairly narrow.

President.—We have got to fix the same duty for the whole country and your suggestion is that we ought to take a higher freight disadvantage than Rs. 6 and Tata's will get the benefit.

Mr. Sawday.—You have got to look at the benefit of both sides.

President.—If you want to benefit the re-rolling mills, we have got to take a higher figure for freight disadvantage.

Mr. Sawday.—Tata's get the benefit of the higher freight disadvantage and they use their rates against re-rolling mills.

President.—They want a duty of Rs. 47 and a freight disadvantage of Rs. 6. Assuming the re-rolling mills have a freight disadvantage of Rs. 10, we have got to raise the duty to Rs. 51 and Tata's will get the benefit of that duty of Rs. 51 which will give them an extra Rs. 4.

Mr. Sawday.—I am not raising the duty from Rs. 47, put it down from Rs. 18 to Rs. 14.

President.—Reduce the duty on billets.

Mr. Sawday.—Yes.

President.—We have not arrived at any figure for a duty on billets. We have for the time being been discussing on the basis that Tata's would be able to sell from Tatanagar at a fair selling price of something below that. That fair selling price does not take freight disadvantage into account at all. This Rs. 70 or Rs. 68 does not take into account any freight disadvantage. They want an extra figure for freight disadvantage.

Mr. Sawday.—They want Rs. 70.

President.—They want Rs. 70 fair selling price at Tatanagar.

Mr. Sawday.—The freight disadvantage is Rs. 5 and the total comes to Rs. 75.

President.—With regard to billets, they want protection at the rate of Rs. 25. Out of that Rs. 25, Rs. 12 is freight disadvantage. I am not taking that into account. The figure that I gave as the sale price from Tatanagar is Rs. 70 and not a figure that represents Rs. 12. What I am suggesting is if a re-rolling mill is installed, it must be possible to make a satisfactory arrangement with the Steel industry which would enable the industry to sell semis irrespective of any duty at a price which would give them a fair return. As far as billets are concerned, the question of freight disadvantage doesn't arise. If you want the re-rolling mill to get the higher freight disadvantage, the only way we can adjust it is by raising the duty on bars.

Mr. Sawday.—They supply all the re-rolling mills at a fair price.

President.—I am trying to understand the problem.

Mr. Sawday.—If you make such an arrangement, the other problem would not come in.

President.—I gather from your letter that you would like the Tariff Board to make some suggestion with regard to the alteration of the railway rates in such a way that Tata's would not get any advantage in the matter of railway rating over these re-rolling mills.

Mr. Sawday.—It is difficult for you to do that.

President.—It is not in our hands.

Mr. Sawday.—Take the simple case of a mill at Benares. It seems unjust that from Benares to Cawnpore they should practically pay the same freight and from Benares to Lucknow on their finished materials as Tata's pay from Tatanagar.

President.—In all railway rates there is an element of this kind of discrimination which, in the nature of things, cannot be avoided.

Mr. Sawday.—It is prohibited in India.

President.—In what sense?

Mr. Sawday.—By Section 42 of the Railway Act.

President.—In station to station rates there is discrimination. That phrase "undue preference" is very difficult to interpret. We have discrimination between persons, we have discrimination between localities and we have discrimination between commodities. The only kind of discrimination about which we have been sensitive is between persons. Even this kind of discrimination between persons has been permitted in a few cases

Mr. Sawday.—On a quantity basis.

President.—Yes.

Mr. Sawday.—It exists even without the quantity basis.

President.—Why do you say that? I should think Tata's would be able to give better traffic than the re-rolling mills.

Mr. Sawday.—The rates fixed in the East Indian Railway are not fixed on that assumption. Very very low rate is given.

President.—What other assumption could they have made?

Mr. Sawday.—They give you wagon load rate of Rs. 13-8-0 from Gomoh to Delhi, but for small quantities the rate is only Rs. 1-14-0 more. The difference is negligible.

President.—When you have a rate fixed between two stations, I take it the railways fix their rates with reference to the increase in traffic which they may expect as the result of giving a lower rate.

Mr. Sawday.—As a matter of fact that was not a fact in this case.

President.—I don't understand the principle on which the rating was done.

Mr. Sawday.—There is not any principle. The railways are waiting for you to say something.

President.—Railways have not said so and they will be disappointed.

Mr. Sawday.—They will wait and see what you would say.

President.—As a matter of fact we made some proposals about railway rating in our Report on the Chemical industry and the Government of India took two years to consider that question and they issued a resolution in which they said that it was not within the province of the Tariff Board to make proposals about railway rating. Since then we have been on our behaviour as regards railway rating.

Mr. Sawday.—All I do say is this: You must take into account the smaller re-rolling mills. If you are going to make a special arrangement, and if you are going to work on the ordinary principles on which you have worked hitherto, the rates are based on competitive figures—increased by the duties you impose. You have got to take into account that all these smaller re-rolling mills would have to pay a very high price henceforth except Negapatam and you have got Tata's who are able to send their material up at a much lower rate and the only way I can see of off-setting that is to put down the duty on billets whereupon they would be able to get their billets from Tata's at a low price. If you want them to buy it from Tatas, they should get them at a price which would enable them to survive.

President.—The difficulty about that is a practical difficulty. Supposing we decided to put Tata's and the re-rolling mills on the same footing as regards freight disadvantage—I am not for a moment expressing any opinion that it is not an equitable thing to do—the moment we do that, we would have to reconsider the whole basis on which the measure of protection for Tata's is estimated. It is not a matter that I have considered and I should like to apply my mind to that question.

Mr. Wiles.—Do I understand you to say that the rates arranged between the East Indian Railway and the Tata Iron and Steel Company are not based on ordinary commercial principles?

Mr. Sawday.—No. They are really the result of an accident. In 1912 or somewhere thereabout there were existing low rates from Calcutta to Cawnpore and Tata's having got their B. N. R. contract went to the East Indian Railway and told them "it costs now Rs. 4-8-0 to take the steel to Gomoh and from Gomoh to Cawnpore you are charging Rs. 20. You are carrying the material from Calcutta to Cawnpore at Rs. 17-8-0. You should at any rate put us on the same level. So the East Indian Railway saw the justice of that and gave Tata's the freight of Rs. 13 from Gomoh to Cawnpore, thus making the total freight of Rs. 17-8-0 the same as Calcutta". In war the East Indian Railway found that they could not carry these old rates and abolished them all and the freight went up to Rs. 38-12-0 or something of that sort, but they didn't abolish the concession rate from Gomoh with the result that Tata's found themselves paying Rs. 17-12-0 against Rs. 38-12-0 paid by the imported material. The rate is a great deal less than what the traffic can bear. Now the East Indian Railway know that. They don't like these rates to continue. They realise that they have made a great mistake. They took this matter up and they got their reply: "wait and see what the Tariff Board says".

Mr. Wiles.—Replies from whom?

Mr. Sawday.—From the Railway Board.

President.—We cannot suggest to the railways that they ought to alter the freights that they charged on steel shipped by different parties because it is not our business. Therefore the only way in which we can tackle this problem is by taking existing freight rates into account.

Mr. Sawday.—But you can see my point. The man in Cawnpore who has to pay the full price on billets again has to pay the full price from Cawnpore to Benares.

President.—Why don't they take it to the Railway Rates Advisory Committee?

Mr. Sawday.—It has just gone.

Mr. Wiles.—It has only just gone after waiting for 14 years?

Mr. Sawday.—Yes.

President.—Supposing on the recommendation of the Railway Rates Advisory Committee, different freight rates are charged, then it would be necessary for us, assuming that the freight rates charged for Tata's and for other rolling mills are more or less the same, in fixing the measure of protection for the Steel industry to re-examine the whole question of freight disadvantage.

Mr. Sawday.—I think that is what you ought to do.

President.—But at present we are not in a position to do it because we do not know what the freight charges are going to be.

Mr. Sawday.—Your measure of protection will be liable to be upset at any time unless you do it.

President.—We are considering whether it would not be necessary to provide some machinery in the scheme of protection by which automatic adjustments could be made.

Mr. Sawday.—Can't you find out from the Railway Board what their policy is?

President.—We are not in the habit of asking bodies like the Railway Board for their opinions.

Mr. Sawday.—You asked them last time.

President.—We burnt our fingers.

Mr. Sawday.—You burnt theirs too.

President.—So that I think we would try and use the best judgment we can.

Mr. Wiles.—There is just one question about scrap. I gather that you are not going to use scrap in the first instance.

Mr. Rajam.—Not if I can get billets at competitive prices.

Mr. Wiles.—You don't intend to use scrap in the same way as the mills in North India are using?

Mr. Rajam.—I don't propose to, if I can get billets.

Mr. Sawday.—Scrap is not available in Southern India.

President.—From the figures we got from the South Indian Railway and the Madras and Southern Mahratta Railway, it appears that the quantities of scrap that they had sold during the past few years of the kinds that would be used by re-rolling mills had been fairly considerable.

Mr. Sawday.—Double headed rails and other kinds of rails are not much.

Mr. Wiles.—Most of the scrap which goes abroad we are told is not suitable for re-rolling mills. Most of it would have to be re-melted.

Mr. Rajam.—I should think so.

Mr. Sawday.—It is suitable for packeting.

Mr. Wiles.—Some 80,000 tons of scrap go abroad. Is it not open to you to purchase that in the open market or any part of it?

Mr. Rajam.—We can purchase. Those are kinds of scrap which are suitable for re-rollers—for instance railway wheels, axles, rails, etc.

Mr. Wiles.—Where do you propose to get that?

Mr. Rajam.—We can get it from the South Indian Railway and the Madras and Southern Mahratta Railway. Our factory being situated at a port, we can get it from Karachi and Bombay.

Mr. Wiles.—It is within your range?

Mr. Rajam.—Yes.

Mr. Wiles.—Have you made any definite estimates yet of the cost of installing a smelting furnace?

Mr. Rajam.—We have got definite quotations. Mr. Sitaraman had been to Europe. He was there for nearly six months for that. We have got definite quotations and we are just ordering an up-to-date furnace.

Mr. Wiles.—You don't contemplate setting that up until you have got going with the other.

Mr. Sawday.—You are at cross purposes. You are asking about a re-melting furnace whereas Mr. Rajam is thinking of a reheating furnace.

Mr. Wiles.—You cannot utilise scrap in a reheating furnace?

Mr. Sawday.—We can, by bundling them and reheating them.

Mr. Wiles.—Provided they are suitable for that?

Mr. Sawday.—Yes.

Mr. Natesan.—Mr. Rajam, your object is to roll mostly from billets.

Mr. Rajam.—Yes, if I can get billets at competitive prices.

Mr. Natesan.—I take it that your last statement which reached us yesterday is your considered statement and that what you have stated in the last paragraph represents correctly your views. You have also expressed the same opinion in answer to the President. You say "In view of the above we leave to the Tariff Board to consider our claims before fixing the protective duties on billets so that it does not work any hardship to our new industry in the South as we do not come in competition with the Tata Iron and Steel Company and as we are only starting up an industry for meeting the gap in the demands left by the Tata Iron and Steel Company." Do I understand you correctly that if you are able of your own accord to come to an arrangement with Tata's to supply you with billets or if the Board is able to fix what is called a fair rate to enable you to make your business a success there would be absolutely no trouble?

Mr. Rajam.—That is so. There would be no trouble.

Mr. Natesan.—I understood you to say that you would like protection given to Tata's to continue and at the same time you want steps to be taken to see that the interests of your new venture are not in any way jeopardised. That is exactly your position.

Mr. Rajam.—Yes.

Mr. Natesan.—That is why I asked you whether your last statement represented your considered views. It makes the position very clear. Do you expect that you will have a good market in the South?

Mr. Rajam.—Exactly.

Mr. Natesan.—From Negapatam I suppose you will try to push your goods in Tanjore, Trichinopoly and other places.

Mr. Rajam.—Yes, all the markets in the south from Madras including Salem, Erode, etc.

Mr. Natesan.—Your immediate object is not to try in Madras.

Mr. Rajam.—We will try to sell near about. Whatever surplus there is, we will try to dispose of in Madras.

Mr. Atha.—Do I understand that you propose to roll from 5×3 joists down to $\frac{3}{8}$ " rounds in your mill?

Mr. Rajam.—Yes.

Mr. Atha.—You give the length of the roll but you don't give the diameter.

Mr. Sitaraman.—14".

Mr. Atha.—That is a very wide range to roll on that size mill.

Mr. Sitaraman.—They say we will be able to do that.

Mr. Atha.—It needs some special arrangements.

Mr. Sitaraman.—If it is not possible, we will not do smaller sections.

Mr. Atha.—It is hardly practicable to cover that range on one mill. You say for reheating you would require 6 cwts. of coal. That is a very high figure.

Mr. Sitaraman.—But possibly when we introduce pulverising plant it will come down.

Mr. Atha.—Would you be able to put it at less than half?

Mr. Sitaraman.—It must be possible but we are not sure, so this 6 cwt. is taken until we have the pulverising plant.

Mr. Natesan.—Mr. Sawday, I have read your memorandum and I have one or two questions to ask you just to clear up my doubts. You seem to be more or less definite in your conclusion that there is absolutely no prospect of another Steel works being started, am I right?

Mr. Sawday.—That is right.

Mr. Natesan.—Do you stick to that view when you know very well that Tata's are able to produce only half the quantity of the materials imported into India?

Mr. Sawday.—Yes, I think I shall stick to that because of the distance for one thing and secondly another steel works, if it is started, will start in this area, in the coalfield area and will then inevitably try to share the good markets with Tata's. The difference between the good markets and bad market is Rs. 40 per ton.

Mr. Natesan.—May I inform you that in the representation given to us by the Indian Iron and Steel Company they say that they are likely to manufacture steel. They are a fairly well established firm. They have large capital behind them. So, it is not at all unlikely that they will be able to start manufacturing steel.

Mr. Sawday.—The only result is that they will ruin themselves and Tata's.

Mr. Natesan.—It is quite possible that they may choose lines and sections which are not produced now and that one will complement the other and therefore will help the solution of the problem which we all have in view,

i.e., making India self sufficient so far as Iron consumption is concerned. They will ruin themselves and Tata's only if they begin doing the same things which Tata's are now rolling. But surely there is room for another big steel enterprise which will not compete on lines at present produced by Tata's but will take to different lines. Indeed I may tell you so far as I am concerned I have been blaming Tata's for not expanding their lines of activities. I have been feeling that much of their trouble is due to the fact that they are dependent more on railway orders.

Mr. Sawday.—Their railway orders have been insignificant in the last few years.

Mr. Natesan.—I am only stating my position. I don't wish to have a discussion. By trying to put a few questions I am only trying to elucidate the position.

Mr. Sawday.—The Tariff Board itself in the 1926 report said that another works to be efficient must roll 400,000 tons.

Mr. Natesan.—I want to ask you a question or two on that point. Will you kindly give me the exact reference to where the Board have stated that a steel works to be efficient should produce 4 lakhs of tons a year?

President.—I think it occurs in the 1924 report.

Mr. Sawday.—I know that no works could be set up to manufacture that quantity with any hope of success unless it rolled a large proportion of rails, bars, joists and plates.

President.—That figure of 400,000 tons is based on the assumption that the products represented the sort of variety that Tata's themselves manufacture. If it is simply one class of product you can manage on a smaller output than that. Take for instance the sheet mill.

Mr. Sawday.—Yes. The starting of smaller rolling mills is a step towards that. Sheet mill experts or sheet mill industrialists came here last year to explore the possibilities. There is room for that sort of mill.

Mr. Natesan.—I am anxious to focus the discussion on the point I have raised. There is absolutely no prospect in your opinion of another steel works being started. If I point out to you that the Indian Iron and Steel Company have stated that they are thinking of starting the manufacture of steel, and it is quite possible that they may make it a success if they take to rolling sections which are not at present rolled by Tata's, what will be your answer to that?

Mr. Sawday.—I maintain that they cannot. I maintain that they never will.

Mr. Natesan.—If you are so sure, I shall leave it at that. In another place you say "On the other hand, it is fair to say that protection for the sake of a single works or a continuance of protection after a period or years which have had no effect on the need for protection is also against the tenets of the Fiscal Commission." Will you kindly give me the reference?

Mr. Sawday.—One of the tenets of the Fiscal Commission is that discriminating protection should encourage the growth of industries.

Mr. Natesan.—What is it that you are referring to? It is possible that I am unable to grasp it.

Mr. Sawday.—The Fiscal Commission was concerned with the general establishment of industries. If you called one works an industry, I have nothing more to say. My impression from that has always been different and in fact from the frequent references in the Tariff Board reports to the virtues and values which would come from encouraging competition I understand from an industry several works competing in a mild way within the country for the country's trade.

Mr. Natesan.—I am unable to reconcile the opinion that you have just now given and what you have written with this passage in the Fiscal Commission's report. In paragraph 106, they say "Nevertheless we have no

hesitation in affirming the principle that the industry which is essential for the purpose of national defence and for which conditions in India are not unfavourable should if necessary be adequately protected irrespective of general conditions which we have laid down for the protection of industries.”

Mr. Sawday.—There is a lot to be said from that point of view. During the last war, Tata's proved to be of great value.

Mr. Natesan.—There is another aspect to this question and that is why I thought your statement should not be left uncontradicted from my point of view.

MUKAND STEEL ROLLING MILLS, BADAMIBAGH (LAHORE).

Evidence of Mr. MUKAND LAL, recorded at Calcutta on
Thursday, the 30th November, 1933.

President.—Mr. Mukand Lal, you represent the Mukand Steel Rolling Mills?

Mr. Mukand Lal.—Yes.

President.—Your works were started in 1930?

Mr. Mukand Lal.—Yes.

President.—That is to say you started producing steel sections early in 1930?

Mr. Mukand Lal.—Yes.

President.—Was your plant made locally or did you purchase it?

Mr. Mukand Lal.—It was made locally.

President.—I gather from your replies to the questionnaire that on the existing plant you have a capacity of 13,500 tons?

Mr. Mukand Lal.—No. We have extended it quite a lot now. In 1930 it was only a Bar Rolling Mill, now we have got one bar mill, one Plate Mill, and another for other sections, flats and squares (which is under construction).

President.—So that if you were working on a single shift basis on your existing plant you would have about 6,000 tons a year.

Mr. Mukand Lal.—No. About one-third of 13,500.

President.—13,500 is on the original plant.

Mr. Mukand Lal.—No; on the original plant it was hardly 3,000 tons.

President.—On the basis of 24 hours working day would you get on the present plant a maximum output of 13,500 tons?

Mr. Mukand Lal.—No. We could not get that much of raw material.

President.—We are speaking of your capacity. What is the highest you have reached so far?

Mr. Mukand Lal.—15 to 16 tons a day working one shift, for both Plate and Bar Mills.

President.—That is about 4,000 to 4,500 tons: that was your largest output in the year. When did you attain this?

Mr. Mukand Lal.—Towards the end of 1932.

President.—You have worked now about 3½ years and in the year 1932 you reached the highest output which was somewhere about 4,500 tons?

Mr. Mukand Lal.—No, I might mention here that we did not work 300 days in the year; we hardly worked 150 to 200 days.

President.—It depends upon your ability to get the necessary materials?

Mr. Mukand Lal.—Yes.

President.—When you got sufficient amount of materials then you worked your plant, otherwise you stopped work?

Mr. Mukand Lal.—That is so.

President.—In your replies to the questionnaire you tell us that the amount of suitable steel scrap available in your area is 3,000 to 4,000 tons a year. I should like to know first what you call suitable scrap?

Mr. Mukand Lal.—Rail heads, axles, boiler plates and steel tyres.

President.—You mean double headed rails?

Mr. Mukand Lal.—Yes, we use only the heads and the flat portions are sold to other dealers locally.

President.—The bulk of suitable steel scrap available in your area is double headed rails?

Mr. Mukand Lal.—No. They are now exhausted because the Railways have replaced them with flat footed rails. The old stock wherever it is available comes into the auctions and we buy the rails.

President.—What about other rails? Can you use them for your Mill?

Mr. Mukand Lal.—Yes. We sell the flat portions and use the heads

President.—Do you get any axles in your area?

Mr. Mukand Lal.—Quite a lot.

President.—That you can use quite conveniently in your Mill?

Mr. Mukand Lal.—Yes. We also use steel tyres of the Railway wheels.

President.—How exactly do you arrive at this figure of 3,000 to 4,000 tons?

Mr. Mukand Lal.—From the auction notices of the N. W. Railway and others, we also find that there are big stocks at Lucknow.

President.—N. W. Railway is the Railway with which you are concerned?

Mr. Mukand Lal.—No. We also buy from Lucknow from the E. I. Railway and also small axles from the B. & N. W. Railway.

President.—That is a long lead?

Mr. Mukand Lal.—Yes, but it pays to buy at that price.

President.—What is the freight from Lucknow to Lahore?

Mr. Mukand Lal.—It is at condemned railway material rate which is about Rs. 9 per ton.

President.—When you buy scrap from a railway is it shipped to you at the home material rate?

Mr. Mukand Lal.—No. At the condemned material rate. That is special rate for materials which are auctioned by the Railways as condemned materials; slightly over than the rates which they charge for themselves. We have been buying axles also from the B., B. & C. I. Railway.

President.—From Lucknow what is the distance to Lahore?

Mr. Mukand Lal.—A little over 600 miles and we pay Rs. 9 to Rs. 10 railway freight including all other expenses that the railways charge for loading and unloading.

President.—That is just a little over 12 pies per maund per mile.

Mr. Mukand Lal.—We never calculated it. It might be about 12 pies per maund per mile, but there are the other expenses too.

President.—This is not the actual rate charged; the rate charged is slightly less than a pie per maund per mile?

Mr. Mukand Lal.—Not known.

President.—We issued a circular notification to Railways to give us the figures of sales of scrap during the past three years and the figures that we have received from the North Western Railway seem to indicate that the average quantity per year during the past three years of railway scrap and axles is a very small figure, considerably less than the figure you have mentioned. Do you know in your own experience whether the N. W. Railway have sold any double headed rails during the past year or the year before?

Mr. Mukand Lal.—Yes. We have purchased too.

President.—How much have you purchased?

Mr. Mukand Lal.—In these auctions we only purchased few hundred tons but before we put up the rolling mills we had accumulated stocks and to-day there is a stock of about 4,000 tons.

President.—So that you are using your old stock?

Mr. Mukand Lal.—Yes. We have got about 5,000 tons of axles, rail-heads, tyres, steel sleepers, etc., this is not the only stock available, but from time to time, we also purchase from the railways and we go on accumulating.

President.—So that the existing stock that you have, will enable you to carry on for a little more than a year?

Mr. Mukand Lal.—Yes. We also buy small scraps and bundle them up and make them into billets.

President.—If your estimate is correct that the total amount of suitable steel scrap available is 3,000 to 4,000 tons then on that estimate you have just enough material for working your mill on a single shift. That is what it amounts to.

Mr. Mukand Lal.—Yes.

President.—I want to get some idea of the classes of steel products that you make.

Mr. Mukand Lal.—Ordinary rounds, squares, flats.

President.—All bars. Do you make any structural sections?

Mr. Mukand Lal.—Not so far.

President.—You refer to a plate mill. Do you make any plates?

Mr. Mukand Lal.—We have now started making plates reducing them to about $\frac{3}{4}$ " thickness, from steel sleepers. We have also got boiler plates which are $\frac{5}{8}$ " thick.

President.—What kind of width can you roll?

Mr. Mukand Lal.—About 24".

President.—And you roll from precisely the same kind of scrap?

Mr. Mukand Lal.—Yes. We make generally circular plates out of which we cut away our circles and other shapes which are used for agricultural implements, frying pans, pans for mortars, pans for making sweetmeats and so on.

President.—Is there a fairly big demand for these?

Mr. Mukand Lal.—Yes, and then again the demand for pans for making sugar has very much increased; there is so much demand that we cannot meet it.

President.—That is for manufacturing *gur*?

Mr. Mukand Lal.—Yes. For the manufacture of raw sugar according to Mr. Hadi's system which is coming into vogue just now. We are making pans in sizes of 12", 14", 16", 22" and so on.

President.—When did your plate mill start working?

Mr. Mukand Lal.—This year.

President.—How many months have you worked so far?

Mr. Mukand Lal.—Hardly 30 or 40 days; on different occasions it has worked for different periods.

President.—What quantity of plates have you made?

Mr. Mukand Lal.—10 or 12 tons altogether per day.

President.—That is about 300 to 400 tons a month?

Mr. Mukand Lal.—Yes.

President.—These bars that you are making, are they all bars of $\frac{1}{2}$ " sections and above?

Mr. Mukand Lal.—Yes. We have been making up to $\frac{3}{4}$ " and above.

President.—Mainly rounds?

Mr. Mukand Lal.—Rounds and squares. We have also made flats?

President.—Is there a big demand for flats in your area?

Mr. Mukand Lal.—There is; but our quality is not the same as Tata's.

President.—I suppose these flats are used for cart tyres?

Mr. Mukand Lal.—Yes. These things are also used for agricultural implements mostly.

President.—Do you use flats for making agricultural implements?

Mr. Mukand Lal.—Yes. Ploughshares, etc.

President.—Is that the main use?

Mr. Mukand Lal.—No. We are also using a large quantity in Persian Wheels in the Punjab.

President.—In what part of the wheel does the flat come in?

Mr. Mukand Lal.—In the spokes on the wheel.

President.—It is flat with spokes.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—All spokes are made out of steel.

Mr. Mukand Lal.—Yes. Our rounds are also used for the spokes and for certain parts of the Persian Wheel flat is used in the body too.

President.—Have you any intention of using billets on your Mill?

Mr. Mukand Lal.—Yes.

President.—Is it really part of your programme?

Mr. Mukand Lal.—It is a part of our programme to use billets. In fact we have got steel furnaces lying in our compound which we want to instal and smelt our own steel.

President.—You mean smelt your scrap and make billets?

Mr. Mukand Lal.—Yes.

President.—What additional equipment you would require if you were to use billets?

Mr. Mukand Lal.—Hardly any which we cannot make in our works.

President.—You would get your billets and then deal with them as you would deal with the scrap.

Mr. Mukand Lal.—Yes.

President.—Just reheat and put them through the rolling mills?

Mr. Mukand Lal.—Yes.

President.—I should like to examine your cost figures which you have given us. You give your material costs as Rs. 50 in your replies to the questionnaire. That, I suppose, includes the materials and the wastage of material and the cutting charges, am I right?

Mr. Mukand Lal.—So far as our wastage is concerned, it goes back to scrap and sold locally. We do not suffer much by wastage that takes place.

President.—Your wastage is recovered as credit.

Mr. Mukand Lal.—Yes, because we are scrap merchants.

President.—What you put in as scrap, you can sell it as scrap and get the same price more or less.

Mr. Mukand Lal.—Yes.

President.—Your net cost of metal is Rs. 50.

Mr. Mukand Lal.—Yes.

President.—It includes cutting charges.

Mr. Mukand Lal.—Yes.

President.—It includes the whole cost of the metal as it goes into the Mill.

Mr. Mukand Lal.—Yes.

President.—Your rolling charges come to Rs. 45.

Mr. Mukand Lal.—Yes.

President.—This Rs. 50 is rather a higher figure. It is the highest figure for the scrap that we have seen so far. You are at Lahore. The North Western Railway is stationed at Lahore. From your figures I gather that there has been a steady increase in the cost of your scrap.

Mr. Mukand Lal.—Yes. It has been. We used to buy scrap at Rs. 17 or Rs. 18 a ton in 1926 or 1927. It has steadily risen to this price.

President.—Why is there more demand on the part of the rolling mills?

Mr. Mukand Lal.—The cost price of iron has gone up.

President.—Is there any other rolling mill which wants scrap in the area that you depend on?

Mr. Mukand Lal.—Yes, there is Raghoo Ram Tulsi Ram Rolling Mills.

President.—They have the same capacity as yours?

Mr. Mukand Lal.—Slightly smaller. They have put up a very much bigger plant which is not working.

President.—Is it likely that the competition between the two Rolling Mills, has led to this increase in the price of scrap?

Mr. Mukand Lal.—It is just possible.

President.—How long has that Mill been in existence?

Mr. Mukand Lal.—That has been in existence for the last 2 years. It came into existence one year after ours.

President.—On these figures, your total cash expenditure on your bars is Rs. 95?

Mr. Mukand Lal.—Yes.

President.—What is the total capital expenditure you have incurred so far? You give a figure of Rs. 5½ lacs, somewhere. If you made your plants locally, I find it rather difficult to accept a figure of Rs. 5½ lacs.

Mr. Mukand Lal.—It is impossible for us to give any actual figures. It has all been built out of scrap from different places at different periods.

President.—Making allowance for the difficulty of arriving at a definite estimate of the capital expenditure, I should still say, that Rs. 5½ lacs sounds a very excessive figure.

Mr. Mukand Lal.—The building costs one lac of rupees.

President.—The land costs rupees two lacs.

Mr. Mukand Lal.—Yes.

President.—In Lahore, you can get an enormous area for Rs. 2 lacs

Mr. Mukand Lal.—Yes. But due to our place being in the centre of iron scrap market, and a siding for which, wagons are able to come into my yard.

President.—Does that come to Rs. 2 lacs.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—How many grounds are acres?

Mr. Mukand Lal.—315,000 square feet.

Mr. Natesan.—Do you deal in terms of acres in your province?

Mr. Mukand Lal.—Yes, but acres are different at different places.

Mr. Natesan.—What is the price of an acre of land in the Punjab?

Mr. Wiles.—Is it in Lahore?

Mr. Mukand Lal.—Yes, in Lahore 500 square yards is one Kanal; 315,000 square feet is equal to 70 Kanals. The price is about Rs. 3,000 per Kanal.

President.—You say, Rs. 2 lacs for your land and one lac for your building.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—Was this land purchased by you at Rs. 2 lacs?

Mr. Mukand Lal.—No, we are giving the current value of it.

President.—I suppose, it was your own land originally?

Mr. Mukand Lal.—It was bought in 1924.

President.—What is the price that you paid then?

Mr. Mukand Lal.—Nearly Rs. 50,000.

President.—You purchased it at a time when it was cheap?

Mr. Mukand Lal.—Yes. If I were to use that land for housing purposes, I would get more than Rs. 2 lacs.

President.—That leaves a figure of Rs. 2½ lacs for plant.

Mr. Mukand Lal.—Yes.

President.—All your plant was made locally, out of scrap?

Mr. Mukand Lal.—No, the boiler was bought separately as a boiler. The engine was bought separately.

President.—What was the cost of engine?

Mr. Mukand Lal.—It is a 300 Horse Power Engine costing about Rs. 24,000.

President.—You got it second-hand?

Mr. Mukand Lal.—Yes.

President.—That would not account for a figure so high as Rs. 2½ lacs.

Mr. Mukand Lal.—No, but we have 3 lathes, 3 shaping machines and 2 shearing machines and various other machinery.

President.—May I take it that this Rs. 5½ lacs represents what you consider to be present value of your buildings, land, machinery, etc.?

Mr. Mukand Lal.—So far as the land is concerned, we have put down the present valuation, but so far as the others are concerned, they represent actuals.

Mr. Natesan.—What is the amount of income-tax you paid last year and the previous year?

Mr. Mukand Lal.—Last year, we suffered a loss of Rs. 30,000.

Mr. Natesan.—And the previous year?

Mr. Mukand Lal.—The maximum income-tax paid during the last 4 or 5 years is about Rs. 600.

Mr. Natesan.—That is on your profit in the business?

Mr. Mukand Lal.—Yes.

Mr. Natesan.—I suppose the Income-tax Office asks you to give accounts every year of your property, your mills and land separately?

Mr. Mukand Lal.—Yes.

Mr. Natesan.—And you give them a depreciation accounts?

Mr. Mukand Lal.—No.

Mr. Natesan.—You are expected to keep a stock book and plant register.

Mr. Mukand Lal.—When we put up the plant, those amounts which were then spent, were entered in the ledger. On that no depreciation has so far been struck off.

Mr. Natesan.—Do not the Income-tax Department allow you any depreciation?

Mr. Mukand Lal.—They do allow. Last year only they allowed us depreciation, and not before that.

Mr. Natesan.—What was the allowance made for depreciation?

Mr. Mukand Lal.—I will send you the figures later on.

President.—I should like to know on these figures, what you consider to be a price, that will cover all your legitimate charges. These works cost of Rs. 95 has got to be met out of cash. What sort of depreciation would you estimate for your plant? I am trying to see what a fair price would be in your case and in order to arrive at that, I want to know what you consider as reasonable.

Mr. Mukand Lal.—So far as overhead charges are concerned, they do not count.

President.—What precisely do you mean by overhead?

Mr. Mukand Lal.—They are personal charges, motor cars, and that sort of thing.

President.—All that is included in your figure of Rs. 45.

Mr. Mukand Lal.—Yes.

President.—Therefore the only charge that you will have to add to that, is the depreciation on the plant.

Mr. Mukand Lal.—We being scrap merchants have to do business anyhow. We do not think we are burdened with this amount.

President.—What is your depreciation on plant and building? May I take it, that what you consider a reasonable depreciation, is also included in Rs. 45.

Mr. Mukand Lal.—I do not think that we would consider any depreciation on the machinery.

President.—Practically all the charges, including depreciation are included in this Rs. 45.

Mr. Mukand Lal.—It is all made out of scrap.

President.—So that the only item, for which allowance is not made in this Rs. 95, is your profit. Everything else comes into it.

Mr. Mukand Lal.—Yes.

President.—I want to come to the prices you have been able to realise. You draw our attention to the very severe competition that you had to meet from the Tata Iron and Steel Company and during the period that very acute competition prevailed, your prices happened to fall to an exceptionally low level.

Mr. Mukand Lal.—Yes.

President.—In the first place, how long did this period of competition last?

Mr. Mukand Lal.—Tata's started competition 5 or 6 months after we started rolling.

President.—You started rolling in 1930.

Mr. Mukand Lal.—Yes, and they started competition too.

President.—And the Tata Iron and Steel Company began to compete with you within about 6 months after you have started.

Mr. Mukand Lal.—Yes, about the middle of 1930.

President.—Did they bring high carbon bars into your market?

Mr. Mukand Lal.—No. The fact that our production was very low, the competition was not so much felt.

President.—Of course Tata's had been in that market before?

Mr. Mukand Lal.—Yes. We are always selling at Rs. 4 or Rs. 4-4-0.

President.—About the middle of 1930 when for the first time you began to experience competition from the Tata Iron and Steel Company, what was the sort of price that you used to get for your bars?

Mr. Mukand Lal.—We used to secure Rs. 4-8-0 per maund.

President.—Can you give it to me in tons?

Mr. Mukand Lal.—About Rs. 120 per ton.

President.—It is more than Rs. 120. In large lots the price must be Rs. 120 a ton. That is about the sort of price you get about the middle of 1930.

Mr. Mukand Lal.—Even up to the end of 1930 we got that price.

President.—Even though in the latter half of that year, Tatas had begun to increase their competition in your area?

Mr. Mukand Lal.—Yes.

President.—You got about Rs. 120.

Mr. Mukand Lal.—Yes, as our sales were in small quantities to the manufacturers of persian wheels and agricultural implements.

President.—In that year, 1930, what sort of quantity did you produce?

Mr. Mukand Lal.—In 1930, we rolled about 150 tons in all. Sometimes the mill was working and sometimes it was closed owing to some break-down.

President.—In the whole of 1930 you disposed of about 150 tons.

Mr. Mukand Lal.—Yes.

President.—In 1931, you rolled about 1,000 tons.

Mr. Mukand Lal.—Yes.

President.—What were the prices like in 1931? Was the competition from Tata's becoming more acute in that year?

Mr. Mukand Lal.—Tata's were trying to knock us out. They were trying their dealers not to buy anything from us.

President.—They had not begun to put into your market steel rolled from defective materials. They had not begun that in 1931.

Mr. Mukand Lal.—No.

President.—It was simply that they were quoting for good materials lower rates than you did.

Mr. Mukand Lal.—Not lower than ours. Our quality is not standard quality.

President.—For the same price people would take their products.

Mr. Mukand Lal.—Yes. Sometimes they offered also at a lower price. At that time, people began to go in for their stuff more easily.

President.—What happened in 1931 was that Tata's were offering their good materials for practically the same price as that at which you were selling your materials.

Mr. Mukand Lal.—Slightly higher.

President.—But I suppose quality for quality their prices were lower than yours.

Mr. Mukand Lal.—Yes. Particularly they used to sell those sections which we were rolling.

President.—They were selling mild steel bars.

Mr. Mukand Lal.—Yes.

President.—As a result of the kind of prices that Tata's quoted in your area in 1931, to what extent did your prices drop in that year?

Mr. Mukand Lal.—We went down to Rs. 4 a maund.

President.—Let us say, it fell about Rs. 14 a ton.

Mr. Mukand Lal.—We were selling at Rs. 108 or Rs. 109 a ton.

President.—So, it dropped by about Rs. 12 a ton.

Mr. Mukand Lal.—Yes.

President.—Apart from quoting lower prices quality for quality, did Tata's increase their sales in your area in that year?

Mr. Mukand Lal.—That I do not know.

President.—You are not in a position to say.

Mr. Mukand Lal.—But we definitely know that they sold in lots of 1,000 tons to 1,500 tons to people at lower rates. Here is a copy of the circular which they issued to their dealers.

President.—I have seen that.

Mr. Mukand Lal.—Here is another.

President.—We have seen these. What was the position in 1932?

Mr. Mukand Lal.—We were selling at Rs. 3-10-0 to Rs. 3-12-0.

President.—I should like to know this. During this period 1930 to 1932, steel prices throughout the world have been falling and in your area you are bound to feel the re-action of that fall.

Mr. Mukand Lal.—Yes.

President.—So that if prices dropped from Rs. 4-8-0 to Rs. 4-0-0 between 1930 and 1931 you could to a very great extent account for that on the ground that steel prices had been falling.

Mr. Mukand Lal.—Yes, but Tata's sold at Rs. 95 to Rs. 105 f.o.r. Lahore.

President.—Tata's reduced prices because steel prices had been falling.

Mr. Mukand Lal.—They would not sell on that basis to the Delhi merchants or to Meerut merchants but they sold at Lahore on the basis of f.o.r. Lahore.

President.—Let me get that correctly.

Mr. Mukand Lal.—Tata's offered to dealers who lay in our area their so-called high carbon steel at Rs. 95.

President.—The high carbon steel first appeared in the horizon in the middle of 1932.

Mr. Mukand Lal.—Yes.

President.—I will come to that later. I want to know what was the position in 1932 till the high carbon steel began to make its appearance.

Mr. Mukand Lal.—They offered steel on f.o.r. Lahore basis.

President.—I want to be quite clear on this point. What you are telling us now is what happened with regard to these high carbon bars to which reference was made in the circular. That is what you are now talking about.

Mr. Mukand Lal.—They have been offering that steel on f.o.r. Lahore basis.

President.—They had not done that before?

Mr. Mukand Lal.—They have always done on the basis of a certain fair selling price plus the freight from the port to Lahore. If the price was Rs. 120, they sold it at Rs. 165 adding Rs. 45 on account of freight.

President.—They quoted Rs. 165 f.o.r. Lahore.

Mr. Mukand Lal.—I am taking the price as Rs. 120.

President.—Rs. 120 f.o.r. Tatanagar.

Mr. Mukand Lal.—Yes.

President.—Rs. 120 f.o.r. Tatanagar used to correspond with Rs. 165 f.o.r. Lahore before this period of acute competition.

Mr. Mukand Lal.—Yes.

President.—When this competition began, what happened?

Mr. Mukand Lal.—They began to sell on the basis of f.o.r. Lahore. They have made the price the Lahore basis price.

President.—What was the f.o.r. Lahore price?

Mr. Mukand Lal.—They quoted in one circular Rs. 100 but they also sold at Rs. 95.

President.—That is these high carbon bars.

Mr. Mukand Lal.—Yes.

President.—What about the mild steel bars in 1930 and 1931. We were considering the mild steel bars and I want to know the prices of mild steel bars. I shall come to high carbon steel bars later. What I want to know is at what price the Tata's mild steel bars were quoted f.o.r. Lahore in 1932? Did they not sell their mild steel bars?

Mr. Mukand Lal.—They have been selling mild steel bars.

President.—What was the price?

Mr. Mukand Lal.—We do not know.

President.—I should like to know that.

Mr. Mukand Lal.—They have got printed prices.

President.—You are making an allegation, I want you to give me all the evidence on which you are making the allegation.

Mr. Mukand Lal.—We cannot prove this allegation at all because we have not got the correspondence between Tata's and their agents and merchant houses.

President.—May I suggest that it is unfair to the Tariff Board that people should make allegations and leave it to the Tariff Board to find the evidence?

Mr. Mukand Lal.—We make the allegation on the fact that merchants have come to us and said "This is Tata's price and we want you to quote cheaper than that".

President.—What was the date of the circular?

Mr. Mukand Lal.—August, 1932. There were also earlier circulars.

President.—This particular circular was issued by the Steel Company on the 8th of August.

Mr. Mukand Lal.—Between 1930 and 1931, they sent about 2,000 tons of material to one Hazarimal in competition with us at cheaper prices.

President.—That is mild steel bar.

Mr. Mukand Lal.—Yes.

President.—That we have already taken into account. In 1931 you told us that the prices of mild steel bars in your area dropped by about Rs. 12. I have taken that into account.

Mr. Mukand Lal.—The price of our bars fell down by Rs. 12.

President.—As a result of competition from Tata's.

Mr. Mukand Lal.—Yes.

President.—Very well. In 1932, till sales were made under the circular of the 8th August, tell me what sort of prices you realized?

Mr. Mukand Lal.—We have got this circular. But there must have been other circulars of a similar nature. All that I am telling is that between 1931 and 1932 they sent their material to Hazarimal Govind Ram.

President.—I am trying to understand the situation. You will help me best by trying to answer my questions. If you take the first six months of 1932, what sort of price did you get for your bars?

Mr. Mukand Lal.—We got Rs. 3-10-0 to Rs. 3-12-0 per maund.

President.—Let me have it in tons. That is about Rs. 102.

Mr. Mukand Lal.—Yes. We have sold at Rs. 102 in some cases.

President.—Can you tell me approximately in January 1932 what quantity of bars did you sell? Did you sell 1,250 tons?

Mr. Mukand Lal.—May be about that.

President.—Let us come to this question of the circular and the position that resulted from the circular. They began to sell these high carbon steel in your areas at a price of Rs. 95.

Mr. Mukand Lal.—They have sold at Rs. 95.

President.—As a result of that at what price had you to sell your bars during the period when the high carbon steel was in the market?

Mr. Mukand Lal.—We stopped working our bar mill altogether as a result of that.

President.—I have taken 1,250 tons but your total output was 2,500 tons. Obviously you must have found a market for an extra 1,000 tons.

Mr. Mukand Lal.—We rolled only against orders after that.

President.—But you have managed to dispose of 1,250 tons. It is a considerable quantity. What is the price that you got for that?

Mr. Mukand Lal.—Rs. 3-12-0 to Rs. 3-10-0.

President.—The price dropped from Rs. 4 in 1931 to Rs. 3-12-0 in 1932 in the first half of that year. That drop practically continued throughout the year.

Mr. Mukand Lal.—Yes.

President.—On the whole therefore these high carbon bars did not affect your prices.

Mr. Mukand Lal.—They did affect our prices because we had to sell cheaply.

President.—The high carbon bars came into the market in the latter part of 1932. The prices that you realized in the second half of 1932 were not different from the prices you realised in the first half.

Mr. Mukand Lal.—Early in 1931-32 the prices were not so low as Rs. 3-10.

President.—I am trying to understand the position. I am keeping an open mind on this question. The Board is anxious to get to the bottom of it.

Mr. Mukand Lal.—In the earlier months of 1931-32 we could not get as much as Rs. 4 or Rs. 4-4-0 per maund.

President.—In the earlier half of 1932?

Mr. Mukand Lal.—Yes. We always got about Rs. 4 in the early part.

President.—It came down to Rs. 3-10-0 or Rs. 3-12-0 in the second half of 1932.

Mr. Mukand Lal.—Yes.

President.—As a result of this competition from Tatas your prices dropped from Rs. 4-8-0 you say, to Rs. 3-12-0, that is to say they dropped by about 12 annas?

Mr. Mukand Lal.—That is right.

President.—That is to say they dropped about 16 or 17 per cent. I am looking at the prices of Continental steel imported at the Indian ports, in 1929-30. About the beginning of 1930 when the depression started the price of bars was Rs. 126; in 1932-33 it was Rs. 106 a fall of Rs. 20. That is almost exactly the same percentage.

Mr. Mukand Lal.—Tatas did not reduce much the price of their ordinary material.

President.—We have got Tatas average realisations; they have fallen in much the same way.

Mr. Mukand Lal.—If you see their fortnightly price list you will see that the prices were particularly lower for ordinary high carbon steel sections and those sections were sent to the Punjab where we are situated.

President.—Whatever Tatas did the extent to which your prices have fallen in your market is not greater than the extent to which Continental prices against which you compete have fallen in the same period.

Mr. Mukand Lal.—We are not affected by Continental prices; our prices are already lower than the import price.

President.—They have fallen to the same extent; I am speaking of the proportion.

Mr. Mukand Lal.—If the import price is Rs. 126 . . .

President.—It fell to Rs. 106 during this period.

Mr. Mukand Lal.—Our price was lower than Rs. 106.

President.—Because the same margin would be kept.

Mr. Mukand Lal.—Imported steel is not coming into the Punjab Market and therefore our prices are not affected by that at all. Our prices are determined by Tatas prices.

President.—If Tatas prices are determined by import prices they have got to reduce their prices in your area?

Mr. Mukand Lal.—If Tatas had sold at Rs. 106 plus freight we would never suffer, but if they sold f.o.r. Lahore at Rs. 95 on the basis of Rs. 106 at port

President.—Assuming Tatas have been carrying on what you consider an unfair competition the result of that unfair competition is that your prices have fallen to the extent that steel prices have fallen during this period.

Mr. Mukand Lal.—Our prices cannot be affected by that price at all. We are manufacturing from scrap only and even with a price of Rs. 126 previously at the port we sold at a price slightly higher than the price of scrap, at a price which was Rs. 40 below Tatas price.

President.—I understand your point. Let us proceed with the argument. In 1932 and 1931 I want to see what surplus you made over your expenses.

Mr. Mukand Lal.—We have not got any separate account.

President.—Taking your cost at Rs. 95 and taking the prices that you have given us for the years 1931 and 1932 and taking the output also that you have given for these two years I estimate that you made a total profit in two years of Rs. 38,000?

Mr. Mukand Lal.—Yes.

President.—That was during the period when you were feeling this acute competition from Tatas. You do not consider on these results that you have not done fairly well, do you?

Mr. Mukand Lal.—We have not done that during the latter half of 1932.

President.—Your complaint is that you might have done still better at the expense of the consumer?

Mr. Mukand Lal.—At the expense of the consumer as much as Tatas are doing.

President.—Tatas have been able during this period of six years to distribute a dividend of 2 per cent.; in the course of two years you have earned a profit over your works costs and depreciation of very nearly Rs. 40,000 inspite of Tatas' competition.

Mr. Mukand Lal.—We were making about Rs. 7 to Rs. 9 per ton early in 1932 and in the latter half of 1932 we were making only Rs. 3 to Rs. 4 per ton which would not cover the incidental and overhead charges.

President.—What is the position now in regard to this competition from Tatas: are they still carrying on this unfair competition against you or has it stopped?

Mr. Mukand Lal.—We are not manufacturing just now.

President.—As a result of this competition?

Mr. Mukand Lal.—We have got the materials in our hands but we do not get a suitable price for our finished products.

President.—Are Tatas still putting these high carbon bars into the market?

Mr. Mukand Lal.—They must be because we cannot sell; our agents go round and ask for orders but we are unable to get any. We are mainly rolling plates now.

President.—That I suppose is the result of the arrangement that the Steel Company makes with the dealers.

Mr. Mukand Lal.—That is also one of the reasons.

President.—That I suppose is a very important factor. Simply on the price factor it looks to me that you do not suffer very much, at any rate you were not put to losses?

Mr. Mukand Lal.—We admit that but as soon as it came to a point where we might lose we stopped working.

President.—The real difficulty that you are feeling is that the dealers refuse to take your materials?

Mr. Mukand Lal.—Yes. We have also got our own canvassers but they cannot get any orders; Tatas prices being cheaper users won't take our material. People in Batala, Multan and other places who used to take our goods won't take them because Tatas' prices are cheaper.

President.—What kind of prices in the market do you get now?

Mr. Mukand Lal.—We are told that they can buy our material at Rs. 3-12-0 or less at which price we are not prepared to sell.

President.—It is partly I suppose because your cost of scrap is going up steadily which makes your costs higher?

Mr. Mukand Lal.—Yes.

President.—To what extent has competition from other re-rolling mills affected the price of your finished products?

Mr. Mukand Lal.—Except the local mills which exist at Lahore, the other rolling mills, for example the one at Ghaziabad, do not affect us at all.

President.—Does the competition from local mills affect your prices?

Mr. Mukand Lal.—They are mainly rolling $\frac{1}{2}$ ", $\frac{3}{4}$ " and their prices have dropped.

President.—And that is another factor. We are interested in this question of re-rolling mills and I want to be clear about this. The position of re-rolling mills such as yours who use steel scrap appears to me to be this: I quite admit that you have to meet competition from the Tata Company.

Mr. Mukand Lal.—We do not have to meet competition if they sell at the basic price always.

President.—Assuming we are able to eliminate at any rate the more unfair element in the competition that comes from the Tata Iron and Steel Company, as far as we are able to do that, even then there is a stiff problem in front of you, is not there? What I mean is this. If you have a few more re-rolling mills in the United Provinces and the Punjab using scrap they all begin to scramble for the suitable scrap available in the area: it is a very limited amount. The result of the competition between the re-rolling mills would be to push up the price of scrap?

Mr. Mukand Lal.—The result of that would be that we would begin to use billets.

President.—Your price of scrap shows that the prices of scrap are going up and if there is more competition among the re-rolling mills themselves, it is not unlikely that the prices would go up still further. In addition to that a competition among the re-rolling mills will bring the prices of the finished products down. There is therefore a natural process at work which seems to me to be operating against you?

Mr. Mukand Lal.—That is so. The last sale showed that the limit has been reached below which the price of scrap cannot go. It has been going up and it has almost reached a limit beyond which re-rolling mills won't buy.

President.—When the limit is reached your own re-rolling mills will go out of action?

Mr. Mukand Lal.—We have been able to make our own billets.

President.—I gathered from you that you are not making steel sections.

Mr. Mukand Lal.—No, because their prices are not suitable.

President.—That is one result which may follow from the competition among re-rolling mills themselves and another is that prices of materials will begin to go up and sooner or later you may reach a time when the position of the re-rolling mills will become very very difficult.

Mr. Mukand Lal.—There is still a difference of Rs. 40 to Rs. 45 between the price at which Tatas can land their materials and the price at which we can sell.

President.—I am not in the least suggesting that you might close down: I am trying to estimate the position as it presents itself to my mind and I would like to know your opinion on the problem.

Mr. Mukand Lal.—We are going to get over this difficulty by making our own billets because small scrap is available in large quantities.

President.—May I take it that you admit that the future of re-rolling mills using simply scrap is fairly difficult?

Mr. Mukand Lal.—Not only we admit but we are having that difficulty; that is why we have got this steel furnace.

President.—So that the future of re-rolling mills is bound up with the use of billets; that is the position?

Mr. Mukand Lal.—Yes.

President.—What is your proposal with regard to billets? Supposing you are going to use billets for the manufacture of sections, where are you going to get your billets.

Mr. Mukand Lal.—Our present intention is to make our own billets.

President.—You have got plants for it?

Mr. Mukand Lal.—We have already got the steel furnace in our own compound.

President.—Tatas have suggested that there should be a duty on billets; do you support it?

Mr. Mukand Lal.—No.

President.—If you are going to make your own billets, it rather suits you?

Mr. Mukand Lal.—If the price of billets goes down we will get cheaper scrap; the price of scrap is bound to go down. Our Mills will never be affected by any duty, but if you do not impose any duty we will get our scrap cheaper.

President.—If you are making your own billets and if the import duty does not matter all I take it, it is matter of indifference to you what we do with regard to billets.

Mr. Mukand Lal.—We would not like a duty on billets at all because that would raise the price of scrap, but of course so far as we ourselves are concerned we will never buy Tata billets; we will always buy imported billets. We can import through Karachi. Tatas according to their own calculation want a price of Rs. 70 f.o.r. Tatanagar but we will never buy them at more than Rs. 50.

President.—Do you want the complete removal of the duty?

Mr. Mukand Lal.—Yes, so that Tatas will have to compete with imported billets and will always have to sell them cheaper in the country.

President.—If we remove the duty altogether on billets and billets were made cheaper, then I venture to think that you will not go on with your billet programme? You will rather buy imported billets?

Mr. Mukand Lal.—That is one way of looking at it. If our scrap is up to Rs. 10 per ton we would make our own billets but if it goes above Rs. 10 we will then import.

President.—If we want you to produce your own billets we have got to put a duty on imported billets?

Mr. Mukand Lal.—If you want to put a duty on billets we want scrap delivered below Rs. 10.

President.—It is rather a difficult position. I want to understand what is going to happen if we decide to levy an import duty on billets.

Mr. Mukand Lal.—Tatas sell their billets to foreign countries at below Rs. 45; they should sell them at that price in the country.

President.—They have burnt their fingers in the transaction and I do not think they will do that in the future.

Mr. Mukand Lal.—My point is they sell billets at lower price to foreign countries which come back to us as steel and compete with us.

President.—I am at least as familiar with the affairs of the Tata Company as you are.

Mr. Mukand Lal.—You are better acquainted; Tatas in their own representation have proposed a lower duty on bars on account of certain profits they think they will get. This lower duty directly hits us because it is on bars and light structural sections.

President.—You would like the duty on bars to be fixed at Rs. 46?

Mr. Mukand Lal.—Yes. According to their own calculation if they reduce the duty by Rs. 10 they do not stand any chance of competing with imported materials themselves.

President.—You do not like the proposals that they make about the utilisation of the surplus?

Mr. Mukand Lal.—That is so because they might shift it to billets and black sheets.

President.—I will note that point for re-consideration.

Mr. Mukand Lal.—We would like if possible by legislation that export of scrap should be stopped from India. The scrap industry is a very big industry in India and in all other countries. It is a raw material on which

we mainly depend. If its export continues, either by Tata's or by merchants, we suffer.

President.—In that connection I was looking up the figures of exports of scrap from India and the kind of figures that I get, is this. If you take the past five years, the total amount of old iron and steel for re-manufacture exported from this country, much the greater part of it, was steel scrap.

Mr. Mukand Lal.—Mainly steel scrap.

President.—The average exports during the past five years were about 50,000 tons. That is, scrap of all kinds. A good deal of it, will not be suitable for your purpose.

Mr. Mukand Lal.—If we put up steel furnaces, all would be useful for our purpose.

President.—The average price at which all the scrap was exported f.o.r. Indian port was Rs. 28 per ton.

Mr. Mukand Lal.—This price is including all the middleman's profit. Really it has been sold from Lahore at Rs. 6 and it has been exported at Rs. 28 a ton from Karachi.

President.—Let us say Rs. 20 at Lahore.

Mr. Mukand Lal.—We have sold several thousands of tons at Rs. 6.

President.—I know nothing about Lahore. It is better in matters of this kind, that we proceed on the basis of all-India figures. We are considering the problem as an all-India problem. The trade figures show, that the average f.o.r. price, during the past five years was Rs. 28 for scrap. What I am suggesting is this: the prices that the re-rolling mills are paying for scrap are considerably higher than this. If the demand for scrap increases, unless the railways want to commit suicide, they are bound to sell it in India, because the price that they realise on their exports would be considerably smaller.

Mr. Mukand Lal.—This scrap is exported and not used by re-rolling mills. This scrap is altogether small, which cannot be used in any local trade.

President.—What is the good then of forbidding its export?

Mr. Mukand Lal.—We want to put up steel furnaces. We want it at Rs. 6 or Rs. 10.

President.—You must pay a price, which the railways would want.

Mr. Mukand Lal.—Railways get Rs. 6. We have sold several thousand tons of scrap for export purpose at Rs. 6. This scrap is bought at Rs. 6 and sold at Rs. 28 a ton.

President.—That is for all kinds of scrap suitable, and unsuitable. The price would be more for suitable scrap.

Mr. Mukand Lal.—Rs. 28 includes the profit of 3 men. It is not the price that the railways get.

President.—That is my whole point. Therefore the prices that they are realising on suitable scrap on export are lower than the prices that the re-rolling mills are prepared to pay. Therefore unless the Railways are going to commit suicide, they would rather sell it to re-rolling mills than for export. I do not understand the position. Is it really necessary by legislation to stop this?

Mr. Mukand Lal.—Tata's are exporting to Japan at Rs. 14. If Tata's could sell us bloom ends at Rs. 14 per ton we would buy them.

President.—If there is sufficient demand in the country, they would do it themselves. Do you think that they would sell abroad when they get better prices in the country?

Mr. Mukand Lal.—Scrap is not exported as a matter of practice by the railways. It is sold to merchants, by auction.

President.—The prices that they would pay would depend upon the kind of prices that you, re-rolling mills, are prepared to pay hereafter.

Mr. Mukand Lal.—Railways sell it to local merchants out of which certain scrap is sorted for re-rolling purposes. That is classed at Rs. 30 or Rs. 40 according to the capacity of what the re-rolling mill can pay. There is another kind of scrap which comes into the market for the manufacture of agricultural implements, and so on. It is the scrap that is absolutely left over, and which cannot be used goes to foreign countries at that price, but we do not get the scrap, because foreigners will always be able to pay Rs. 28 for it at the present world price.

President.—You would like the railways to make a present of it to you?

Mr. Mukand Lal.—No.

President.—Are you prepared to pay a rupee extra?

Mr. Mukand Lal.—If it is not exported.

President.—I presume the railways would sell it to you irrespective of legislation.

Mr. Mukand Lal.—They won't.

President.—If we get an opportunity of discussing matters, arising in connection with this problem, with the Railway Board we shall have discussion with them as to the scrap position. It is all that I can say. It is a very difficult question that you are raising. It is a kind of question which people have raised in respect of export of bones from this country.

Mr. Mukand Lal.—Scrap is our raw material.

President.—So is bone which is an excellent manure. It has been urged for a long time in the country that the export of bones should be stopped. A good deal has to be said on both sides. It is a very difficult question.

Mr. Mukand Lal.—Can it not be enforced by legislation that whatever scrap Tata's sell, it should be sold to the re-rolling mills?

President.—It is a very difficult question; it involves various issues.

Mr. Wiles.—I find myself in considerable confusion about the question of your costs. As I understand it, your cost of conversion is extremely high and if there is any prospect of reducing those conversion costs, you would be in a position to pay a very much higher price for your raw materials. You say you propose to put up a furnace for the conversion of scrap and you cannot afford to pay more than Rs. 10 for your raw materials. Have you worked out what would be the cost of converting them into billets?

Mr. Mukand Lal.—Rs. 40.

Mr. Wiles.—That would be less than what you are paying to-day?

Mr. Mukand Lal.—Yes.

Mr. Wiles.—You are paying Rs. 12 a ton for your labour. That is a good deal higher than the figures given to us by the other re-rolling mills. Is there any prospect of reducing that?

Mr. Mukand Lal.—So far we have been taking labour, from Tata's, and Kumardhubi. We have to pay them much higher, than what they are paying. As the Punjabis are trained in their own country, the wages will be reduced.

Mr. Wiles.—You think they will come down?

Mr. Mukand Lal.—They will.

Mr. Wiles.—Then your power and fuel is Rs. 20 a ton. That is nearly double.

Mr. Mukand Lal.—We pay a lot of freight on coal. We get an indifferent quality of coal.

Mr. Wiles.—Are you satisfied with the consumption of coal? Is that as low as you can make it?

Mr. Mukand Lal.—We have made certain improvements in the furnaces and it might reduce the consumption considerably.

Mr. Wiles.—Mr. Atha will be able to tell us what he thinks about the consumption of coal. Coming to your establishment charges of Rs. 5 a ton; exactly what does that cover? Is that normally called Head office charges?

Mr. Mukand Lal.—It covers the charge of engineers or experts called from time to time, the engineer and supervisor, the clerical establishment in the works, and also the office expenses.

Mr. Wiles.—It is really an addition to the labour charges?

Mr. Mukand Lal.—Yes.

Mr. Wiles.—Your labour charges are really about Rs. 17 a ton.

Mr. Mukand Lal.—Yes, combined with the establishment.

Mr. Wiles.—That is a bigger figure than the total conversion charges of Tata's.

Mr. Mukand Lal.—Yes.

Mr. Wiles.—Your conversion charges are Rs. 45. That is very nearly 3 times the conversion charges of Tata's.

Mr. Mukand Lal.—Partly it is due to the fact that we are new. Things are improving very much.

Mr. Wiles.—The point that I want to make is that there should be room even in Lahore for considerable reduction in these conversion charges.

Mr. Mukand Lal.—There is and there will be. We are expecting it nearly next year. When we run our bar mill with re-rollers and other things it will come down lower than this.

Mr. Wiles.—You have not estimated what you are likely to bring it down to?

Mr. Mukand Lal.—In order to compete with them, we are trying to bring our costs down to Rs. 38.

Mr. Wiles.—As regards the return on your capital expenditure, do you regard this as a sort of bye industry?

Mr. Mukand Lal.—So far it has been so; it is becoming the main industry.

Mr. Wiles.—That means to say you will have to make some accurate calculations.

Mr. Mukand Lal.—We have been making things out of scrap, and we have been covering the losses from profits made from other sources. Now we are concentrating our attention mainly to make it an important unit. Our income from scrap from local sales is gradually decreasing and our income from the rolling mill is increasing steadily.

Mr. Wiles.—It is quite obvious that you cannot ask for an enhancement of the duty unless you are in a position to estimate with some accuracy what your actual cost are.

Mr. Mukand Lal.—We will be quite satisfied with the duties granted to Tata's. If the duty on bars is reduced, on account of surplus capacity, we will be affected.

Mr. Wiles.—To return to the question of capital value, you value your land at Rs. 2 lakhs and your buildings cost one lakh of rupees. You have given us a figure of Rs. 5½ lacs as the total investment which you have invested in this industry. That seems rather very high.

Mr. Mukand Lal.—I have already mentioned that. I am unable to say it accurately.

Mr. Wiles.—You cannot estimate your profit unless you say how much money is put in your business.

Mr. Mukand Lal.—My profit is generally on scrap business. So far this is the capital expenditure that has been incurred, and probably it also includes loss incurred on establishment, while the mill was not running.

Mr. Wiles.—That is quite true. Can you make any sort of rough estimate of the total investment which has been put into this industry?

Mr. Mukand Lal.—We propose to take up the question of the present valuation some time early next year.

Mr. Wiles.—You have not gone into that?

Mr. Mukand Lal.—No. An attempt is being made to convert it into a Joint Stock Company, when the question of valuation would come up.

Mr. Wiles.—If they are anything like these figures which you have given us, you will have to be prepared to add a figure of Rs. 8 per ton to your cost.

Mr. Mukand Lal.—On account of depreciation, interest and other charges.

Mr. Wiles.—Yes and 5 per cent. return on your capital.

Mr. Mukand Lal.—Probably if we are working to the capacity, to which those expenses would be covered. The loss in the past is not due to the difference between the cost of production and the sale price, but it is due mainly to working for a very few days during the year and for the rest of the time we have to pay the establishment.

Mr. Wiles.—That does make a very great difference to your costs.

Mr. Mukand Lal.—It makes very great difference. We have hardly worked 150 days, or 130 days in any year.

Mr. Wiles.—In that case we are not in a position really to take your costs as being approximately accurate.

Mr. Mukand Lal.—It is so.

Mr. Natesan.—Mr. Mukand Lal, on reading your representations, one is led to form the impression to some extent your difficulties have been enhanced by the attitude of Tata's. I must say after listening to the answers you have given one naturally draws the conclusion that though Tata's might have to some extent contributed to your difficulties by their competition, it is due to other causes natural and economic. The Chairman put the question to you and it seems to me from the answers that there is no other alternative but to draw that inference.

Mr. Mukand Lal.—Certainly to some extent we have suffered a loss on account of low efficiency, but in the earlier stages, we have to count that low efficiency in our works, just the same as Tata's had to do, in their earlier years.

Mr. Natesan.—You rolled from scrap?

Mr. Mukand Lal.—Yes.

Mr. Natesan.—You yourself said that your quality is not the same as Tata's. So naturally the consumers will be told, I take it by Tata's agents, when they go and buy in the market that Tata's prices are higher and your prices are cheaper, but the quality is so different. It is due to the interest of the merchants to sell an article at as high a price as he can get when the quality is better. Your quality is not so good and so the consumers may not buy your article even though you give them a little cheap for the simple reason that he may think that the other stuff is better. That is natural. I am trying to understand this. I have just noted down your own answers in your own words.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—Then again, you are not the only re-rolling mill. You have to compete with another rolling mill, am I right?

Mr. Mukand Lal.—Yes.

Mr. Natesan.—I want you to note also at the period when you had to reduce your prices, there was the general fall in the price of steel. That was not due to Tata's only, but due to other causes.

Mr. Mukand Lal.—The fall in price generally at the ports, as I have explained, does not affect the price in Lahore.

Mr. Natesan.—I don't want you to go into that question. I am only stating to you the inference which I have drawn.

Mr. Mukand Lal.—They quote the basic price at the port for Lahore.

Mr. Natesan.—You say there is another rolling mill and one or two other rolling mills too. What would be your attitude towards those Mills in the Punjab?

Mr. Mukand Lal.—We are not affected, except in small sections of half inch.

Mr. Natesan.—What would be your attitude with regard to those small sections if they began to manufacture?

Mr. Mukand Lal.—If we can manufacture other sections, which they are not able to manufacture just now, there will not be any drop in the price.

Mr. Natesan.—What would be your attitude against your rival rolling mills who manufacture the same sections?

Mr. Mukand Lal.—At present we are confident that we will have no effect of competition from them at all, on account of certain advantages, that we possess over them.

Mr. Natesan.—I am putting this question, what would be your attitude if other rolling mills began to roll the same sections as you do?

Mr. Mukand Lal.—We will come to a pool arrangement with them.

Mr. Natesan.—You would have to compete with them in a commercial sense or come to some arrangement with them.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—I am stating your position correctly. If I understand you aright, after your examination by the President, and Mr. Wiles, if you exclude the value of your land, your capital outlay has been more or less Rs. 2½ lakhs.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—And you have made a profit of Rs. 38,000.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—According to your own statement your cost has always been Rs. 95 per ton. You have been selling at one time at Rs. 115 to Rs. 125 a ton, because of the higher prices of Tata's and imported materials. Tata's competition reduced your price to Rs. 100. Even then you are always making Rs. 5 per ton. As the President has pointed out, you have to compete with Continental materials. I only want you to realise exactly all these facts. Am I stating the facts correctly?

Mr. Mukand Lal.—Yes.

Mr. Natesan.—Your cost is Rs. 95. Even accepting that your cost is a fair cost, about which there is doubt and about which questions have been put, you have been selling at Rs. 115 and Rs. 125. When Tata's competition has forced you to reduce your prices, even then you have been getting Rs. 5 a ton over your cost. So, you have not actually incurred any loss as a result of Tata's competition. You have got to remember this that Tata's themselves had to sell at a loss. Continental prices had begun to affect Tata's and you were competing with Tata's who were in their turn competing with Continental steel.

Mr. Mukand Lal.—Tata's have been selling below Rs. 100.

Mr. Natesan.—Your cost is Rs. 95.

Mr. Mukand Lal.—We are now not able to manufacture. If we manufacture, we have to sell at a loss. On account of the difference in quality, we have to come down to Rs. 80 or Rs. 85.

Mr. Natesan.—I was going to ask you this. If it is due to the difference in quality, the consumer is entitled to purchase what he thinks is better quality material. If I go to the bazar I am attracted by some cloth which I want to buy. The merchant will say that the Japanese cloth is cheaper but will not last long, whereas the English cloth though dearer comparatively will last much longer; and you are not concerned with that sort of thing. Supposing you yourself wanted to buy the materials and you had to choose between Tata's material and that rolled by some body with whom you are not concerned, you would naturally be tempted to buy a better material at a cheap price. Is my inference natural or not?

Mr. Mukand Lal.—If the material is for a superior use I would buy Tata material.

Mr. Natesan.—I am only establishing the fact that it is common to human nature. I want to ask you one more question. You had begun buying lots of scrap and that in very large quantities. What were the circumstances which tempted you to go in for these? Are you cornering all the available scrap?

Mr. Mukand Lal.—No. I am a scrap merchant.

Mr. Natesan.—I understand that.

Mr. Mukand Lal.—I have been buying scrap in Lahore from 1920 or 1921.

Mr. Natesan.—At one time you wanted to cover all the scrap available for some reason or other. That is a fact.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—So that you might corner all the available supplies and put to disadvantage the other rolling mills which were being started. It seems to me to be more or less common in commercial circles to do so. It may be that Tata's have exceeded the limit. That is a different thing. We are also making all our calculations purely on commercial considerations. We are taking every trouble to find out Tata's costs, whether they are low or not, how other articles, British or Continental, will be imported and then only we fix the measure of protection. After all, there seems to be nothing unnatural in what Tata's have done. If of course one adopts means which are extremely unfair, that is a different point. Because Tata's have got protection, to suggest that they should not be allowed to adopt or should be debarred from adopting ordinary business methods of competing with others in the field is not fair.

Mr. Mukand Lal.—We do not mind fair competition at all. If they were selling at the same price in Delhi, Jullundur, Saharanpur, etc., as they did in our area, we would have no objection.

Mr. Natesan.—It is impossible. Suppose for instance, Tata's had to sell at Madras, what price do you think that they should get? That is also a question to be settled. Will you kindly help us in that? Suppose Tata's had to sell at Madras. There is another rolling mill projected. I take it as a business man, whether a small business man or a big business man, when you send your goods to a distant place where more freight has to be paid, you will have less profit. You will try as far as possible to see that the price is uniform.

Mr. Mukand Lal.—If they were to sell at less than the price at which they would sell in a nearer market, it is very unfair to the Madras mill. If Tata's were to sell at the same price in Madras as they would in Calcutta, then it would not be unfair.

Mr. Natesan.—If in selling at Madras they forego a portion of their profit, you cannot complain.

Mr. Mukand Lal.—I can understand that sort of thing, if Tata's were not getting protection, and if they only competed with others in the field, to get the maximum business. But in this case, Tata's are getting protection at the cost of the country. The other manufacturers who are producing the same kinds of products must be shown some consideration by the Board. The big manufacturer, who is going to be given protection, should be made to understand that he is not given protection to kill others in the same line.

Mr. Natesan.—I will come to the next question. Your home market is in the Punjab.

Mr. Mukand Lal.—Yes.

Mr. Natesan.—Do you contend that the North Western Railway give special freights to Tata's and not to you?

Mr. Mukand Lal.—No.

Mr. Natesan.—If Tata's do not get a special concession, from the North Western Railway, really what is your complaint? Wherein do they get a special freight advantage?

Mr. Mukand Lal.—Over the East Indian Railway, and the Bengal Nagpur Railway.

Mr. Natesan.—With regard to the East Indian Railway do you know that there is an alternative route through the Great Indian Peninsula Railway? I am only telling you a fact. There are two routes. Tata's are big producers. They will go and tell the East Indian Railway "If you do not give us any concession, we will send the goods *via* the Great Indian Peninsula Railway". They will make the best bargain with the Railway which gives them a concession.

Mr. Mukand Lal.—Regarding freight, our position is this: that if Tata's could send their goods at concession rates to Lahore, we should be able to send our goods from Lahore to Tatanagar at the same rate.

Mr. Natesan.—I have put to you a simple proposition: Tata's can send their goods either by the Great Indian Peninsula Railway or by the East Indian Railway. One railway naturally competes with another. They compete on commercial terms and I have found European firms competing cutting each other's price because they want to take the business out of the other. It is but natural. You cannot say that Tata's have by any unfair means obtained a special railway freight from the East Indian Railway which is not due to them. I say that it is due to them because there is another route open to them which is the Great Indian Peninsula Railway route.

Mr. Mukand Lal.—The other route should also be open to us.

Mr. Natesan.—Why do you say that Tata's have got it by unfair means?

Mr. Mukand Lal.—I do not say by unfair means.

Mr. Natesan.—It comes to this. Amongst other natural causes there is the fact that continental prices have been reduced. As regards the freight question, Tata's have an advantage, though it does not seem to me to be a very unfair advantage. The only question that remains is the question about Tata Dealers' rebate. What is the trouble about that?

Mr. Mukand Lal.—In our representation, we have not said anything, about Tata Dealers' rebate. We have only said that they prohibit their dealers from dealing in our goods.

Mr. Natesan.—To give you a concrete case, I am a dealer in books. If I send all my books to a man in Bombay, he will say "Make me the sole agent". That means I should not deal with any one else. Tata Dealers' rebate means this. It may be it affects you. I admit that it does. But I am only pointing out that these are the legitimate ways in which a business man can do his business.

Mr. Mukand Lal.—We have only pointed out that this is one of the methods adopted by Tata's for preventing us from pushing our goods in the market.

Mr. Natesan.—You have said something about bounties given to Tata's. What is it you are referring to? The State does not give any bounty now. Protection has been granted by means of duties. I find your statement is inaccurate.

President.—There has been no bounty since 1927.

Mr. Natesan.—What are the other privileges given to Tata's which you ask the Tariff Board to enquire into? Your representation is full of statements like that. As the President pointed out to you, this is a very important question and we should explore all possible means of satisfying ourselves how far these things are correct and how we should remedy them as far as it lies in our power?

Mr. Atha.—As regard the amount of fuel you use, you say in answer to a question that for power generating you use 12 cwts.

Mr. Mukand Lal.—Yes, per ton of steel.

Mr. Atha.—In your answers to the Board's questionnaire, you say that 12 cwts. is used for power and 8 cwts. for reheating the materials; so that it is a ton of coal for each ton of finished material.

Mr. Mukand Lal.—Yes.

Mr. Atha.—You also pay Rs. 13 per ton of coal.

Mr. Mukand Lal.—Yes.

Mr. Atha.—So it is Rs. 13 per ton of bars. It is a very higher direct cost nearly as high as the total cost of working from bars to billets should be.

Mr. Mukand Lal.—That is due to the freight on coal that we have to pay. But we have no freight to pay in sending our finished products.

Mr. Atha.—In discussing the efficiency of the works costs have to be taken into account. Your costs are high?

Mr. Mukand Lal.—I have already said at this stage they are very high.

Mr. Atha.—Obviously with coal at that price, however much you might reduce the consumption, the cost would still be high. You have said that there is some steel melting furnace lying in the compound. What process do you propose to use? What type of furnace is it? What process is it?

Mr. Mukand Lal.—Basic Steel.

Mr. Atha.—Is it the Bessemer, open hearth or electric process?

Mr. Mukand Lal.—It is open hearth furnace.

Mr. Atha.—The open hearth furnace is a big structure made of bricks.

Mr. Mukand Lal.—The capacity is only about 3 tons or so.

Mr. Atha.—The open hearth furnace is simply a brick structure and you cannot have it lying in the compound.

Mr. Mukand Lal.—It is a very small furnace.

Mr. Atha.—Your idea is to use scrap and pig iron.

Mr. Mukand Lal.—Our idea is to use scrap cast iron and scrap steel.

Mr. Atha.—That is technically possible, but it is difficult. How do you fire your furnace? What fuel are you going to use?

Mr. Mukand Lal.—Gas.

Mr. Atha.—You mean gas produced from coal?

Mr. Mukand Lal.—Yes.

Mr. Atha.—It is impossible to say what the cost would be where the capacity is only 3 tons. A three-ton basic open hearth furnace is very small—in fact the smallest furnace I have ever heard of. I can only say with such a small open hearth furnace and using coal at that price, your cost will be tremendously high.

Mr. Mukand Lal.—We will go into that question.

MR. GAYADIN RAM.

**Evidence of Messrs. GAYADIN RAM and S. K. SAWDAY,
recorded at Calcutta on Thursday, the
30th November, 1933.**

President.—Mr. Sawday, you represent Mr. Gayadin Ram?

Mr. Sawday.—Yes.

President.—Mr. Sawday, the proposals that you make fall mainly under three heads; there is first the question of railway freight and then the question of scrap and lastly the duty on billets. With regard to the question of railway freight, as I pointed out yesterday, we are rather in a difficulty now on that question. Before 1931 the Tariff Board used freely to make recommendations with regard to railway freights chargeable on articles produced by protected industries, but in September 1931 in their resolution on the chemical industry the Government of India definitely announced that it was not within the province of the Tariff Board to make recommendations with regard to railway rating and since then the Tariff Board has refrained from making any recommendations. So that the only course open to us in regard to this matter is to take the freights as they stand now and to base our recommendations on that.

Mr. Sawday.—Yes.

President.—Taking that view what precisely is your suggestion now?

Mr. Sawday.—As regards the mill I was speaking for yesterday the question of freight did not come in. Tata's are a long way from that area and one may be certain that they cannot easily quote prices in that area much under that mill. This mill and others are springing up in good areas and normally they would be content with a certain margin between the cost of billets and the cost of bars in the area in which they sell, but they have looming over them the fact that Tatas at any time can cut prices by Rs. 10 to Rs. 20 and knock them completely out, and they ask the Tariff Board to take cognisance of the fact by securing them a lower price of billets which protects them from competition as it now exists.

President.—So that you want us to deal with the question of railway freights in connection with our proposals with regard to the price of billets on the basis that I stated?

Mr. Sawday.—Yes.

President.—Then I will raise that question again in connection with your third proposal with regard to billets. With regard to scrap you refer to the practice of selling scrap which is followed by the Tata Iron and Steel Company. I am not quite able to make that point.

Mr. Sawday.—Our point here was that the Tata Iron and Steel Company if at any time were definitely out in the market and these rolling mills could get no scrap from the railways then they will not be able to live. These rolling mills if they are to develop must take scrap for the time being?

President.—Your representation goes on to say "I have with me an agreement drawn up by their Solicitors Messrs. Morgan and Company which indicates most clearly that at one time their policy was to so regulate the price of scrap that no competitor could live". I should like to know what the facts are with regard to that. In the first place what is the date of the agreement?

Mr. Sawday.—1932, 15th February. Mr. Gayadin Ram was a big dealer in Tatas scrap and he was offered the whole output of scrap at the rate prevailing in 1931 which as it happened would have been a very favour-

able contract and in any case owing to the scrap all being in one heap must be a good contract, on condition that he would buy up from the railways any scrap suitable for re-rolling at a figure to be fixed by Tatas. I then told him if he entered into such a contract it would land him into trouble. He entered into this contract and made a profit of about Rs. 20,000. Then they put up the price at such a level that he lost nearly Rs. 30,000 on the transaction.

President.—I think he was going to lose Rs. 8 to 10 per ton on bringing it to Calcutta and shipping it. What precisely is it that you build on it? What is the case against Tatas?

Mr. Sawday.—The case is that they were at that time deliberately trying to squeeze the small mills out if possible. We contend it is the logical development of the industry to let them alone except where competition is inevitable and not compete for the sake of competing.

President.—You consider that this is a form of unfair competition against re-rolling mills?

Mr. Sawday.—Yes and we say that Tatas would be able to squeeze any mill which is at its start out of existence in six months time if they really set about to do so.

President.—This happened early in 1932? Has that policy continued?

Mr. Sawday.—That policy of buying up scrap was dropped and I don't think one could say that Tatas have tried to force scrap prices up. There has actually been since then a policy of competing with the re-rolling mills and thus putting them down by quoting abnormally low prices in certain areas.

President.—Since February 1932 after this transaction there has been no other?

Mr. Sawday.—No. There is another thing which I would like to bring to your notice that Tatas do sell for export large quantities of scrap which are very useful for re-rolling. All sheet mill and bar mill scrap is very suitable for re-rolling.

President.—We got a statement from the Steel Company about the sale of scrap but we have no particulars regarding the kinds of scrap which are exported.

Mr. Sawday.—Sheet bar and billet mill scrap would be about 4,000 tons a year; of course I give it from memory.

President.—The complaint is that scrap of this kind is exported and the export prices are lower?

Mr. Sawday.—You can't blame Tatas for preferring to export; I would certainly do the same but the complaint is there.

President.—Also I suppose there is the consideration that if you sold scrap in these freight advantage areas sometimes you might depress the price of your finished material?

Mr. Sawday.—That is a wrong policy which is being pursued.

President.—If, for example, they find that it would be much better from the point of view of maintaining the prices of their products that their scrap should be sold abroad they would be doing a thing which from the business point of view would be a wise thing?

Mr. Sawday.—Yes. The complaint of the re-rolling mills is, why should they sell billets and scrap abroad at a price which they refuse in India if you are talking of the development of the industry in India and if you think Tatas should aid the development.

President.—We are trying to fix the measure of protection required for the Indian steel industry for the next few years and if purely from a business point of view a policy of this kind is advantageous to the Company, we should be in rather a difficult position if we do anything to scotch them.

Mr. Sawday.—If there is anything in the argument that the whole country has been bled to develop the industry, then if Tatas can co-operate in doing

it they should do so. Unbusiness like things have been done to help them and it all turns on whether you think they are morally bound to help the development of an industry.

President.—What are the kinds of scrap that you think would be suitable for re-rolling?

Mr. Sawday.—Sheet bar and billet mill scrap.

President.—Sheet bar and billet mill scrap in 1932-33 they sold in India to the extent of 2,200 tons; in that year they exported 2,900 tons.

Mr. Sawday.—That 2,200 tons goes mainly to the Central Provinces.

President.—In January-June 1933 the amount sold was 1,000 tons and the amount exported was 200 tons. The price that they realised on the sheet bar and billet mill scrap was Rs. 35.1 against Rs. 27.9 for export, and January-June 1933 it was Rs. 39.3 for sales in India against Rs. 31.1 for export. I am inclined to think that the margin between these two prices—the internal price and the export price—is not an unusual margin.

Mr. Sawday.—No.

President.—Personally on these figures I am not inclined to blame the Company because the practice seems to be more or less in consonance with the trade practice in these matters.

Mr. Sawday.—It has gone to the Central Provinces; it has not gone to the re-rolling mills.

President.—Is there any other kind of scrap in this?

Mr. Sawday.—Plate mill scrap.

President.—The figures are—5,100 tons sold in India in 1932-33 and the quantity exported was only 800 tons. In January-June 1933 the quantity was 3,300 tons sold in India against 700 tons exported. There the margins between the internal price and export price are considerably wider. This is plate mill scrap.

Mr. Sawday.—Nearly all that has gone to the United Provinces.

Mr. Wiles.—Is that for small industries?

Mr. Sawday.—This is for making sugar pans and other small pans.

Mr. Wiles.—Is it done on a commercial scale?

Mr. Sawday.—Many of the iron merchants have a workshop attached and they beat these out into pans.

President.—It is in regard to the plate mill scrap that the effect of scrap prices on good materials may be most perceptible?

Mr. Sawday.—Perceptible very much in all things specially sheets.

President.—If for the sake of the re-rolling mills we made a suggestion to the Tatas that they should sell all their scrap internally it will place us probably in an illogical position. We would have to tell the Tata Company to realise the best price possible.

Mr. Sawday.—They should not realise the best price possible on scrap. That is definitely harmful to them. The point is whether the re-rolling mills should get scrap in preference to exporters if they can give as good a price?

President.—If they want to retain the best price on the good materials the best thing for them is to sell scrap as far away from India as possible.

Mr. Sawday.—Yes but I think it is far better that these re-rolling mills should take Tatas scrap. It is better for the re-rolling mills and better for Tatas than exporting and better for the industry as a whole.

President.—It raises rather a difficult point: how to adjust the claims of the two industries. That point that you are raising is one based on entirely equitable considerations whereas from the point of view of the Tata Company they have a very good reply to make to the Tariff Board.

Mr. Sawday.—You may ask them perhaps not to go out of their way to damage these re-rolling mills, but why would they go out of their way to help them, for strictly commercial reasons. The point still is whether there is any moral obligation in return for all the help they have received from the public.

President.—All that we are entitled to say is that in respect of competition against these re-rolling mills they should not adopt methods which are obviously unfair which is as far as we can go.

Mr. Sawday.—Mr. Gayadin Ram asks me to point out that many other sorts of scrap, e.g., structural scrap, plate ends, etc., can be used by the re-rolling mills.

President.—Rail mill scrap in 1932-33 sold in India was 900 tons and the quantity exported in that year was 700 tons: in January-June 1933 the quantity sold in India was 100 tons against quantity exported nil.

Mr. Sawday.—We have got here a statement showing the quantity of scrap sold in India in 1931.

President.—What is the total quantity in that year?

Mr. Sawday.—40,000 tons.

President.—That is all kinds of scrap?

Mr. Sawday.—Yes.

President.—You are not going as far as some other re-rolling mills have gone that legislative action should be taken in regard to the prohibition of exports?

Mr. Sawday.—No, but why should they export to Japan, for instance, which is reputed to roll materials out of the scrap and send them to India, in preference to selling it to the local rolling mills?

President.—If you are going to take up the export question for the whole of India, it is a very difficult question.

Mr. Sawday.—I won't.

Mr. Wiles.—Tata's told us if I remember right, that the great bulk of the scrap which is going to Japan is not suitable for re-rolling and only suitable for melting. I take it that Mr. Gayadin Ram has no intention of putting up a re-melting furnace.

Mr. Sawday.—Two or three are thinking of them now. Japanese scrap is divided into No. 1 and No. 2. No. 1 fetches about Rs. 5 a ton more than No. 2. There are certain specifications about size and Mr. Gayadin Ram says that it is all for re-rolling and if you wish, he can prove it to you.

Mr. Wiles.—What proportion does No. 1 bear to No. 2?

Mr. Sawday.—Everything but bloom ends and bar.

President.—If the question is being raised in this form that action should be taken by legislation to stop this, then I am afraid it is a most difficult question.

Mr. Sawday.—It simply turns on the question whether you can bring pressure on Tata's to help in establishing this industry as a great progress for all the help they have had.

President.—You definitely don't want to go so far as to ask for prohibition of exports?

Mr. Sawday.—I think it is asking too much of Tata's.

President.—Then I come to the question of duty on billets. I should like to know what precisely is the proposal that you would make with regard to this particular mill.

Mr. Sawday.—This mill is at Benares. The freight from Tatanagar is Rs. 14 and the freight from Calcutta is Rs. 30.

President.—I should like to know on the sort of calculation that you have attempted to estimate yesterday, what is the price at which he can afford to buy billets at Benares for working the mill economically.

Mr. Sawday.—At the present moment the landed cost of bars in Calcutta is somewhere about Rs. 125.

President.—What price does he get at Benares?

Mr. Sawday.—The price is about Rs. 150 at Benares. That is for mild steel bars. That is the full price without local competition. He is selling high carbon at Rs. 106.

President.—If he used billets, he ought to get this price Rs. 150?

Mr. Sawday.—Yes, if his quality and terms were up to Tata's. If he imported billets now, it would cost him about Rs. 82 or Rs. 83 at port.

President.—What would be his cost of conversion?

Mr. Sawday.—Billets Rs. 82 and Rs. 83 and Rs. 30 for conversion and Rs. 30 for freight.

President.—I should like you to work it the other way. Let us start with the price of bar. You give Rs. 30. Is that the actual cost or the estimated cost?

Mr. Sawday.—He has not been going for long. As far as he has gone, that is about his average cost.

President.—In that case at present prices his cost of billets per ton of bar might be as high as Rs. 120 and still let him work.

Mr. Sawday.—No, you have got to pay the freight to Benares.

President.—This is delivered at Benares. Rs. 150 is the price of bars. You deduct Rs. 30 which is the cost of conversion and you get a figure of Rs. 120 which represents the price delivered at Benares of 11/10 tons of billets.

Mr. Sawday.—That is Rs. 90 at the port.

President.—11/10 delivered at Benares. Let us take it per ton of billet.

Mr. Sawday.—That will be Rs. 81 or Rs. 82 at the port.

President.—Let us take it at Rs. 109 per ton of billet at Benares. What is the freight from Calcutta to Benares?

Mr. Sawday.—Rs. 30.

President.—Do you know the freight from Tatanagar to Benares?

Mr. Sawday.—Rs. 14.

President.—If Tata's sold at Rs. 95, f.o.r. Tatanagar, at Benares the price will be Rs. 109 including the freight of Rs. 14.

Mr. Sawday.—Yes.

President.—There is one other factor that I have to take into account. This leaves him no profit.

Mr. Sawday.—No.

President.—If we give him a profit of Rs. 15, even then he can afford to buy at Rs. 80 f.o.r. Tatanagar.

Mr. Sawday.—With bars at present price, the same conclusion as we reached yesterday.

President.—But the question will still arise whether the present price of Continental bars is likely to continue. It depends so much on the continuance of the re-formation of cartel.

Mr. Sawday.—But then you have also got these two factors. If he has got to send away his material, the further he sends, the bigger the advantage which Tata's get. If he goes towards Tata's their advantage is the sum total of the two freights and that is .52 of an anna. If he goes towards Lucknow, the difference between the two freights comes to 4ths of an anna per ton mile. Mr. Gayadin Ram cannot hope to sell everything in Benares.

President.—Supposing you made allowance for that—it is very difficult to know on what basis to make allowance for that. Even if you did make allowance, the price of Rs. 70 f.o.r. Tatanagar which Tata's have estimated as their fair selling price would be a fair price assuming the present price of bars continues.

Mr. Sawday.—They are not going to give at Rs. 70 to these people and still be content with Rs. 75 c.i.f. Negapatam. They must get more from these people.

President.—The real solution of the question would be, I think, to adjust the duty paid import price and the fair selling price for Tata's in such a way that if a re-rolling mill in this area is not able to get Tata's billets

at a price corresponding to Rs. 70, he would have the opportunity of turning to imports for his supplies.

Mr. Sawday.—If the price of Tata's billets is Rs. 70, that gives them Rs. 84 f.o.r. Benares. You are going to bring down the imported price of billets to (Rs. 84 minus Rs. 30) Rs. 54.

President.—Government would want revenue duty in any case. That again depends on the present price of billets which is also closely connected with this cartel question. If we take Tata's price for billets which is Rs. 57, the position would be different, but the actual price of billets is about Rs. 12 higher.

Mr. Sawday.—There is one more point. If they do make, getting their raw materials from whatever source and sell, Tata's are faced with the option of competing with them quite naturally and quite rightly or selling their materials in Bombay and it would obviously pay them to compete. Tata's instead of charging the normal freight plus Rs. 30 and putting Rs. 16 into their pocket, they would naturally come down by Rs. 10 or Rs. 15. This is the disadvantage which the existence of these freight rates must always impose on these mills. You must take facts as they are and you must recognise that the existence of these rates does put all these mills in a very difficult position.

President.—From the railway point of view there is not the slightest doubt that the question of what freights they will charge for these firms is a question which has to be settled on what they call commercial consideration of what the traffic can bear. You cannot ask the railways to adopt a standard uniform rate of freight which is against the practice of railway rating.

Mr. Sawday.—Do you argue that they are charging what the traffic can bear?

President.—As a matter of fact nobody is in a position to say what the implications of this principle are.

Mr. Sawday.—At any rate you are in a position to say that they are not charging what the traffic can bear.

President.—How can I say that?

Mr. Sawday.—A good deal of traffic, quite apart from the East Indian Railway goes to Bareilly, Cawnpore and other places up the river.

President.—I have no information.

Mr. Sawday.—I will give it to you now.

President.—As a matter of fact if I am going to investigate that question, I should easily find myself beyond my depth and possibly beyond my province.

Mr. Sawday.—You know that Tata's are making money out of freights. It is my own system. They are putting that money into their pockets and quite rightly. The fact that they are able to put anything into their pocket shows that the rates are not at present charged on what the traffic can bear.

President.—You have a remedy in your own hands. You have to take the question up before the Railway Rates Advisory Committee.

Mr. Sawday.—In the meantime we say "take the position as it is, as you have always done in the past and base your recommendations on that".

President.—We did it in a few cases in the past, but we have been told definitely not to do it hereafter.

Mr. Sawday.—You have been told not to go definitely into the question of new rates, but you have always taken cognizance of the existing rates you cannot help doing so.

President.—If we take cognizance of the existing rates, the only thing we can do in the case of a rolling mill is to adjust the rates of protective duty on the finished material, it would not help them.

Mr. Sawday.—We don't want you to think that all these mills will be rolling from scrap. The mill is rolling from scrap only temporarily. Mr.

Gayadin Ram does not regard the possibility of scrap as unlimited. Certainly, the supply of double headed rails is short. He anticipates that he has got to start taking billets. He must start importing billets if he can.

President.—In that case the question would be closely connected with the price of billets.

Mr. Sawday.—Yes. Though for the next one or two years he is not concerned.

President.—At what price he should get his billets is really the question. So long as the railways continue the present freight rates, we, as a Tariff Board, must assume that those freight rates are in their opinion freights which the traffic can bear. That is a matter in which the judgment of the railways must be final as far as we are concerned.

Mr. Sawday.—You must assume that present rates will continue.

President.—If you raise the question before a competent authority, probably it may move in a different direction. As far as we are concerned, we take the existing freight rates into account, but I am prepared to consider the point you have raised. In that case the question of the price at which billets can be obtained by re-rolling mills of that kind must be considered.

Mr. Sawday.—I have sent you another letter in which I say that another mill is willing to invest Rs. 2 lakhs in Bareilly straightaway.

President.—That is also on the basis of billets or on the basis of scrap.

Mr. Sawday.—He has not started. He wants to start a mill.

President.—Using billets?

Mr. Sawday.—I have told him that he has to use billets and he is prepared to do that.

President.—So that the problem does not arise in his case. His mill would appear after the freight question has been settled by the railways.

Mr. Sawday.—After all the billet questions have been settled by you.

President.—That more or less covers the ground as far as this representation is concerned. I do not know if we can carry the matter any further at this stage.

Mr. Wiles.—These conversion costs appear a little vague. For instance does "labour charge" include supervision charge.

Mr. Sawday.—It includes everything.

Mr. Wiles.—Engineers and so on?

Mr. Sawday.—His brother is working.

Mr. Wiles.—He is prepared in respect of Head Office charges, interest and profit to make what he can.

Mr. Sawday.—Yes.

Mr. Wiles.—He doesn't want to establish any definite costs?

Mr. Sawday.—Mr. Gayadin Ram wants a low billet duty and fair freight and he will be able to make money.

Mr. Wiles.—He doesn't claim that he has put in any definite amount of money.

Mr. Sawday.—Yes but he runs it himself and will manage it on the most economical price, and depreciation and interest charges are very low.

Mr. Wiles.—It is his hobby?

Mr. Sawday.—Yes.

Mr. Natesan.—I want to put one or two questions. You represent the interests not only of the re-rolling mills but of others in the same line.

Mr. Sawday.—Mr. Gayadin Ram and the other one for whom I appeared yesterday.

Mr. Natesan.—With regard to this agreement may I ask whether this agreement originated from Tata's or from Mr. Gayadin Ram?

Mr. Sawday.—The story was as follows: Mr. Gayadin Ram told me that as soon as they heard that he was starting a mill—he was one of the first

new lot—they called him to Bombay and said “why do you start a rolling mill; we will come to some arrangement with you” and this was the arrangement which was finally proposed.

Mr. Natesan.—Whatever may be the story, you have given it.

Mr. Sawday.—The Board adumbrated the idea.

Mr. Natesan.—I understood from an answer given by him to the President that he had agreed to the agreement. In the first transaction he made a profit and it was only when he saw that this was a losing concern he began to think about it seriously. In the first instance he was a party to the agreement in so far as he thought it would be a profitable transaction to him. You also said that he had made a profit out of the first transaction. It was only after you pointed out to him he began to realise the position.

Mr. Sawday.—As a matter of fact I told him before that, but he would not listen to me.

Mr. Natesan.—Do I take it that he first consulted you about the agreement?

Mr. Sawday.—He consulted me before he accepted the agreement.

Mr. Natesan.—He at first consulted you about the agreement with Tata's and you had warned him that he would lose and that in spite of your advice, it certainly was an expert advice having regard to your knowledge of the trade and connection with Tata's, he went in for the agreement in defiance of your advice and tasted as it were the profit of the first transaction and it was only when he began to lose, he realised that it was not a profitable agreement. It is difficult for me as a layman to believe all that. Anyway one should not try to lay all the blame on Tata's.

Mr. Sawday.—No, he is not blaming Tata's.

Mr. Natesan.—He does if I understand the thing aright.

Mr. Sawday.—He only brings it as an instance of the fact that Tata's were willing at that time to come to an agreement and trying to stop the re-rolling mills by buying up all the scrap. For the rest he is silent.

Mr. Natesan.—Was Mr. Gayadin Ram himself exporting scrap out of India? That was part of his business?

Mr. Sawday.—Yes.

Mr. Natesan.—He now thinks that scrap should not be exported out of India.

Mr. Sawday.—Now that the mills are working, he thinks that some varieties should not go now.

Mr. Natesan.—Has he stopped the business of exporting scrap?

Mr. Sawday.—Still he has got scrap export business, in some varieties.

Mr. Natesan.—The Tariff Board is told that it is a policy which is not to the interest of the country. He objects to the attempts made to sell scrap out of India and yet he is himself pursuing a policy of selling scrap out of India to-day.

Mr. Sawday.—He sells where he can and makes the best profit he can. He does not suggest sacrifices in price on the part of Tata's.

Mr. Natesan.—You have been rolling from double headed rails.

Mr. Sawday.—Yes.

Mr. Natesan.—How long do you expect the supply to continue?

Mr. Sawday.—As far as one can see, two or three years more.

Mr. Natesan.—Is this scrap supply indefinite or will you have to fall back on billets for re-rolling?

Mr. Sawday.—The scrap supply is not certainly indefinite. It is many years ago they have put them in. How soon they will take them all out, nobody is in a position to say at the present moment. The G. I. P. Railway has got about 25,000 or 30,000 tons coming out. May I say one thing. Mr. Natesan asked me yesterday why I said that only one mill could succeed in India. I gave him my reasons and he pointed out that the Indian Iron and

Steel Company was considering the question of starting another mill. I confess that I was surprised at that. I tried to find out last night what the fact was and I was told that it was just a repetition of what they said ten years ago. That being so, I think you would probably conclude that my evidence was more weighty than you perhaps thought last night.

Mr. Natesan.—I can say I will give my utmost consideration in assessing your evidence. I won't be prejudiced, and I think we shall be able to arrive at a proper conclusion.

**THE LAKSHMI IRON AND STEEL MANUFACTURING
COMPANY, LIMITED.**

**Evidence of Mr. B. S. YAMDAGNI, representing the Lakshmi
Iron and Steel Manufacturing Company, Limited,
recorded at Calcutta on Thursday, the 30th
November, 1933.**

President.—Mr. Yamdagni, I propose to ask a few questions based on your replies to the questionnaire. Your mill is situated at Ghaziabad?

Mr. Yamdagni.—Yes.

President.—In the United Provinces?

Mr. Yamdagni.—Yes.

President.—Your total capacity working on a single shift is 1,500 tons?

Mr. Yamdagni.—Yes.

President.—If you can work double shift you expect you can get about 2,700 tons?

Mr. Yamdagni.—Yes.

President.—At present all the bars that you are making are bars half inch and above.

Mr. Yamdagni.—Half inch to one and half inch rising by one-eighth inch.

President.—That is half inch and above?

Mr. Yamdagni.—Yes.

President.—They are all bars to which protective duties are applicable?

Mr. Yamdagni.—Yes.

President.—In your reply to question 7 you tell us the principal kinds of scrap available in your area. You give us a long list of these. As far as the steel scrap which you have actually used is concerned, am I right in thinking that most of it has been double headed rails?

Mr. Yamdagni.—Yes.

President.—Say 75 per cent.?

Mr. Yamdagni.—I think more than that—about 80 per cent.

President.—Even on last year's output?

Mr. Yamdagni.—Yes. We also have materials mentioned under item (f).

President.—That is broken Kolhu axles?

Mr. Yamdagni.—Yes, from sugarcane mills. They have got rolls. Between them they have mild steel bars.

President.—That must be a very limited quantity.

Mr. Yamdagni.—We have a large quantity. We are in the middle of the sugarcane area.

President.—You are in the sugarcane area?

Mr. Yamdagni.—Yes. There are so many factories and large quantities of scrap are available in the form of broken Kolhu axles.

President.—What quantities can you get roughly?

Mr. Yamdagni.—We get a large quantity.

President.—If you take last year's output, how much were you able to make out of this kind of scrap?

Mr. Yamdagni.—About 500 tons out of Kolhu axles.

President.—Out of 1,800 tons last year?

Mr. Yamdagni.—Yes.

President.—In your reply to question 10, you raise this very big question of stoppage by legislation of the export of steel scrap to Japan.

Mr. Yamdagni.—That is our wish, if it cannot be solved in any other way. What I wrote in our memorandum in para. 9 about Tata's efforts to eliminate small enterprises has just now been proved by Mr. Gayadin Ram. Attention is invited in this connection to what we have stated in para. 9 (d) of our memorandum. The intention of Tata's is to eliminate these small enterprises.

President.—Supposing as a result of their change of opinion on the subject or as a result of suggestion from us, they don't continue this practice of making your steel scrap unnecessarily expensive for you?

Mr. Yamdagni.—In that case we have to agree.

President.—In that case you don't want to go so far as to suggest legislative prohibition of exports. If you take steel scrap which is not suitable for re-rolling mills, then you are not interested in preventing the export of that kind of scrap.

Mr. Yamdagni.—We cannot stop Tata's.

President.—I am on the question of legislative prohibition. You would not go so far as that. Supposing Tata's do not do this sort of thing, there is really no point in making a representation of that sort.

Mr. Yamdagni.—I won't do it.

President.—In reply to question 12, you tell us that your total capital expenditure has been about Rs. 50,000.

Mr. Yamdagni.—We have given the details there.

President.—Coming to your reply to question 13, your total cost including the cost of scrap per ton of bar is Rs. 98-5-2.

Mr. Yamdagni.—That includes establishment, head office and managing director's fee, etc.

President.—Yes, including everything. Of that, scrap and cutting charges amount to Rs. 42.

Mr. Yamdagni.—Yes.

President.—That leaves a figure of Rs. 56 as your conversion cost.

Mr. Yamdagni.—Yes.

President.—Out of that Rs. 56, Rs. 27 represents your head office and managing director's fee. That is pretty stiff, is it not? Whoever is the managing director is doing very well on this.

Mr. Yamdagni.—Yes.

President.—The price that you got in 1931-32 for your bars was Rs. 115 per ton.

Mr. Yamdagni.—Yes.

President.—Really it is Rs. 115 to Rs. 120, but I am taking the lower figure of Rs. 115. Suppose I deducted the whole of your cost including your managing director's fee of Rs. 99 that would leave you with a surplus of Rs. 16 over cost.

Mr. Yamdagni.—Yes.

President.—In that year, you sold about 1,500 tons.

Mr. Yamdagni.—We closed the factory for about six months.

President.—Yes. On the sale which you effected, you made a surplus of Rs. 16 per ton.

Mr. Yamdagni.—Yes.

President.—In that year, you made a profit of Rs. 24,000.

Mr. Yamdagni.—Our factory did not work all the year round.

President.—Yes, but on the quantity you were able to make, you made a profit of Rs. 24,000. Your total capitalisation is about Rs. 50,000. In the

first year, you made a profit of 50 per cent. Did you sell 1,500 tons in 1931-32?

Mr. Yamdagni.—No.

President.—How much did you sell?

Mr. Yamdagni.—500 to 600 tons. The factory remained closed for six months.

President.—Are you quite sure of 600 tons?

Mr. Yamdagni.—Nearly 600 tons.

President.—That is about 20 per cent. In the very first year you made a profit of 20 per cent. on a very restricted haphazard output.

Mr. Yamdagni.—Yes.

President.—In that year you sold your mild steel bars at a price higher than Rs. 115—say at Rs. 125.

Mr. Yamdagni.—Yes.

President.—So that actually your profit was bigger than I have estimated.

Mr. Yamdagni.—Yes.

President.—Now the price has come down to Rs. 100 to Rs. 105 as a result of unfair competition from the Tata Iron and Steel Company.

Mr. Yamdagni.—As a result of that, we had to sell at Rs. 95.

President.—That lasted only for a short time.

Mr. Yamdagni.—Yes.

President.—But the present prices are Rs. 100 to Rs. 105.

Mr. Yamdagni.—We are not selling now.

President.—What was the last sale price?

Mr. Yamdagni.—Rs. 110.

President.—How long ago was that?

Mr. Yamdagni.—This competition continues even to-day.

President.—While this competition is going on, you are able to get a price of Rs. 110.

Mr. Yamdagni.—No, we could not.

President.—How much did you get?

Mr. Yamdagni.—When Tata's were not supplying their customers, they came to us, because they had promised delivery to their sub-dealers. Otherwise in the ordinary way, nobody purchased from us and our stock was increasing.

President.—That is a different question. I suppose your trouble is that you are not able to get your dealers to accept your products.

Mr. Yamdagni.—When Tata's supplied at Rs. 90, how would they purchase from us? We cannot sell below our cost price.

President.—How long did Tata's sell at Rs. 90?

Mr. Yamdagni.—They are still selling.

President.—Is that true, Mr. Mahindra?

Mr. Mahindra.—The sales have been closed. There was only one big lot sold and afterwards we did not sell.

President.—I suppose the only way of going on at a price of Rs. 95 is to reduce the fee of your managing director. You will be able to manage it then. If Tata's sold mild steel bars at Rs. 160 f.o.r. Delhi, what kind of price would that mean in your area for mild steel bars?

Mr. Yamdagni.—We can sell at Rs. 125.

President.—Quite a good price for you.

Mr. Yamdagni.—Yes, I supplied mild steel bars at Rs. 125.

President.—These broken Kolhu axles, are they all mild steel bars?

Mr. Yamdagni.—They are exactly identical in shape though the quality is slightly different. Tata's have got dead length, whereas we supply various lengths. That depends upon the Kolhu axles we get.

President.—They are bars for which you get a very good price and on that you get a very good profit.

Mr. Yamdagni.—Yes. But the prices we pay for item (d) of our replies to questionnaire are higher.

President.—What is the price.

Mr. Yamdagni.—Rs. 55 to Rs. 60 per ton, whereas we can purchase Kolhu axles from Rs. 23 to Rs. 35 per ton.

President.—Your costs on the basis of Kolhu axles would be Rs. 104 and if you got Rs. 125 you would make a profit of Rs. 21 per ton.

Mr. Yamdagni.—Here we are paying more for our raw material. That is why our prices are higher in the case of mild steel bars and high carbon bars.

President.—It would be higher by about Rs. 5 or Rs. 6.

Mr. Yamdagni.—Yes.

President.—You also raise the question of railway freight. As I pointed out to Mr. Sawday, it is unfortunately not a question on which we are in a position to make any recommendations.

Mr. Yamdagni.—The only reason why I have raised that question is that the area of our market is limited, because Tata's have got a concession. They pay only about 40 per cent., whereas we pay full second class rate.

President.—How much is that?

Mr. Yamdagni.—We pay full second class railway material rate.

President.—It is .42 pie per maund mile.

Mr. Yamdagni.—So, our market lies within 150 miles of Ghaziabad.

President.—If you have any complaint in regard to this matter, the proper body to represent your case is the Railway Rates Advisory Committee.

Mr. Yamdagni.—We have represented this matter to the Railways but so far nothing has been settled.

President.—We are not in a position to consider it.

Mr. Yamdagni.—This is the greatest disadvantage we have got.

President.—You will have to take the question up with some other authority—the Railway Rates Advisory Committee. We are not in a position to investigate it. It is clearly outside our province and Government have defined our province.

Mr. Wiles.—Are the costs given actual costs or estimated costs on an outturn of 1,800 tons a year?

Mr. Yamdagni.—Actual costs.

Mr. Wiles.—On an output of 500 tons?

Mr. Yamdagni.—700 tons. That is only 9 months' working. The year commenced from 1st of October.

Mr. Wiles.—You refer in your process of manufacture to something which I don't quite understand. You say that the raw material of bigger section is first brought to that size—3½" square. Have you got a roughing mill?

Mr. Yamdagni.—We have got a steel hammer. The broad gauge and meter gauge axles of 6½" and 4½" respectively are brought to 3½" size and then pushed into the roll.

Mr. Wiles.—In this pamphlet you make what seems to me rather a curious statement in para. 7. You say your works costs and overhead charges "are very low compared to Tata's. It is really very strange to note that the production cost of a firm manufacturing only 5 tons is much lower than that of a firm whose production is much higher". Is that written under a misapprehension or based on what you think to be facts? Your conversion cost you just told us, excluding overhead charges and so on, is about Rs. 29

per ton. The cost above metal is Rs. 27. Similar conversion charge in the Tata Company's works is about Rs. 16. How do you reconcile your statement?

Mr. Yamdagni.—I think I read in a former Tariff Board report, probably 1926, that the raw material cost for Tatas was Rs. 40 and on that basis I calculated it.

Mr. Wiles.—You are basing your statement on the 1926 report. There have been a good many changes since 1926.

Mr. Natesan.—One of the chief sources of your raw material is double headed steel rails. If that is so, how is it that you make this allegation in para. 9 "Moreover Tatas issued a circular in the fourth week of December, 1931, prohibiting his dealers to purchase double headed rails from Railway auctions on pain of forfeiture of the Tata dealers rebate"? One would expect that if that was your chief source of supply you would be glad if your competitors are eliminated.

Mr. Yamdagni.—In para. (a) I say "In January, 1932, Messrs. Tata Iron and Steel Company contracted with a firm to supply all Tatas output of scraps, sheets, bars, joists, etc., including rejected and defective materials at a special low price and in return the same firm contracted to export the entire rolling mill materials available in India to Japan".

Mr. Natesan.—I am talking of double headed rails. If your chief source of supply of scrap is double headed rails and if Tata's ask all their dealers not to go in for that it helps to eliminate competition.

Mr. Yamdagni.—At the same time they contract with a firm to export the whole of the material to Japan.

Mr. Natesan.—Your chief source is double headed rails and they are advising their dealers not to bid for these in auctions.

Mr. Yamdagni.—Along with that the fact mentioned by us in para. 9 (a) remains. That would automatically cancel the advantage.

Fabricated Steel.

NATIONAL FEDERATION OF IRON AND STEEL MANUFACTURERS OF THE UNITED KINGDOM.

**Evidence of Messrs. I. F. L. ELLIOT, J. W. BAIRD and J. H. PEARCE,
recorded at Calcutta on Monday, the 18th December, 1933.**

President.—Mr. Elliot, you are here on behalf of the National Federation of Iron and Steel Manufacturers of the United Kingdom.

Mr. Elliot.—Yes.

President.—You have sent us two representations regarding this question of protection for Indian steel and I propose to deal this morning with the suggestions contained in both these representations. May I take it that your suggestions in these representations refer to two alternative methods of protecting the Indian Steel Industry, the first being the method of protection by means of tariffs, that is to say more or less on the lines of the present scheme of protection and the other is the method of protection by what I may call agreement with importers. That is correct?

Mr. Elliot.—Not entirely. These two methods in our view are not alternative, but the submissions made in our second representation develop a suggestion made in the earlier representation which, in our view, would only become effective within the frame work of a tariff treatment to which the first representation refers.

President.—Your point is that the suggestions that you put forward in your supplementary memorandum are complementary to a scheme of protection by means of differential tariffs. May I put it that way?

Mr. Elliot.—That is so. Might I, with your permission, make a short statement which I think might enable me to save the time of the Board during this hearing. I wish to explain that the British Iron and Steel industry whom I represent through the National Federation, would have wished to send a Mission to India earlier had it been possible to arrange it in order to have the benefit of some knowledge of the earlier proceedings of the Board. Unfortunately with our pre-occupations at Home in connection with the re-organisation of our industry, it was not possible to arrange this. It may be that we have therefore included in our representations matters and proposals of which the Board would not feel that they can take cognisance and I would be very much obliged if you would define for my benefit in answering such questions as the Board may wish to put to me how far the Board can take cognisance of the submissions we have made. I refer particularly to the terms of reference to the Board which under the subparagraph (a) make mention of the Indian Tariff Ottawa Agreement Amendment Act, 1932. It was not clear to the British industry how far it was intended that the Board should take cognisance of the effect of that Act and the only course therefore open to the industry was to make their representations as wide as possible and I think it may well be that there are certain parts of these representations of which the Board do not feel at liberty to take cognisance as they might not consider that they directly affect the question of protection of the Indian industry and that such parts would be more a matter of representation to the Government of India. If you would, for my benefit, define this point, it would enable me to avoid extraneous matter and save the time of the Board.

President.—Your statement really amounts to this, Mr. Elliot, that there are proposals and suggestions included in your representations which refer to tariff adjustments, not necessarily by way of differentiation from a protection point of view but by way of preference and what you want us to tell you is with regard to any proposal which may arise for consideration this morning, whether the proposal is one which deals with protective

duties or the proposal is one which deals with duties which have nothing to do with protective considerations.

Mr. Elliot.—That is right.

President.—But may be relevant under a preferential arrangement. It is difficult for me straightaway to tell you precisely what the points are in your representation which are outside the terms of reference of this Board, but as we go along if any point arises which I consider outside the scope of our enquiry, I will tell you, and that, I think, would probably be the best way of meeting it. Would that suit you?

Mr. Elliot.—Yes.

President.—I want first to deal with matters contained in your printed representation. Leaving out for the time being the question of complementary agreements, what I want to do is to get, if possible, more information from you regarding the data on which the scheme of protective duties may be determined. As you are aware, Mr. Elliot, in these enquiries we fix the measure of protection required for the Indian industry on a comparison between the fair selling price for the Indian industry and import prices. Therefore the whole question of the measure of protection turns on the information available to us regarding the fair selling price and the aggregate level of import prices on the other. Has the Federation any views regarding the fair selling prices suggested by the Tata Iron and Steel Company in their representation? I will refer in greater detail on this point. With regard to works costs, has the Federation any suggestion to make regarding the fairness or otherwise of the works costs which have been suggested by the Company for their various products?

Mr. Elliot.—Answering your general question first the Federation felt that all these figures would obviously be subject to the closest scrutiny by the Board and that they were not themselves in a position to express any views which would be helpful on these matters which are subject to investigation and verification on the spot.

President.—That is to say, you leave the question of works costs to be determined by the Board with reference to the information available to the Board locally.

Mr. Elliot.—Yes, that was our view.

President.—There is one point, I think, to which you make reference particularly in your supplementary memorandum which I thought had a bearing on the question of works costs and that was the relation of the proportion between tested and untested steel to the level of works costs which must be maintained in the works.

Mr. Elliot.—That is a question in which we are interested and which we think has an important bearing on the main question and we thought it well to draw your attention to it for that reason in our supplementary memorandum.

President.—Your view apparently is, as far as I can gather from your memorandum, that if there is an increase in the proportion of untested steel in the Indian Steel Company's works, that might have the effect of reducing the general level of works costs.

Mr. Elliot.—Perhaps I can explain our view a little more clearly in this way. It would only arise when the volume of trade was sufficient to give the Indian producer some range of choice in regard to selection of products. It may be that has not been the position recently, but we anticipate when normal times return, that position would arise.

President.—Even then, supposing the Indian industry has a choice in the matter, that is to say, that they were in a position to regulate as a matter of choice the proportions of tested and untested steel, supposing by regulating the proportions in such a way as to increase the quantity of untested steel, supposing they were in a position to do it, I still do not follow that that would have necessarily any effect on the costs. It would

have effect on the prices, but I am not by any means certain whether it would have any effect on the costs.

Mr. Elliot.—It would not necessarily. That depends on the conditions of working of the particular works with which we are dealing. We introduced this question in our supplementary memorandum in reference to a particular point which struck us from Tata's representation and that is in building up the fair selling prices to which the landed cost of imports should be brought by duty, they arrived at a result that the prices for untested steel were practically at the same level as the prices for tested steel and actually in one case, I think higher.

President.—Which page are you referring to?

Mr. Elliot.—Page 38 of the Tata's representation. That struck us as a very anomalous position that the consumer of untested steel should be called upon to pay a higher price for his imports of untested steel than tested steel.

President.—That is a point to which I want to refer to later on in the course of the examination, but for the time being I am on this point. Apart from its effect on prices, is it probable that a variation in the proportions of the two classes of steel produced in the work would have any effect on the costs? I will leave alone for the time being the question of prices.

Mr. Elliot.—It is possible and it would certainly have in certain circumstances of operation. For instance, if it were possible through a range of choice of orders to confine the production of a mill to tested steel, there would obviously be 100 per cent. of tested steel which is a very unlikely thing to happen here admittedly, but that would necessarily have the effect of increasing the production costs in that mill.

President.—It would increase the production costs in this sense that there would be more rejections in the case of tested steel. Therefore the yield would be relatively lower. That is the point.

Mr. Elliot.—To obviate the risk of more rejections in normal works practice, closer attention would presumably have to be paid to cropping of the ingots. There would be a bigger loss of metal from the ingots which would appear in the resultant yield from the ingot being reduced.

President.—As a matter of fact this is a point which we have considered in connection with the representation of the Tata Iron and Steel Company and we asked them to send us statements of the rejections in the production of tested steel either as the result of physical defects or as the result of metallurgical defects and we are satisfied that the rejections amount to a very very negligible proportion, that is to say, if that is all the saving that can be made by the production of tested rather than untested the extent to which on that account costs can be reduced is really negligible.

Mr. Elliot.—I can quite understand. I do not know precisely what may be the practice of the Tata Company's works; they may have standardised such questions as the amount of crop taken from the ingot and so on and in that case the position would be as you indicate, but without any knowledge of the exact circumstances of operation in this works, we thought it well to bring this point to your notice.

President.—There is just another point to which I want to refer before I pass on. You make also the suggestion that the ingot cost in respect of untested steel would be lower. I take it on the assumption that untested steel is made necessarily from duplex ingots and the duplex costs being lower than open hearth costs, therefore the ingot costs of untested steel would be correspondingly lower. That, I understand, is not a correct representation of the actual position.

Mr. Elliot.—That is based on that assumption and from what I have learnt since this representation was made, I recognise that this difference in the costs of the duplex ingots and open hearth ingots is due to another cause entirely.

President.—As a matter of fact we are inclined to assume that sooner or later, sooner rather than later, the costs on the open hearth and the costs on the duplex would approximate to each other for this consideration. It loses its force altogether. But in any case if we are going to base our estimate of works costs of the Tata Company's products on current figures of, say, the first six months of 1933, the proportions of untested steel have never been higher than they are now and therefore, supposing there is any advantage in the works costs on that account, we should be discounting that factor to the extent that we base our estimates on the present costs.

Mr. Elliot.—I see that.

President.—There is one point on which we should greatly welcome the assistance of the Federation and that is on questions relating to overhead. We, as you probably know from our reports, use the term overhead in Indian Tariff Board's reports in the sense which is rather at variance with the connotation of the term in business practice. What we mean by overhead is mainly depreciation, interest on working capital and what are called managing agency charges. Now this question of depreciation is a very important one from the point of view of determining the fair selling price. There are two issues involved. The Tata Company have asked us to take a figure of at least Rs. 12½ crores as a fair capitalisation for a steel works of their capacity, rolling the kinds of products they roll in that proportion, with the kind of modern equipment that they have and with a town organised in the way in which Jamshedpur is. They have given us a figure of Rs. 12½ crores. You probably remember the question that my colleague raised the other day. If you take a total capitalisation of Rs. 12½ crores and a total ingot capacity of 900,000 tons you get in respect of a works organised and laid out as the Tata Company's works are, an average figure of somewhere about £10 per ton of ingot. Would you consider that under the circumstances an excessive figure to take for capitalisation of a works like Tata's?

Mr. Elliot.—£10 per ingot ton?

President.—Yes, with the kind of rolling mills they have, with products distributed in their proportions and with a large well-organised town accommodating the works and the population?

Mr. Elliot.—I would say that that is not excessive.

President.—The other question arising in connection with that is we allow as an average rate of depreciation on plant, machinery and buildings and every other asset of the Company, of 6½ per cent. Would you consider that an excessive figure?

Mr. Elliot.—We have given some thought to this point and we feel that it is just about the right figure.

President.—I come to the question of import prices. I think you give us some information about prices in paragraph 8 of your memorandum. The basis price that you give for British structurals is £8-7-6 c.i.f. Indian port which is Rs. 111.66. That does not include landing charges in India. The Tata Company have suggested an average landing charge of Rs. 2.75, so that if you add that to the c.i.f. price, on your figure of basis price for British structurals the landed price in India without duty would be Rs. 114.41 as against a figure given by the Tata Company of Rs. 112.7 for medium and heavy structurals. These two figures rather closely approximate to each other, but I understand your point to be this that in regard to the price taken by the Tata Company no provision is made for extras. Is that correct?

Mr. Elliot.—That is correct. But the price of Rs. 114.41 does also not take account of extras.

President.—That is a basis price.

Mr. Elliot.—Yes.

President.—But I am trying to get a figure for British structurals which would represent so to speak the average price for structurals of all classes

imported into this country from the United Kingdom. Is it possible to arrive at a figure of that sort?

Mr. Elliot.—You mean including the extras?

President.—Yes. My point is this. You have got heavier and lighter classes of products, coming into this country from the United Kingdom. It is against so to speak the composite prices of these products that tested materials in this country will compete. You have given us the basis price. What I am trying to get at is this. Taking the extras into account on more expensive classes of products imported from the United Kingdom, can you give me an average price for British structurals, taking into account the proportions in which the various classes of structurals are imported?

Mr. Elliot.—I can do so. It is the trade practice in the British industry in commercial departments to make an average allowance of 7/6 per ton as representing the average of these extras on a wide range of different classes of specifications.

President.—That means Rs. 114.41 would be the basis price?

Mr. Elliot.—Yes.

President.—7 shillings 6 pence is exactly Rs. 5 which represents extras on more expensive products. Taking a plain arithmetical average, if I add Rs. 2½ to Rs. 114 I get the composite price, that is to say, the more expensive things bear an extra Rs. 5 and the basis things are Rs. 114. So, taking the basis things and the more expensive things together, an average price of Rs. 116½ would be your composite price?

Mr. Elliot.—I don't think that would be correct.

President.—You don't think so?

Mr. Elliot.—This 7/6 represents the average incidence of extras on the whole. These extras arise mainly on account of size. It is very unusual to have a specification which does not include extras. You could not assume that any material portion is not subject to these extras. The figure of 7/6 does take account of the whole class of materials.

President.—That is to say, if you take the whole consignments of structurals to this country, and you take the basis price and add the average figure of 7/6, it would cover the provision for extras necessary on the whole consignment.

Mr. Elliot.—Yes.

President.—That will bring it to about Rs. 119½.

Mr. Elliot.—Yes.

President.—Now on the question of plates, the basis price relates to ⅜" for which you give a figure of £8-15-0. Including landing, it works out to Rs. 119.41. For ⅞" plates your price is £9-10-0 c.i.f. which, including landing, works out to Rs. 129.41. Can you give me an average figure for plates imported from the United Kingdom, that is to say, including an average provision for extras?

Mr. Elliot.—I think there may be a difference here. I take it that the duties only apply to plates within the range of the Tata Company's mill which would exclude sizes of plates to which substantial extras apply. I think in the case of plates some allowance should be made for that and for that probably a figure of 5 shillings would be adequate.

President.—That would be Rs. 119.4 plus Rs. 33=Rs. 122.7?

Mr. Elliot.—Yes.

President.—Against a price given by the Tata Company of Rs. 114.4.

Mr. Elliot.—I would like to qualify my last answer further. If you are taking plates in the different categories of thickness that is to say ⅜", ⅞", ⅝" and ⅜" all separately you have already allowed for a portion of the extras on account of thinness. If you are dealing with plates in these four different categories I think we could not substantiate as much as 5 shillings.

President.—What kind of figure would you suggest in that case?

Mr. Elliot.—It is rather in the nature of a guess under the circumstances but I think that you would have to halve that figure. 5 shillings would be the figure if you are taking the plates as a whole.

President.—Then an average provision of, say, Rs. 3½ would, you think, be ample for extras.

Mr. Elliot.—It would be adequate.

President.—Now I come to the question of bars which I think you deal with in the same paragraph. You give us the price of British untested bars as £7-12-6 c.i.f. India. What would be the corresponding price for tested bars?

Mr. Elliot.—It depends very much on specifications. There are a number of specifications in varying degrees of stringency according to the nature of the work. I think we could give you an average figure. Mr. Baird's view agrees with mine. We think that it would be £1 a ton higher.

President.—So much as that?

Mr. Elliot.—Yes, it would be a big difference.

President.—On the classes of bars imported into India from the United Kingdom you would add as much as 20 shillings?

Mr. Elliot.—Yes. There is a very big difference in the circumstances under which these tested and untested bars are produced. Without going too much into details, the untested bars can be produced from considerably cheaper materials.

President.—And your tested bars are produced from a different sort of material?

Mr. Elliot.—From high grade material.

President.—So that, that is not merely the difference between tested and untested steel but also it represents the essential difference in the class of steel.

Mr. Elliot.—That accounts for the big difference.

President.—If you had the same kind of steel and the difference was simply one of tested and untested, then the provision required would, I take it, be considerably lower than 20 shillings. That would be a speculative question.

Mr. Elliot.—I don't quite know what you have in mind.

President.—I will tell you precisely so that you may know what my difficulty is. We have been in the habit of assuming that generally the difference between standard and non-standard steel is supposed to be somewhere of the order of 10 shillings, say about Rs. 7. We always proceeded on the assumption that if you took an approximately average figure to estimate the difference in price between standard and non-standard, a figure of about Rs. 7 would be right. Now this figure of 20 shillings is very different from that on which we have proceeded all along and therefore I am trying to understand what the position really is. On the Continent, for example, if you want tested steel, I expect you would pay 10 shillings more than for untested steel.

Mr. Elliot.—I think that is about the figure.

President.—So if you are thinking of essentially the same kinds of steel, I take it that the difference would also be somewhere about 10 shillings, that is to say, that is what the market is prepared to pay for tested steel as compared with untested steel, the same class of steel being used in both cases.

Mr. Elliot.—These remarks are partly governed by the purposes for which untested bars are likely to be used. For instance, there is a big consumption for reinforcing concrete and that class of bars can be made from cheapest materials—not merely cheap through the process of manufacture but cheap for other reasons, that is by the use of what we call seconds or discard billets or out of any other cheaper material which can be obtained.

President.—You never get tested steel on that kind of thing?

Mr. Elliot.—No. It is rather an exception to the general rule of the difference of 10 shillings, with which we agree between tested and untested, in the case of bars, that being largely governed by the purposes for which untested bars are used.

President.—But as an approximate average figure for working purposes we may take this figure 10 shillings as the usual margin between tested and untested?

Mr. Elliot.—Yes.

President.—If I added 10 shillings to your figure of untested we get £8-2-6 which including landing charges of Rs. 2-75 gives a figure of Rs. 111-08 against a figure given by Tata's of Rs. 96-1. There is a very big difference and it is rather a difficult point on which we have received conflicting evidence. After we got the Tata Iron and Steel Company's representation we addressed a circular letter to various importers in India asking for import prices and there is a Bombay firm, Messrs. Richardson & Cruddas, who have given us as the average price of British bars in January—June 1933 a figure of Rs. 120-13-0 c.i.f. without landing. That I find it frankly impossible to follow. Unless it is for very, very special sizes or from special bars of some kind, that is considerably higher than the trade figure given in the Iron and Coal Trades Review which with landing would be about Rs. 106.

Mr. Elliot.—If you had made an allowance of 20 shillings instead of 10 shillings and assumed that these prices referred to tested steel you would not be far out, I think.

President.—That would bring it nearer that figure. I am rather anxious to get some accurate information regarding the prices of British tested bars because a good deal may turn on it with regard to our proposals. Am I right in thinking that all bars imported into India from the United Kingdom or at any rate the great bulk of it are tested bars?

Mr. Elliot.—That is so.

President.—So that the price that we have got to take in respect of British imports of bars is the price of British tested bars?

Mr. Elliot.—Unquestionably.

President.—And it would be tested British bars of the classes generally exported to this country. Would you be able to give us a more considered statement on that? What I want is this: I want not merely your declared quotations, that is to say declared export prices generally for tested British bars; what I want to get is the price of tested bars exported to India from the United Kingdom.

Mr. Elliot.—I think we can give you statement which might throw some light on this.

President.—There are two or three points that I want to raise with regard to your statement of prices. The first question is, is it correct to assume that these extras to which you refer are invariably charged in export prices from the United Kingdom?

Mr. Elliot.—Yes.

President.—The second is, these prices—these basis prices and extra prices—are these the prices at which actual transactions are put through or are reducts, discounts, rebates and so on, allowed on orders of fairly substantial dimensions?

Mr. Elliot.—They are not allowed but in certain circumstances you will find slight discrepancies for this reason that in the smaller sizes of material there are re-rollers who are not themselves steel makers who have in the past been able to use cheap Continental steel and to supply certain sizes at lower than steel makers' recognised prices. They only cover a very small proportion indeed of the trade, but you would find possibly that in an order passing through a merchant's hands, while the merchant is paying the steelmakers recognised prices for, say, 95 per cent. of the material,

he may have been able to purchase 5 per cent. or something like that of certain sizes from another source at a lower price. And the practice of the merchants is to average these figures out and in many cases they seem to take a delight in showing the customer that they can offer material at lower price than steelmakers.

President.—Whatever the proportion of that class of material, the actual British prices against which the Indian steel has to compete are prices which reflect the lower prices of this particular proportion?

Mr. Elliot.—That has been so until 6 to 9 months ago, but since then the protection of the steel industry in Great Britain became effective, and it has been effective since that time: all stocks of cheap Continental steel imported beforehand are more or less exhausted and that source of supply of steel has been closed to re-rollers who are now in the process of being brought under control as regards prices with steelmakers and you would not find this condition operating in the future.

President.—With regard to this question of extras generally, supposing in determining the measure of assistance required by the Tata Iron and Steel Company as against British steel, we compared their fair selling price not with the c.i.f. price but with their actual realised price, that is to say their realised price at the ports making the necessary adjustments, in that case don't we automatically allow for the question of extras? Your point is this: you complain that no provision is made for extras in the c.i.f. prices given by the Tata Iron and Steel Company. In determining the measure of protection, I compare their fair selling price not with the c.i.f. price but with the price which they actually obtain for tested material, then the price which they obtain for the tested material must reflect the advantage that they get by the extras quoted by importers?

Mr. Elliot.—Theoretically that is so but actually I would say that there has been such a small importation of British tested steel for a considerable time owing to the conditions of trade that you would not be likely to get a fairly representative picture in that way.

President.—That is to say, we took their realised prices over January—June 1933; taking their actual realisation that would not reflect?

Mr. Elliot.—I don't think it would. Importations have been so negligible compared with normal times.

President.—I suppose the solution for that would be to take a longer period than six months so that you get a larger quantity of imported material to base your figures on?

Mr. Elliot.—I appreciate your difficulty on this point and your natural desire to base on actual figures, but I would like to make this point that if you do so over a longer period you would fail to take into account the altered circumstances of the British steel industry resulting from protection, in consequence of which the industry has been re-organised and complete control in regard to price levels has been established.

President.—Control of price levels does not necessarily imply that there is not in many cases difference between the declared prices and the actual prices at which the purchaser may be able to get his supply. The declared prices do not necessarily conform to actual prices: if you take the national price in the United Kingdom for example do declared prices and actual prices necessarily correspond?

Mr. Elliot.—They would: the industry is in a position and would be prepared to give assurance on that point.

President.—That the prices at which actual transactions are put through are the declared prices?

Mr. Elliot.—Yes.

President.—Now I come to the question of Continental prices. You refer to that in paragraph 25. The first thing I want to know is, are these prices f.o.b. for the United Kingdom or f.o.b. for India as well?

Mr. Elliot.—There are the general export prices f.o.b. Antwerp as given in the Continental trade papers.

President.—We had a little difficulty in connection with these Continental f.o.b. prices. When Messrs. Henry Williams were up here to give evidence they gave us prices for billets from Belgium which represented a landed price in India without duty of somewhere about Rs. 65 or 66. Actually the f.o.b. Antwerp price as given in the Iron and Coal Trades Review is considerably lower than Rs. 66 and the only way in which we can understand the difference is that since the import duties came into existence in the United Kingdom possibly special prices f.o.b. Antwerp have been quoted for the United Kingdom and the prices quoted for India are rather different. I am speaking only of billets for the time being.

Mr. Elliot.—The Board is no doubt aware of the present organisation of the Continental industry in selling syndicates under a cartel and it is the known policy of these syndicates to differentiate for different markets. Whether that was so at this particular date I am not in a position to say.

President.—It is not unlikely that f.o.b. prices for a country like the United Kingdom may be different from that of a country like India, because conditions in certain important respects differ.

Mr. Elliot.—Yes. But there cannot be any certainty that the policy of these Continental steelmakers with regard to one market, say, India would remain the same.

President.—The point I am trying to get at is this: if there is that difficulty are not we justified in proceeding rather on the basis of actual c.i.f. prices given to us by Tata's than the c.i.f. prices which we deduce from your f.o.b. prices?

Mr. Elliot.—My experience is that you cannot place any reliance on the prices published in trade papers, particularly as regards Continental material and on the whole it would be much preferable to base on actual realised prices.

President.—I think in every case the f.o.b. price you give for Continental material represents a higher price landed in India than what we have received from the Tata Iron and Steel Company. On joists for example your figure including landing is Rs. 65 against a figure of Rs. 61·5 given by Tata's—that is on the assumption that you take a figure of 20 shillings for freight, insurance and so on. That would be correct?

Mr. Elliot.—Yes.

President.—On bars your figure is Rs. 69·41 against Tata's figure of Rs. 65. On plates your figure is Rs. 88 as compared with Tata's figure of Rs. 81·2. On account of this difficulty in determining precisely what they would quote for a country like India I think the safest basis would be to take the actual prices.

Mr. Elliot.—I would agree entirely.

President.—You are aware that Continental prices have been rising steadily since June 1933, specially since the reformation of the cartel. I am trying to understand on what basis we ought to take the prices of Continental steel for the purpose of estimating protection. The difference between current prices and the prices in the earlier part of 1933 is considerable. Have you got any recent figures, anything more recent than June? These are the figures that we have received. If you take the average of 1932-33—April 1932 to March 1933—for Continental structurals it is £4-5-1; for August 1933 which is the latest that I have the corresponding figure is £5-5-0 which is an increase over 1932-33 of approximately 25 per cent. For bars in 1932-33 it was £4-7-6 against £5-6-6 in August 1933 representing an increase of between 20 and 25 per cent; for plates $\frac{1}{2}$ " the price in 1932-33 was £5-0-10 against £6-15-5 in August 1933, which is an increase of 33 per cent.; for black sheets 14/18 gauge the 1932-33 price was £6-5-0 against £7-7-8 in August 1933 or an increase of 16 or 17 per cent. That raises rather a difficult question. The Tata Company's proposal is that

we should not be justified when we are trying to fix protection for a period of years in taking prices of imports coming from countries which have adopted a policy of constant variations, that it would not be right to take the higher level of prices which prevailed since the middle of 1933. You make a reference in your printed representation to a report which was sent by the National Committee to the Import Duties Advisory Committee in which you say that since the sterling went off the gold standard and protective duties began to be introduced, prices have been correspondingly reduced. When I saw that suggestion, I looked up the prices for an earlier period. I took the average of 1930-31, that is to say April 1930 to March 1931, that is before sterling went off the gold standard. The extraordinary thing is that the prices which now prevail, taking August 1933 as typical of current prices for structurals and bars, are precisely prices which prevailed in 1930-31. In other words, what the cartel apparently is trying to do is to push prices back to the level which prevailed before the departure of European countries from the gold standard.

Mr. Elliot.—That is interesting. That is a point which had not come to my notice.

President.—It is almost exactly the same figure. The average of structurals for 1930-31 was £5-5-0 which is the August price; for bars it was £5-6-9 and the August price is £5-6-6. That seems to indicate a well considered consistent policy on the part of the cartel. So what I am asking you is are we justified in accepting it or some price approximating to it as the most suitable basis for the figures required for a period of years? It is a very difficult question. Can you give me a sort of logical reply to this question which I can put forward with a show of logical force?

Mr. Elliot.—I would like to make one comment and that is that the Continental steel makers are being virtually excluded from the largest market which they enjoyed, namely Great Britain.

President.—Was it the largest market?

Mr. Elliot.—The largest market to which they imported something of the order of 3 million tons of steel a year. It must be a matter of desperate concern to them to find other markets and I venture to suggest that if you have based your views on the idea that they can be relied on for a stable price policy, that would very soon prove to be falsified.

President.—The difficulty arises in this way that in the case of British steel there has been no variation practically. The prices have remained steady over a period of years. With regard to Continental steel, prices have shown an extraordinary amount of marked variation over a short period. Taking the prices required for protection over a period of years, do we take in the case of these countries which show constant variation over a short period, the highest price, do we take the average price or do we take the lowest price touched during the period?

Mr. Elliot.—If we were in the position of the Tata Iron and Steel Company, we should feel very unhappy if you didn't take the lowest price.

President.—Which is more or less my suggestion. I must in fairness to them say that the prices which they have actually suggested as the basis for protection are not quite the lowest. If you went back to 1932-33, you get a slightly lower level than in January-June, 1933, but they are content with January-June, 1933. It is a matter which the Board has to consider in the light of the circumstances, but I do think that the variation has been so extraordinary over a short period that we should probably not be justified in accepting higher prices than what the Tata Company have suggested. It would of course be necessary to consider in connection with these prices which show frequent variation whether, in making provision for off-setting duties, it would not be necessary straightaway to provide a margin for contingencies of a highly probable character. What I mean is both the Tata Company and yourself have suggested that there should be provision for off-setting duties. That of course is no new suggestion. It has been part of the machinery of protection in this country, but in my opinion I

think the provision has worked very ineffectively so far and I venture to think it is not the fault of the machinery, but the fault of the people who are in charge of the machinery. Considering the slowness with which that machinery operates, I am inclined to think in the interests of the Indian industry, it might be necessary to provide straightaway a margin in the import price that we take into account which at any rate would provide against what I call contingencies of a highly probable character. For remoter contingencies we must trust to the operation of off setting duties. That is more or less the basis on which, speaking for myself, I am approaching this question at present. Before I leave the question of prices, there is one point which rather concerns your industry to which I find no reference in your representation. I am referring to paragraph 100 in the Tata Company's representation. You have considered that paragraph, have you? That is rather a subtle point. I have always had a somewhat troubled mind on that question and I should have expected the National Federation to make some comment on that, but they have not.

Mr. Elliot.—The reason is that we were not quite sure that we understood it.

President.—May I make it clear? This is really part of the recommendations made by the Board in 1926. Under a scheme of differential duties, if no adjustment is made of the kind referred to in this paragraph, what would happen is that both British prices and Continental prices would correspond to the fair selling prices fixed for the Indian steel industry. They would all be on the same footing. When we reached that point in 1926, we asked ourselves this: all the steel that comes from the United Kingdom is tested steel; practically all the steel that comes from the Continent is untested steel. Now the scheme of differential duties which we propose would have the effect of making the prices of tested and untested steel precisely the same and since in every country there was a recognised difference between the prices of tested and untested steel, we asked ourselves whether it was not our business to provide a margin of that kind. So we introduced this factor of Rs. 7. The scheme of differential duties without any qualification would have the result of making the tested prices exactly the same as untested prices, but there is a recognised difference of Rs. 7 and we ought to introduce that difference into the price. There is a straight forward way of introducing this difference of Rs. 7. You can add Rs. 7 straightaway to British prices or you can deduct Rs. 7 from the Continental prices, but then that would upset the aggregate surplus earned by the Tata Iron and Steel Company. If you deducted Rs. 7 from the Continental prices which at present, for example, represent much the larger proportion, it would mean they would lose their Rs. 7 on probably the bulk of their output. If you added Rs. 7 to British, what they would get would be excessive, but not to the extent to which their surplus would be deficient in the other case and so what we did was to take Rs. 7 and adjust it in weighted proportion. I will give you an illustrative figure. Supposing the proportions of structurals, tested and untested, were 20 per cent. and 80 per cent., you take 80 per cent. of 7, add that to the fair selling price for tested steel, that is to say for the import price of British steel: you take 20 per cent. of Rs. 7, deduct that from the Continental price. You adjust the difference in such a way that the aggregate surplus of the steel company is left more or less intact. The result of that is that your price goes up on those figures to the extent of 80 per cent. of Rs. 7. Their prices come down to the extent of 20 per cent. of Rs. 7. Whether this kind of thing really corresponds to realities or simply interesting as an arithmetical ingenuity, I have never been able to make up my mind. I should be very glad if the National Federation had some comments to make on that. Arithmetically it looks very interesting.

Mr. Elliot.—I understand the general principle of the thing now in this way: supposing the untested proportion was 80 per cent. and tested proportion 20 per cent., if you lower the price for the 80 per cent. by Rs. 7, you have got to increase the price of 20 per cent. by 4 times that.

President.—No, that is not. We increased the price of the 20 per cent. to the extent of 80 per cent. of Rs. 7. We reduced the price of the 80 per cent. to the extent of 20 per cent. of Rs. 7.

Mr. Elliot.—It is very difficult to follow.

President.—When I read through your representation I thought that probably an arrangement of this kind was in keeping with your suggestions, because you would rather like the market for untested steel to expand in this country. This reduces the price of untested steel and so helps your idea. On the other hand the argument against it is that it is making the price of tested steel more expensive than it would otherwise be and since tested steel is the kind of steel which enters into all public utility works which exactly is the consideration that ought to influence our judgment is a somewhat difficult question. Would you like to consider this point and send us a note later?

Mr. Elliot.—I could just make one comment. We are, as you said, concerned about expanding the market, particularly where it is sensitive and we were alarmed at the thought that the consumer of untested steel might have to pay a higher price than the consumer of tested steel. In our supplementary representation we have made two points which may appear to be inconsistent. We have suggested that the price of untested steel should be at a lower level than the price of tested steel in the interests of the sensitive portion of the market. We have also suggested that some relief from duty might be considered for capital goods. I feel those two points are both sound, but that the second is more a matter for representation to the Government of India in connection with the revenue duties and the first is more a matter which concerns you.

President.—What you mean by “capital goods”, as I understand the phrase, is things like machinery, but you are not referring there to rolled steel of the kind that would be used for the production of capital goods.

Mr. Elliot.—We are talking of rolled steel for capital goods.

President.—That is your idea?

Mr. Elliot.—Yes.

President.—Even the Government of India would be helpless on that point. If rolled steel of the kind required for capital goods is a protected class of steel, then it is out of the question to remove revenue duties, because protective duties would have to be fixed at the level at which we consider necessary in the interests of the industry. My own idea was when I read your note that you meant by capital goods such things as machinery.

Mr. Elliot.—We were hoping that you would find that no protective duty against British steel would be required.

President.—That is a matter for investigation. Supposing we find that protective duties are required on all classes of rolled steel, then it is out of the question for the Government of India to remove the duties.

Mr. Elliot.—I appreciate that.

President.—The point would be different. If by “capital goods” you meant not primary material like rolled steel, but secondary material like machinery, then there would be room for consideration. That takes us on to a different point. Would you like to think this point over?

Mr. Elliot.—We would.

President.—It is rather a difficult point and I should like to have a statement from your Federation, because you are the people primarily concerned with the kind of adjustment proposed here.

Mr. Elliot.—We will do that.

President.—I come to the question of complementary agreements. From your memorandum I gather that the main features of the scheme of protection by agreement which you propose are these: first that the Tata Iron and Steel Company and any other steel producers who may come into existence hereafter will have the first claim on the Indian market to the extent of the whole of their output.

Mr. Elliot.—Yes.

President.—Secondly the balance including both tested and untested steel will be supplied from the United Kingdom, that is correct?

Mr. Elliot.—Yes.

President.—Thirdly the prices to be fixed for Indian products and imported products would be agreed prices based on the fair selling prices fixed for the Indian steel industry; fourthly there should be provision for differential duties and off-setting duties at any rate to maintain prices at the agreed level.

Mr. Elliot.—Yes.

President.—And fifthly the agreement will be on a purely temporary basis. The proportion of the market to be supplied by imports is reduced from time to time as Indian production increases. These, I understand to be the main features of the scheme. Then there are certain what I may call essential details to which you refer and these are not really complementary agreements, although in details they are essential. The first is that the selling price should be uniform national prices and secondly the Indian Steel industry's output of steel should be apportioned to the various classes of products in a certain order of priority. That correctly represents the sort of scheme you have in view.

Mr. Elliot.—Yes.

President.—You have stated your views in general terms in this memorandum and I want to raise a few points by way of elucidating the position. The main advantage which may be claimed for a scheme of this kind is that under it the interests of the Indian industry would be safeguarded to this extent that the agreed prices are not below the fair selling prices and secondly that the whole of the Indian output is disposed of at that price to the extent of the market available. In that way the interests of the Indian industry are safeguarded under the scheme. Are the interests of the Indian consumer safeguarded under the scheme, that is to say what is going to happen to the Indian consumer if there was a combination of Indian and British manufacturers?

Mr. Elliot.—Do you want me to answer this question now?

President.—It seems rather a relevant question. Generally what would happen? It is not an improbable contingency. As you probably know, a contingency of that kind was considered by the Ottawa delegation when they discussed the sheet agreement. That was one of the contingencies which they took into account.

Mr. Elliot.—In the nature of the agreement, the interests of the British industry would only be in the requirements of India surplus to Indian production. Therefore from the point of view of the British industry the first consideration is that the surplus should be as large as possible and the governing consideration in their policy must therefore be to expand the total consumption which in itself, I submit, should be sufficient guarantee in regard to their policy under the scheme. Secondly, we have referred to the arrangement made in connection with the sheet agreement and suggest that that should apply both as regards the off-setting duties and as regards the right of the Government to watch and take action in regard to any arrangement of prices which might be held to be prejudicial to the consumer.

President.—You would contemplate an arrangement under which the protective duties may be varied in a downward direction if a contingency of this character materialised.

Mr. Elliot.—The paragraph in the sheet agreement reads as follows:—

“Each Government would remain at liberty to take appropriate measures to prevent sales at unfair prices by the manufacturers in the other country or to check an unnecessary increase in prices against the consumer by a combination of manufacturers in both countries”.

President.—The kind of machinery that I can think of, supposing the Government of India consider it necessary to act in a matter of this kind, would be to put the off-setting duties provision in such a way as to bring

about a downward variation straightaway. Supposing for example the relative disadvantage of the Continental import into this country is reduced, if there is a combination between the Indian and British manufacturers to the disadvantage of the consumer and if the relative position of the Continental importer is made less disadvantageous, then you introduce an element of competition which might tend to set matters right as between the Indian and British manufacturers.

Mr. Elliot.—I take it it would be in your mind that that would only be done after a frank discussion of the position with the Indian producers and the representatives of the British industry because it seems to me that it would be a very dangerous thing and might make the proposed scheme ineffective. I notice that the Tata Company in their representation dealing with off-setting duties suggest a Statutory review annually.

President.—They do not ask for a statutory review. It is an executive review.

Mr. Elliot.—According to the established prices during that period, the duties should be varied upwards or downwards and the danger there I think, is a very clear one in regard to Continental steel makers. It would be a very simple thing, if the duties on Continental steel are fixed at such a level that the market becomes unattractive to the Continental steel makers, for them to quote as a matter of deliberate policy higher prices for the market than they were prepared to accept in the expectation that when the prices are reviewed it would be held that the same amount of differential duty was no longer necessary and that it could be reduced. That might then place them in a position to make a concerted attack upon the market and completely upset the whole scheme.

President.—That happens even now. In the case of certain countries that happens even now, just before budget time and just before the Tariff Board report. It is one of those things against which, human nature being what it is, it is very difficult to make a statutory provision.

Mr. Elliot.—We would ask you very strongly to consider that the off-setting duties provision should only be used to increase the duty and that whatever duty you decide as necessary for the period should be the minimum.

President.—That would not be a fair suggestion because in this matter under the kind of protection we are administering, the interests of the consumer are quite as important as the interests of the producer and if to the slightest extent the interests of the consumer are going to be jeopardised the provision in the interests of the consumer must be quite as effective and quite as prompt as the provision in the interests of the producer and you cannot make a distinction between the two.

Mr. Elliot.—I agree.

President.—But I admit this. As far as your suggestion is concerned before a downward variation is thought of, it is of course necessary that the executive of the Government should discuss the matter with the producers, so that without bringing the off-setting duties into operation in a downward direction, simply as a result of discussion it might be possible to set matters right. In fact, I do feel that one great advantage of a provision for off-setting duties is that the very existence of the provision in the Statute is a deterrent. Quite often it may be unnecessary to put it into force and if occasionally it is put into force, for the most part during the period of protection, it remains on the Statute book unused. Then, you have given sufficient evidence of Government's intention to act when the situation requires it and its effect therefore is very largely moral.

Mr. Wiles.—In the report of the Ottawa Delegation, you find this point specifically dealt with where they see the danger of the interests of the Indian consumer being neglected. That will be met if the Government of India have it in their power to check any such development.

Mr. Elliot.—We can hardly object to that.

President.—There is one advantage from the point of view of the interests of the consumer that I can see in a scheme of agreement and that is by an

agreement regarding prices the principal supplier from outside might reduce the necessity for constant variation in tariffs, that is to say, if we trusted simply to an operation of the off-setting duties clause, then we might have variations in prices and variations in duties. Now if we have a scheme of agreement, we can reduce the necessity for the variation in duties, at any rate to the extent of the bulk of imports because the bulk of imports would be supplied from one source. So, from the point of view of the consumer, there is that advantage. As against that, the point that occurs to me is this. An arrangement based upon agreement between importers and the Indian industry would necessarily have to be of a temporary character because at fairly short intervals it would be necessary to revise the terms of the agreement. The framework may be there but the terms of the agreement will have to be altered. So, when you have to do that, especially if the interval happens to be a fairly short one, you are introducing an element of uncertainty in the same way as the uncertainty introduced by variation in tariffs. If you fix the period as 18 or 24 months, for the agreement, six months before the termination of the agreement, the market begins to feel uncertain. That would occur periodically and might have quite the same effect as periodical revisions of tariffs. That to my mind is rather a weakness in the scheme. The main object of the scheme from the point of view of the country is to provide stability but the fact that the agreement in the very nature of the circumstances has got to be temporary. As against the stability secured by one set of circumstances you get an element of uncertainty provided by another set of circumstances.

Mr. Elliot.—Does not that depend on what you fall back upon in the event of an agreement being terminated? We contemplate that you would fall back on the scale of differential duties which you decide are necessary for the protection of the industry and it is by no means clear to me that as a result of termination of agreement entered into for 12 months and failure to renew it there would be instability or uncertainty, because the conditions which would arise through failure to renew the agreement are fixed and generally known and would presumably not alter the position as regards prices.

President.—It is very difficult to lay down a general proposition with regard to it but I tell you frankly what I am thinking of. An agreement has been in operation with regard to one particular class of steel product. I am not concerned to explain the circumstances under which the working of the agreement has proved a little more difficult than is expected but if you are going to have an agreement covering not merely one product but a vast range of products for which the markets would probably be more scattered than in the case of one steel product, it seems to me without casting any reflection upon any of the parties concerned in the nature of things difficulties may arise which would give a certain sense of uncertainty to those who are interested in the agreement either as producers or as dealers.

Mr. Elliot.—I think one must admit that possibility, but if you could so arrange it that the scheme of co-operation was not an integral part of the tariff framework—if that co-operation can be arrived at it will improve the position for the Indian producer and for the consumer—But, if the framework is established regardless of co-operation, then I think you lose nothing and you stand to gain such advantages as are clearly possible under a scheme of co-operation.

President.—I see your point: that is to say, if you had simply a scheme of differential duties, then occasional variations in prices and variations in duties occur and there is disorganisation of the market to that extent. That frame work of differential duties would remain even in the case of complementary agreement and if the complementary agreement introduces variations it does not at any rate make the situation worse.

Mr. Elliot.—Quite.

President.—I think that would be a sound reply to that. We are not primarily interested in the revenues of the Government of India because

they are well able to take care of themselves but there is a difficulty that arises in connection with your proposal. Suppose it was decided that all the imported supplies in this country are received from the United Kingdom and under a scheme of differential duties a lower scale of duties would apply to these imports then it means necessarily that Government are going to lose the whole of the difference between the higher rate of duty and the lower rate of protective duty that would apply in the case of British imports. It might mean a considerable reduction in the revenues secured by the Government of India?

Mr. Elliot.—I am fully sensible of that. At the same time it is not the intention of the protective duties to provide revenue for the Government of India but such revenue as the Government of India require is arrived at purely through impositions of revenue duties and the two aspects of the matter should properly be entirely dissociated.

President.—We are trying to replace a scheme of protection by tariffs by a scheme of protection by agreement. Assuming that the interests of the Indian industry and the interests of the Indian consumer are equally safeguarded in both cases, then although it is perfectly true that the Government of India do not intend protective duties to yield revenues, the fact remains that there will be a reduction in the surplus revenue earned by the Government of India which, if not available, will have to be made good from some other sources.

Mr. Natesan.—Or it might result in increasing the general level of taxation.

Mr. Elliot.—The fact that the Government of India has received more revenue than what was anticipated through the protective duties has been fortuitous and has been due to the partial failure of the present scheme of protection. To put it in another way, Continental makers have so reduced their prices that the scheme of protection has to some extent failed. But in doing so the Continental makers have presented the Government of India with fortuitous revenues. I submit that if the calculations of the Board prove to be more correct than they were on the last occasion, all that matters is to consider what the fair selling prices for the imported products are and if they are such prices as enable the British industry to compete, then you will find in any case the bulk of the importations will come from Great Britain and in consequence you cannot in any case anticipate that the Government of India will derive fortuitous revenues from the protective duty in the next period of protection because if you do so, if I may put it this way, you are throwing distrust on the accuracy of your own calculations.

President.—Really my point is this: It is perfectly true that during the first two years of the policy of protection Government earned a surplus over the revenue duties as a result of protection, but it is quite likely that we have now reached a stage in the administration of protection where the point of diminishing returns has either been reached or is rapidly approaching. If that is true with regard to the steel industry then the replacement of high protective duties by a moderate level of revenue duties might really have the effect of improving them instead of reducing them. There is a practical point which I want to raise: The whole of the scheme is based on the assumption that the National Federation is in a position to enforce the terms of the agreement. To what extent does the Federation represent the manufacturers of iron and steel products in the United Kingdom? Do you represent the whole industry?

Mr. Elliot.—Mr. Baird tells me that it is 99 per cent. but I am prepared to make the statement that it is 100 per cent. because that one per cent. will fall into line.

President.—All these arrangements that you have made recently regarding the level of national prices and so on, the executive of the Federation have no difficulty in enforcing these arrangements, have they?

Mr. Elliot.—None whatever.

President.—Coming to some of these details I am not able quite to follow why you think it necessary for a scheme of this kind that selling prices should be uniform national prices? Why is it essential to the scheme?

Mr. Elliot.—I think that is the only way you might be able to avoid the allowance for freight disadvantage which Tata's claim. I think Tata's would probably argue that as it cannot be foreseen to what extent their sales can be confined to their advantage areas, an allowance for freight disadvantage should be made, but if this scheme of co-operation operates as it should, Tata's would in that case realise some benefit over and above what is intended in the scheme of protection which benefit I submit there should be some moral obligation to pass on to the consumer in the form of lower prices with regard to particular products with a view to improving consumption.

President.—The only way in which we can make a suggestion of this kind effective is this: supposing in arriving at the conclusion that a policy of national minimum prices was necessary or desirable in this country, then in our scheme of protection we would have to take the fair selling price for the Indian industry at works and then to that we would necessarily have to add an average freight charge. Take for example typical years of working: the company has incurred over a period of years so many lakhs of rupees in respect of transport to various centres of consumption; you take the figures for that typical area and you average it among the total products, get the freight advantage per ton and add it to the fair selling price at the works and make that as the basis of the scheme of protection. But in essence what would be the difference: the difficulties that you point out would arise in the same way.

Mr. Elliot.—With the national minimum prices there would clearly be a stronger inducement for the Tata Company to dispose of the maximum proportion of their output in freight advantage areas, and if the demand increases to such an extent that they are able to do so they will obtain a definite benefit over and above what the scheme of protection intends.

President.—Personally speaking they are desperately anxious even now to dispose of the best part of their output in freight advantage areas. Their methods of sale which we have examined with some care seem to me to indicate that they are not merely anxious but sometimes almost unduly anxious to get their sales done in the freight advantage areas. As a matter of fact in order to make certain that as large a part of their sales as possible is done in freight advantage areas they have a practice in freight advantage areas of selling their products at a price somewhat below the price at which corresponding imported goods would be landed at these centres from the ports in order that the sales may be made in that area, and I have very little doubt that it is unnecessary to give them further inducement for doing it because they seem to me to be almost painfully conscious of their responsibilities in that direction.

Mr. Elliot.—On the other hand if under the scheme of co-operation different prices were fixed for different areas based on Tata's freight disadvantage, then that inducement to a large extent ceases.

President.—How?

Mr. Elliot.—Because the price realised at the Tata Company's works would, in all cases, remain approximately the same:

President.—Supposing you gave them an average freight charged per ton as part of their cost of production, then if they ship steel from Tatanagar to a distant centre their realisations would vary according to the centres of distribution. You can make prices uniform on a national basis but you cannot make realisations in every centre of consumption the same. That would not follow? The point that really intrigues me in the proposal that you make is, what is the advantage of it from the point of view of the country's general interest? That is what I am anxious to get at because that to me is the real point—whether there is any substantial advantage that the country is likely to derive as a whole by a system of national minimum prices.

Mr. Elliot.—If there are uniform prices then there is every inducement to the Tata Company to sell in freight advantage areas, otherwise their realised price is reduced by the extra carriage to the freight disadvantage areas. If there were no uniform prices, if these differential prices were to be based on that extra carriage, then the realised price to the Tata Company's works would remain the same wherever the steel was delivered, and that would not be a very desirable condition.

President.—Why not?

Mr. Elliot.—It might be good for the railways but it would not be good for anybody else.

President.—I can't get away from this position: suppose we had no protection in this country and suppose there were no steel industry, would not the difficulty be there all the same? Why are you concerned under a scheme of protection in eliminating the natural disadvantages and reducing the natural advantages? Take an area like Calcutta which has the benefit of better prices: under a scheme of uniform prices Calcutta would lose that advantage?

Mr. Elliot.—It is a very big question but it would tend to concentrate the development of secondary industries in the area adjacent to the steel producer.

President.—That brings me to another point. It applies really to semi-finished steel rather than to finished steel?

Mr. Elliot.—Finished steel is used by structural engineering firms.

President.—What I mean is this: it is really in determining the relative competitive position of manufacturers in the secondary industries that the question becomes one of practical importance?

Mr. Elliot.—Yes.

President.—So that if you confine your suggestion to that, I should be inclined to go a long way to meet your point of view, but if you extended it to the whole range of steel products the issue becomes very very difficult: I find it very difficult to size up the position. I am quite able to understand the position that if there are re-rolling mills in different parts of the country it is obviously unfair that they should be placed in a position of relative disadvantage as regards the cost of their raw materials.

Mr. Elliot.—Not only the re-rolling mills but the structural engineers and others. Why for instance should steel for a building in Bombay, Karachi or Madras cost more in consequence of what is after all some artificial arrangement with regard to these fair selling prices, if steel from one of the parties under the scheme of co-operation could be supplied at the lowest price quoted anywhere in the country at those centres?

President.—Why should not an engineering firm in Bombay if they cannot get satisfactory prices from the Steel Company import their steel if they can get it below these prices?

Mr. Elliot.—That is the whole point. Under the scheme of co-operation it is necessary to agree to minimum prices. Those minimum prices can either be common to all districts or they can vary. The only reason why they should vary is on account of Tata Company's freight disadvantage. We say they should not vary; they should be common to all districts, because if the Tata Company do not wish to supply steel to a far distant point at the minimum price the reason being that they can sell all their output at a better advantage, then we are prepared to do so. Why handicap the secondary industries in those far distant points when it is quite unnecessary.

President.—In trying to improve the position of the far distant purchasers you may make worse the position of purchasers elsewhere. There will be a general upset in the country. Equitably you may be right but taking the realities of the situation into account you might be creating a considerable amount of disorganisation and a general upset of the balance.

Mr. Elliot.—I should have thought that to be very improbable, because the growth of the structural trade and the secondary industries in India

rather originated on the basis of importations and I suggest there has not been time for any material change to have taken place in consequence of the circumstances which have only prevailed during the last two years possibly, when the total requirements of India have been very little in excess of the production of the Tata Company.

President.—I quite understand that a scheme of this kind would be welcomed by structural engineers in certain parts of the country, but I quite equally realise the possibility that a scheme of this kind would be very much resented by the structural engineers in other parts of the country.

Mr. Elliot.—If structural engineers in the Tata Company's freight advantage areas have enjoyed some advantage on account of the price of steel, they have been fortunate, but surely they have no cause for complaint if they enjoy no advantage, if they all start on a common basis.

President.—Am I right in assuming that you have not minimised the danger of applying to the conditions of a country of vast distances like India a system which has proved a success in a country like England where the centres of consumption and the centres of production are not after all so far apart?

Mr. Elliot.—We may have in other points, I do not know, but I cannot see that we have in this particular point.

President.—Is there a system of national selling prices in America which correspond to the general character of the country like India?

Mr. Elliot.—No. I understand steel is sold f.o.t. producers' works.

President.—I feel in many ways the conditions in this country approximate to the conditions in America except from the point of view of protecting and developing the industry. England is very unlike India in many respects from the industrial point of view.

Mr. Elliot.—On the other hand is it not a fact that through the various ports you remove this question of geographical situation very largely, assuming always that there will be some importation of iron and steel into India? If you assume that the time will come when the whole of the steel required will be produced in India, then that is another matter.

President.—I must confess that I am not convinced that this idea of national prices is essential to a scheme of the kind you have in view. I am not convinced of that. It may be of advantage to the country from certain points of view, but I don't feel it is essential to a scheme of the kind that you put forward. That is my point.

Mr. Elliot.—As regards the interests of the British industry in it, it is not essential at all.

President.—It is not essential to the British industry; it is not essential either to the Indian industry, but it may be of advantage to certain other interests concerned with steel, but whether the extent to which these other interests would benefit is commensurate with the departure that this involves as compared with the present system, that is the question for consideration and I am not convinced.

Mr. Elliot.—I think that fairly sums up the problem anyhow.

President.—There is one question which has been giving us a great deal of anxiety in connection with this enquiry and that is the question of fabricated steel and I want to refer to it. Various manufacturers of fabricated steel in India have brought to our notice the fact that the prices at which fabricated steel now are quoted by British manufacturers in this country are distinctly uneconomical and they have always asked for relief against it. I want to tell you briefly what the position is as we have understood it. There are two ways in which the Indian Fabricated Steel industry is affected by this kind of competition. The first is both the rolling of steel and the fabrication may be done in England and the whole fabricated steel is imported or the rolled steel used may be imported, but the fabrication may be done here. What we have been told is in both cases steel is being passed into the fabricating works at prices which represent no more than the bare

works expenditure and cannot be regarded as an economical price. I want to express quite clearly what my apprehensions are. It is quite true that the Indian engineering industry has been able to secure even against these very difficult quotations, a substantial part of the orders available in the country, but they have done that at a very considerable reduction in their own prices which has reacted both on their returns and on the returns of the rolled steel industry. It is not merely that the prices are uneconomical, but that the competition is of such sporadic character which to my mind rather tends to disorganise the Indian fabricated steel industry. I am anxious that the Indian fabricated steel industry should not be put to this position and the point that particularly worries me is this: here is a class of steel products in regard to which Indian manufacturers are making precisely the kind of complaint that is made against Continental importers, uneconomic prices, erratic and sporadic competition and it seems to me a matter that goes to the whole root of the scheme of differential duties. I have been discussing the duties that would be required for fabricated steel, if some of these quotations were regarded as typical and I find that the duties required would be very very high, higher than the sort of level which I should feel justified in the interests of the country in imposing on an essential article like fabricated steel. What I want therefore to ask you is since you are here on behalf of the Iron and Steel Manufacturers of the United Kingdom, whether something cannot be done by an arrangement which will put a stop to this uneconomic competition both in your interest and in our interest.

Mr. Elliot.—I am sure that you won't expect me to answer that question definitely across the table, but I realise fully the difficulty and the concern which it causes the Board. I would like to suggest that under a scheme of co-operation such as we have put forward, that difficulty would be removed, because, after all, that is based on the Indian producer selling the whole of the output and it would not be material to the Indian producer that he should sell the steel for one particular job rather than another one, so long as he is selling his whole output. If, then, under those conditions a British maker who might or might not be fabricating steel in India chose to make a present in regard to a particular contract by taking it at an uneconomical price, that would be a present which I should have thought the Government of India or whoever the purchasing authority is would be very glad to have. The fabrication work would be done in India and the Indian producer of steel would in no way be affected.

President.—That cannot happen where both the rolling and the fabricating are done in this country. That kind of present could be made only in one of two ways, either both the rolling and the fabricating are done abroad or while the fabricating is done here, the rolling is done abroad. There is no other way of making that present. If you call that a present I regard all Continental dumping as presents to the purchasers of this country which you ought to be glad of.

Mr. Elliot.—If I may say so, it doesn't appear to be quite on the same footing, because there are large structural contracts which have a very great international value to large structural engineers who are interested throughout the world and I think it would be a mistake to underrate that value, and if, on account of that value which is a legitimate business consideration, what we have been pleased to call a present is made to the purchaser in India, surely that is all to the benefit of India, provided it doesn't injure the Indian steel manufacturer. I am suggesting that under a scheme of co-operation, it cannot injure the Indian steel manufacturer.

President.—It does injure the Indian steel producer, because I will tell you what is happening. The particular quotation that I am thinking of is the Narbada bridge. The price quoted by British manufacturers was about Rs. 205 landed Bombay including duty. This is an unheard of price for bridge work in this country. The Indian manufacturer got the order, because he was able to get the Tata Iron and Steel Company to make a correspondingly lower quotation and they have lost on the transaction. If

that sort of thing is to go on, it is not merely the fabricated steel, but the Indian rolled steel industry will go under.

Mr. Elliot.—I understand that. Again I submit that a scheme of co-operation must take care of that point so far as the Indian producer is concerned. Suppose a particular contract was in view and the question of the supply of steel for this particular contract arose in discussion between the two parties to the scheme of co-operation, one cannot lay down anything definite, but it seems to me essential that both parties should be satisfied and above all that the overriding principle of the scheme of co-operation that the Indian producer sells his whole output at the proper price is not interfered with.

President.—Supposing for argument's sake, for any reason we are unable to recommend a scheme of protection based on agreement, then what is to happen? The only alternative to a satisfactory settlement of this question is you would have to push the duties on British fabricated steel. There is another possibility also. As I told you, there are two ways in which competition might be assessed. In the first instance both rolling and fabricating are done abroad and in the second case rolled steel is imported from abroad and fabricated in India and the rolled steel used in that case is simply charged at a transfer price. The first we can meet by raising the duty on British fabricated steel. The second we can provide by including in Tata's fair-selling price a certain allowance against the possibility of having to make reduced quotations to fabricated steel. In both cases it will affect British steel. That is the only alternative. I don't expect you to give me a reply straightaway, because I quite recognise it is a difficult question, but I should like you to consider this question more fully at leisure and see if some arrangement cannot be made which will, at any rate, minimise this danger. I should like before the Tariff Board proceeds to formulate its proposals to get the considered views of the National Federation on some possible means of meeting this, in my opinion, rather dangerous situation. If you could let us have a statement, say, by about the middle of February, that gives you two months, suggesting in your opinion what would be the most effective means of tackling the situation, apart from tariff adjustments, it would be of some help to us.

Mr. Elliot.—I would certainly do that and I think in the time you give me it should be possible to explore the possibilities fairly fully.

President.—I leave it at that for the present. I want just to make a brief reference with regard to the removal or reduction of revenue duties. My observations on these are briefly as follows: In the first place this question of the removal or reduction of revenue duties is one primarily for the Government of India with reference to their financial requirements, but I want to point out that there are various classes of steel products which are not protected at present, but which manufacturers are anxious to have protected. Take, for example, certain classes of machinery. We have been told that sugar machinery is now being made in India. There are steel towers for transmission of electricity, structural parts of cranes, conveying machinery, sluice gates, canal regulators, all these things which are now admitted into the country at revenue duties are things which may be made here. Whether consistently with the policy of discriminating protection, assistance by means of tariffs can be given to these is a matter that we are considering now. Suppose we came to the conclusion that duties are required in the case of these products, then you would have to say to the Government of India "you cannot remove or reduce the duties on these things". We would have to make that perfectly clear. There is another class of cases. You know the Indian Tariff Board deals not merely with questions of substantive protection, but we deal also with questions of tariff inequality. That is to say although an industry is not entitled to protection, as defined by the Fiscal Commission, it, at any rate, has a claim to being in respect of tariffs on the same footing as the importer of the finished goods. If as the result of removing or reducing the duties, Indian manufacturers are placed in a position of tariff inequality as compared with foreign manufacturers, then obviously it won't do for the

Government of India to remove or reduce the duties. My view on this question I would summarise as follows: The Tariff Board, if it is called upon to make a recommendation, can recommend a removal of revenue duties or reduction of duties below the normal level only subject to the condition that a careful investigation is made beforehand by the Government of India of the effect of the removal or reduction in each case of existing Indian industries. The second observation I would make is where the interests of Indian industries are not likely to be affected, then the removal or reduction of duties would be definitely in the interests of the country. These two propositions sum up my reaction to the whole position. Have I made my position clear?

Mr. Elliot.—Quite clear.

Mr. Wiles.—In para. 10 of your printed representation, there is a point, a small point perhaps, but you seem to have misunderstood the position about the relation of tested to untested steel. I think that Tata's Statements 14—16 make it clear that rails are not included in this factor. You say "No doubt the falling off in order for rails has been an important contributory factor". But you see that rails are not included in the Statements at all.

Mr. Elliot.—I understand that in the estimates which the Tariff Board made in 1926 rails were also left out of consideration. I think what we had in mind was a comparison of actual results in the proportion between tested and untested steel with the estimates of the Board. At that time if rails were left out of consideration in the Tariff Board's estimates, then what you say is correct.

Mr. Wiles.—It is not a matter of great importance. I think but in regard to this change over in the demand from tested to untested steel in India the evidence we have received leads us to suppose that this is likely to be a permanent change and that consumers in India have now got used to consuming untested steel. They are never likely to go back to the proportions of, say, even two or three years ago. What is your opinion?

Mr. Elliot.—That would depend entirely on price. If normal economic considerations applied to that; for instance if there were no duties at all in India, they would normally get a large difference in price between tested and untested steel and you would probably see that result, but we anticipate that the prices of imported articles would be artificially raised by duties rather against normal economic considerations and it seems quite possible that British steel which is frankly tested steel quality, whether or not tests are applied, in the main may be sold at as cheap a price as untested steel and the consumer would therefore, whether he wants it or not, probably get the advantage of the superior material.

Mr. Wiles.—Is not that the position in India to-day, that Tata's would hold their untested steel to be as good as their tested? But they are not able to obtain any additional price. It is not because there is any difference in quality but people are unwilling to pay an additional price which Tata's have been able to obtain in the past for the certificated steel?

Mr. Elliot.—I think it is probably so because the Tata Company's method of operation conforms more or less to British methods. When you have the position that the consumer knows that he is getting the same quality of material, whether actually there is a test certificate or not, he is much more likely to decide to do without it than to ask for it.

Mr. Wiles.—Does that mean that you agree that the proportions are never likely to go back to their former position?

Mr. Elliot.—I should say not.

President.—Of course, it is in that connection that this question of adjustment with reference to the recognised margin between tested and untested prices becomes important.

Mr. Elliot.—Yes.

President.—That is to say, if we do not provide for that difference between tested and untested prices, then theoretically at any rate tested steel will

sell at the same price as untested. That will mean relatively an expansion of the market for tested steel.

Mr. Elliot.—Theoretically, yes.

President.—It is quite another question whether that theory will be borne out in practice. That is a point on which I would like your views.

Mr. Elliot.—One assumes that in a period of trade depression there is a quicker drying up of demand for capital expenditure, wherever capital expenditure is involved, than in the case of normal consumption of steel in forms in which it is generally consumed. I think it is quite possible that the return of normal times may see a big increase in capital expenditure which would require tested steel and that the proportions might alter then. Of course, it is rather guesswork. One cannot say anything definitely.

President.—Really there are two issues there. I imagine that one very important reason why the market for tested steel has declined to this extent is that there is so much less money available in the country for expenditure on public works which are the principal market for tested steel.

Mr. Elliot.—Yes.

President.—As a result of that, there has been a very considerable decline. Probably the proportion in which the decline has occurred would have been affected if the relative prices of tested and untested steel had been different, from what we fixed in 1926. That is really the position.

Mr. Elliot.—Yes.

President.—But, as you say, the whole thing is really very speculative because it is quite impossible to say anything definitely. We have not got the data on which accurate forecasts can be made.

Mr. Elliot.—Quite so.

Mr. Wiles.—When you talk of expanding the market for steel, I find it rather difficult to follow. The market for steel is surely not very elastic. You cannot advertise steel like "Johnnie Walker" "Consume more Tata's steel"! What exactly do you mean when you talk about a sales policy leading to the expansion of demand?

Mr. Elliot.—One case in point is certainly sheets. I don't think there is any doubt at all that the market is extremely sensitive in the case of sheets.

Mr. Wiles.—I take it you refer to price.

Mr. Elliot.—Yes, and all classes of steel which enter into, so to speak, day to day consumption. I think that applies to a certain extent also in the case of tested steel. It largely depends on the extent of the public purse in relation to price of tested steel, although I believe the price is not such an important factor there. The market is not so sensitive. But there are many directions in which the consumption of steel can be expanded. Markets have in fact been expanded in other producing countries in substitution for other materials such as timber and concrete, to give you two outstanding examples. It becomes a very scientific matter to enter into that sort of sphere. There are undoubtedly enormous possibilities in developing the consumption of steel in any country, so much so that I think every important steel producing country has an organisation on which a considerable sum of money annually is expended for the purpose of developing the consumption of steel. In America it has, perhaps, been developed in that way far more than in any other country.

Mr. Wiles.—In para. 12, you have expressed the opinion that the losses of the Tata Company as compared with other industries of the world have been over-estimated. I do not know whether your Federation has been misled by the manner in which the Company have put forward their estimates in Chapter III. They have given us gross figures in the first few paragraphs of that Chapter and have kept to the end the savings which are to be put against the estimated losses, so that the total there is not their net losses. It is a gross figure which bears no relation to the actual losses sustained by them. Chapter III, para. 27, gives the saving which amounts to the considerable figure of Rs. 3 crores to be put against the loss, due to the fall in the price of

coal, spelter and other stores. Instead of estimating the net loss under each department after giving the credit owing to the fall in the price of stores, they have added up the gross losses and deducted the gross gains at the end. It is possible that they might have misled the Federation—I do not know.

Mr. Elliot.—This is only intended to be a general statement and it seems to me that the main point in this paragraph is the suggestion as to what the Tata Company's position might have been if trading conditions during this period of protection had been normal and we feel that they would have realised profits considerably in excess of what was intended by the Board when the duties were imposed. There again, it is a matter of speculation and perhaps not very profitable to pursue.

Mr. Wiles.—Undoubtedly. There is another small point—I confess I am an ignoramus—and that is your preference for specific duties as against *ad valorem* duties. I should like you to explain that point for my benefit.

Mr. Elliot.—Where wide fluctuations in price are possible—I suppose one must admit that they are always possible—with the exchange factors being uncertain, a duty imposed on an *ad valorem* basis becomes completely unbalanced when a wide fluctuation takes place through any such cause as that, whereas a specific duty is constant and must tend to secure a much greater stability of prices.

President.—From a purely protective point of view, under a system of *ad valorem* duties, protection becomes less when prices fall and that is just the time when protection ought to be greater.

Mr. Elliot.—Exactly.

Mr. Wiles.—In your supplementary memorandum, para. 16, you have expressed the feeling that the influence of the system of establishing average fair selling prices for the different products for the purpose of calculating the duty required tends to obscure the real position and leaves the consumer without any guarantee that the sales policy of the Company will be framed to meet the needs of the country rather than the convenience of the Steel Company itself. Without going into the question of tested and untested steel which we discussed this morning can you explain a little more exactly what is meant by this? Is there any means of arriving at a fair selling price except on average costs *plus* various adjustments?

Mr. Elliot.—What we mean there is that in this way you bring the price of the imported article up to a certain figure and in consequence the price at which the Indian producer sells his products is governed by the price of the imported article. It does not necessarily have any relation to the actual cost of production in India. That being so, there must be very little likelihood of any saving in costs of a particular product being passed on to the consumer in price because the imported article cannot be sold at less than a certain price. It naturally follows that the Indian producer will sell at as near that price, if not that price, as he can get.

Mr. Wiles.—Are you not neglecting entirely the factor of the protective duty which is determined not only by the cost of imported steel but also by the costs of manufacture in India, so that the ultimate cost of imported steel is determined not only on the cost abroad but on the cost of manufacture in India?

Mr. Elliot.—That brings one back to the argument which was discussed this morning about tested and untested steel because the duty is based on the average cost of these products. The whole purpose of this paragraph is to suggest that under normal economic conditions, untested steel would be sold at a lower price than tested steel.

Mr. Wiles.—There is no other differentiation you wish to refer to except that between tested and untested steel?

Mr. Elliot.—That is all.

Mr. Wiles.—You say here "For instance", which suggested that there were others which could be produced. But it is really the only point.

Mr. Elliot.—That was not the intention. It is just a matter of phraseology.

Mr. Wiles.—I don't know whether you have noticed, when you say that the price of untested steel is higher than tested steel, that the reason for that is clear, viz., that the adjustments which the Company have asked for under various heads such as freight disadvantage, selling rebates and so on, apply only to the sales of untested steel and not to the sales of tested material.

Mr. Elliot.—That is quite clear. Of course that is only looking at the question from the Indian producers' point of view for the moment, ignoring the consumer's point of view.

Mr. Wiles.—Quite, but the question of determining costs of production in India cannot be neglected; that is the most important duty the Tariff Board has to perform. Arising out of this is the whole criticism of the Tata Company's method of sales which you have not developed in any great detail. I don't know whether you would agree to go into that. I can't quite understand your point that the sales policy for instance is opportunist. Is not every independent businessman an opportunist?

Mr. Elliot.—In that case it may be regarded as a compliment rather than a criticism.

Mr. Wiles.—You will notice that in every instance Tata's realisations are lower than the fair selling price which was determined by the Board in its last enquiry and consequently they are lower than the foreign prices quoted. From that point of view it can hardly be said that the consumer is suffering from the sales policy, but perhaps you have something else in view?

Mr. Elliot.—The only other point which is worth mentioning was the possibility that for reasons other than purely commercial reasons the Tata Company as a monopoly concern might arrange their prices of particular products to the detriment of secondary industries.

Mr. Wiles.—That is a point which was raised this morning on the question of fixing a national minimum price for India?

Mr. Elliot.—It was not the same point, but I was thinking of some secondary industry to some extent competing with products which the Tata Company are making and it would not be difficult for the Tata Company to kill that competition.

Mr. Wiles.—When you are talking of subsidiary industries and the encouragement necessary for them you are referring I take it chiefly to the suggestion that there should be a fixed uniform price. Is there any other method in which you would consider that subsidiary industries can be encouraged?

Mr. Elliot.—That is only one part of our view. From the point of view of the secondary industry or from the point of view of the financier who may be asked to supply capital for a secondary industry he needs security in a number of directions. I suggest that there are primarily three conditions, one is security in regard to the price of his raw materials and another is security that will be something equivalent to tariff equality on the finished product, that is to say the Tata Company will not with one hand supply his raw material at a reasonable price and with the other hand so to speak quote a price for his finished product which does not leave him any margin for conversion costs and overheads. Thirdly there will be a supply of raw material in sufficient quantities in any circumstances. It was with that in mind that we have suggested in the principle we have put forward in the scheme of co-operation that the needs of the secondary industries in the form of billets, bars, whatever it may be, should be regarded a prior consideration of the Tata Company and they should not by the development of their finishing plants place themselves in the position that they are unable to supply the needs of the secondary industries.

Mr. Wiles.—Is that an essential element in your view of co-operation or is that merely an extraneous point?

Mr. Elliot.—It is very important we consider for the development of consumption. We feel that unless the secondary industries have reasonable

security, one aspect of the consumption is bound to be retarded, that the greatest increase in consumption which is likely will be through the development of such secondary industries.

Mr. Wiles.—That would depend very largely on circumstances in India. There are signs of small re-rolling mills starting but there is no indication at present that they would be on such a scale as to consume a very large proportion of the total production of the steelmakers. It may go ultimately ahead to such development but it may take a very considerable period.

Mr. Elliot.—Even in a country like Great Britain where industrial development has proceeded over a long period the requirements of the small jobbing mills in the re-rolling industry are second to none in importance as consumers of steel and yet individually most of these re-rollers are not a very important factor.

Mr. Wiles.—How exactly does the re-rolling industry fit in with the main rolling industry in the matter of disposal of its products? Is there an agreement?

Mr. Elliot.—That is a very great problem. So long as Great Britain was an open market the re-roller could obtain his raw material from abroad at a price which enabled him to compete with what is known as the integrated plant of the steel works and the rolling mills combined. But since the introduction of protection the re-roller has been deprived of his alternative source of supply and it has been a matter of very natural concern as we have indicated in this representation to see that he was not squeezed out by the integrated concern and arrangements are now being made not only for a national price for the re-rollers' raw material in the form of billets, bars or sections or whatever it may be, but also a price to which the steelmakers subscribe for the finished product which price leaves a sufficient margin for the re-roller for conversion, overheads, depreciation and profit.

Mr. Wiles.—Is the supply of raw material to these re-rollers allocated in any way to the nearest steelmaker or are they left to find their own material?

Mr. Elliot.—They are left to find their own material but the price is fixed at such a level that it is very unattractive to a steelmaker who is not near to the point of consumption to undertake the work. That can I think only be arranged through adjustment of the price level which naturally throws the work to the nearest steelmaker.

Mr. Wiles.—Which shows that the re-rollers are in a very different position from what they are in India where the source of supply may be 1,500 miles from them?

Mr. Elliot.—Yes.

Mr. Wiles.—When you lay down in your para. 33 your suggestions for the basis of co-operation, what is your objection in providing for an apportionment of various rolled products in order of priority? Is that what you have just referred to, that is to say the necessity of encouraging the small consumer?

Mr. Elliot.—Entirely that. To make the position clear; supposing the Tata Company further extended their sheet mills, installed another unit. That would result in a call for further tonnage of sheet bars from the same mill as the billets are produced in and would correspondingly decrease their ability to supply billets for the requirements of the secondary industries.

Mr. Wiles.—This apportionment then hangs on that consideration and if the requirements of the secondary industries were held to be so small a proportion as not to make it worth while assisting, you would not regard this as being in itself a matter of essential importance, would you?

Mr. Elliot.—There is no other consideration involved.

President.—You might leave the shortage of billets to be supplied by importers if there was a shortage?

Mr. Elliot.—You mean that is a matter of adjustment of the tariff?

President.—Supposing it came to a question of arranging an agreement then your idea in fixing an order of priority in which semi-finished material comes earlier in the order of priority than a finished product like steel is that possibly the shortage of semi-finished material for re-rollers may be met in this way. Supposing as a result of the Tata Company producing their total tonnage in the proportion which leave a certain deficiency in respect of billets, then the interests of re-rollers in this country would be met equally by the deficiency being met by an increase in the imports of billets. That is to say you sell a larger proportion of your tonnage in the form of billets.

Mr. Elliot.—That is theoretically possible but then the question of price is also a matter of obvious concern to the secondary industry and under those circumstances there is no doubt that they would suffer in having to pay a higher price.

President.—You mean as a result of the duty?

Mr. Elliot.—Yes. The British product is after all loaded with the freight to start with.

Mr. Wiles.—In the matter of freights it occurs to me that the Tariff Board in the past have been in the habit of using the expression freight advantage and freight disadvantage with rather a special meaning, which I am not quite certain whether you have followed. The freight disadvantage for instance of a consignment—assuming that the company are sending steel to say Amritsar—is arrived at by comparing it with the freight from the nearest port so that the term “freight disadvantage area” means a very elastic area; it is not a geographical area.

Mr. Elliot.—I think we did quite understand that position. It is not what would otherwise be regarded as a normal meaning of this term.

Mr. Wiles.—When you referred this morning to a national price, I take it that the fixed price which you referred to would be binding on both parties?

Mr. Elliot.—That would be a minimum price binding on both parties. When necessary for the disposal of the full output of the Indian producer, instead of lowering his price in our view it would be better to arrange with the British industry to advance theirs temporarily first in the Indian producers' freight advantage areas and then, if necessary, in the freight disadvantage areas, otherwise the calculations on which the duties are based might be upset.

Mr. Wiles.—That is to say, it is a means of putting you out of the market. The advance in price is not really inconsistent with the uniform price.

Mr. Elliot.—It is only a temporary means of putting us out of the market.

Mr. Wiles.—You say at the beginning of this paragraph referring to the question of co-operation that you have as yet received no indication in the Tata Company's representation or subsequent thereto that they are prepared to enter into any arrangement. Have you approached the Tata Iron and Steel Company directly in this matter? It is difficult to understand how you can expect to receive any indication in Tata's representation to us.

Mr. Elliot.—I would like to say there that when the complementary agreements resulting from the Ottawa Conference were reached—I think this is borne out by the Indian Delegation's Report to the Ottawa Conference—there was a definite understanding that the extension of the principles involved would come within your purview during this hearing and if I might read, the last sentence of the Indian Delegation's Report dealing with the Iron and Steel position on page 35 says: “We believe that much could be done through the method of industrial co-operation to alleviate these conditions rather than to make them worse, and we are glad that it has proved possible to give a concrete example of what can be accomplished in the special arrangement which we have described in this chapter.” I think you will see from that, we have reason for expecting that these principles would not be lost sight of.

Mr. Wiles.—The point I am trying to elucidate is rather, exactly where are we in this matter. If you have been under the impression that the Tariff Board would definitely raise this issue, of course it is an important point. Have you been under that impression?

Mr. Elliot.—We have.

Mr. Wiles.—That is why you have referred to it in this representation?

Mr. Elliot.—Yes.

Mr. Wiles.—On the matter of this industrial co-operation, I cannot pretend to speak for anybody, but myself. In dealing with this subject certain factors seem to suggest themselves which I will mention. The Report of the Ottawa Delegation makes it clear that at that time the Delegation regarded it as a matter of the utmost importance that the Indian industry should have a new outlet for certain of its products, chiefly semi-finished products, I gather. Para. 73 is the relevant paragraph. Since this report was written, circumstances of the industry in India have certainly changed very greatly. I have got the impression that the balance of output in the Steel making industry in India is now very different from what it was then and that the industry no longer feels the same urge to export semi-finished products that it did in those days. If that is so, that at once removes one of the chief incentives that the Indian industry had for an agreement of this kind. At that time the English Government had recently put on a protective duty, and it was hoped that a large proportion of the steel which was coming from the Continent could now be provided by the Indian industry. Can you tell me what is the position to-day in that regard?

Mr. Elliot.—The position is as the Board knows that Indian products have free entry into the British markets free from revenue as well as protective duties and in consequence if the Indian industry has an exportable surplus, they would be able to market that surplus in Great Britain under the most favourable conditions possible.

Mr. Wiles.—I was not thinking of it from that point of view, but from the point of view of the English manufacturer, I take it that these “fresh steps” to supply the home market have been taken by the English industry. They might not welcome—I am speaking now purely as a layman—to the same extent this co-operation with the Indian industry.

Mr. Elliot.—I think I must tell you quite frankly we have never welcomed this at all because we could perfectly well supply the whole of the requirements ourselves, but we were subjected to very strong pressure from the United Kingdom Government to come to these arrangements which were unquestionably—I am speaking now more particularly with reference to the pig iron agreement—one sided. They were giving the Indian producer something at the expense of the British producer and there was a very definite understanding that having helped the Indian industry over a stile, the Indian industry would not forget that, when their circumstances improved.

Mr. Wiles.—It was presumably not the giving of a *quid pro quo*.

Mr. Elliot.—Not in the case of the pig iron agreement. The sheet agreement is on rather a different basis. I think that was on a basis of reciprocity within the terms of the agreement.

Mr. Wiles.—Were they definitely distinct?

Mr. Elliot.—Quite distinct, but the pig iron agreement was definitely giving something of a very material benefit to the Indian producers, which I am sure the Tata Company would be the first to acknowledge, in the hope that the principle would be extended and the reciprocity would be given later in some other form.

Mr. Wiles.—My only object in raising this just now is to suggest that the urge from this side is very much weaker than it was in those days and to that extent it has affected the situation from your point of view. Reciprocity in these matters of trade agreement is not always confined to one industry. It might seem at first sight that it is a wholly uneconomic pro-

position for the Indian industry to send the semi-finished material to England and bring it back again as finished products. That was presumably a temporary arrangement to cover an emergency, but on the face of it is not an economic proposition which could be continued indefinitely. In so far as the *quid pro quo* so to call it, is not confined to one industry, it at once takes us beyond our province.

Mr. Elliot.—I think I may say the question was to some extent confined to this particular industry. Since no consideration of a reciprocal nature could at the time be given on steel products in the Indian market which were subject to protective duty, but in view of the fact that the Board would be reviewing the whole situation at this stage, it was specifically left over for consideration during this review.

Mr. Wiles.—That is a point of view which I have not hitherto considered.

President.—For what period are these import duties on iron and steel products in the United Kingdom likely to continue? Is there any definite period fixed?

Mr. Elliot.—The British industry has been kept so to speak on probation and these duties have been imposed for limited period pending the re-organisation of the industry. The present date of expiry is in 12 months time and very strong representations have been made to the Government that it is a most unsatisfactory state of affairs. Just before I left, the President of the Board of Trade made an important public statement on this point in which he not merely by implication committed the present Government to the continuance of the duties, but went so far as to say that in industrial matters of this character, the policy of His Majesty's Government would have to conform to the principles which have been held to govern her foreign policy, that is to say that successive Governments would accept the idea of continuity of policy in industrial matters just as much as in regard to foreign policy.

President.—Could we have a copy of that speech? Could you give me the reference?

Mr. Elliot.—We shall have to send home for it.

President.—Is it a speech in Parliament?

Mr. Elliot.—It is not a speech in Parliament. It is a speech at a trade meeting.

Mr. Natesan.—At a dinner?

Mr. Elliot.—At a lunch.

Mr. Natesan.—One is generally prone to be pleasant on such occasions.

President.—It seems to me rather an important point. If in the ordinary course, these duties on which all proposals of reciprocity must rest expire in a period of 12 months from now, it of course alters the whole aspects of things.

Mr. Elliot.—I say very definitely that there is no possibility whatever of that kind and I think that perhaps we shall be able to supplement this particular speech by other evidence if you wish.

President.—I should like to know the position a little more clearly.

Mr. Elliot.—Yes.

Mr. Natesan.—I have read your original memorandum and the supplementary memorandum with great care and possibly due to the fact that I am myself new to this Board, I have not been able to appreciate sufficiently the important questions that you have raised. Perhaps it is better that I state what I consider to be the fundamental principles underlying the scheme of protection from studying the history of this question, I will state first there should be adequate protection to the Indian industry. You will agree with that?

Mr. Elliot.—Yes.

Mr. Natesan.—Secondly there should be no undue burden on the Indian consumer.

Mr. Elliot.—Certainly.

Mr. Natesan.—Thirdly there should be no restriction on the expansion of the Indian industry.

Mr. Elliot.—Yes.

Mr. Natesan.—That is to say India must be enabled to develop to the fullest possible extent of her capacity. The last condition obviously implies that in the scheme of protection that is devised, there should be sufficient inducement for expansion of the industry in the country. You agree to that?

Mr. Elliot.—Absolutely.

Mr. Natesan.—I take it that you agree to all this not only on your own behalf, but on behalf of your principals, the National Federation of Iron and Steel Manufacturers.

Mr. Elliot.—That is so.

Mr. Natesan.—I suppose you remember very well the circumstances under which protection was granted to the Steel industry. It is a key industry. All the raw materials are available in this country and there is a sufficient supply of labour. There is also a large home market available and I need hardly put it to you that it is an industry which is absolutely necessary for national defence.

Mr. Elliot.—Yes.

Mr. Natesan.—Am I right in saying that?

Mr. Elliot.—On the latter point I would like to refer to the very great assistance the Steel industry of India gave to His Majesty's Government during the war.

Mr. Natesan.—I thought I should as an Indian not state it, because it would be considered that we are boasting of our loyalty.

Mr. Elliot.—I am glad to have this opportunity of paying a tribute to the Indian industry.

Mr. Natesan.—If you agree to these, it seems to me in making your proposals you have not sufficiently appreciated the principles enunciated by the Fiscal Commission and the conditions under which the Indian Tariff Board has been constituted. I now propose to put a few questions and try to elucidate the position and to justify to some extent the observations I have made. Perhaps you may not be aware and I wish to draw your attention to the fact that the question of protection to the Indian industry was raised in 1923 by a resolution moved by a non-official member and on an amendment moved by the Hon'ble the Commerce Member himself at that time he said "The use of passing this resolution which I have put to the house is this that it pins down at any rate the Government of India to that policy". To assure you that the then Commerce Member and the Legislature did not have the Tata steel industry only but they contemplated also other industries being started in this country, I would read out to you a passage where he said "Whether we look at it from the point of view of protecting the existing steel industry or the point of view of establishing a second and healthy steel industry in India, I am quite satisfied myself that the policy is the right one". In tune with that, he also gave the assurance in regard to apprehensions raised by some people that capital might not be forthcoming if the policy was not to be a continuous one—he used the same expression which the President of your Board of Trade used the other day at a luncheon party—that the policy would be a continuous one. With regard to the terms of reference to this Committee I would also draw your attention to the fact that stress was laid upon a clause in the first resolution which laid down protection as the policy of the Government of India. The clause referred to is as follows:— "That in the application of the principle of protection, regard must be had to the financial needs of the country and to the present dependence of the Government of India on import, export and excise duties for a large part of its revenue". I am drawing your particular attention to this

with reference to your proposal for doing away with revenue duties and other suggestions of that character. You will agree with me that this question should be discussed purely on economic considerations.

Mr. Elliot.—Absolutely.

Mr. Natesan.—Therefore it follows that questions of reciprocity between India and Great Britain as such are not our direct concern. Whatever suggestions you have to make must be demonstrably in the interests of the Indian industry or the Indian consumer about whose interests you have laid stress in your first representation and in your supplementary memorandum. Now I am putting this question to you because your case is that Indian iron and sheet bar are imported free of duty into the United Kingdom and in return for this, British steel should be allowed to come into India either free or on a nominal duty. Suppose for a moment that Indian makers are willing to give up their claim for the free import of their iron and steel into the United Kingdom, will you in your turn give up your claim for preferential treatment or differential duties? I am just putting it to you to understand the situation clearly.

Mr. Elliot.—Our case can be divided into really two phases. We recognise that the question of protection for the Indian industry is a matter which should be settled at any rate in the first instance on its merits, but we have had to present our case from the widest possible angle and as I have said this morning at the outset we have probably included in our case submissions which you would not feel at liberty to take cognisance of but which should more properly be made to the Government of India. It appears to me from what you have said that this question of asking for free entry in the sense of relief from revenue duty comes within that category. As regards the question of giving up our request in regard to the differential duties, we feel that that is a matter which will be settled not by any representation that we make but in the interests of the Indian industry and of the Indian consumer.

Mr. Natesan.—You have not answered my question. You say—I am putting your case—that Indian iron and sheet bar are imported free of duty into the United Kingdom. Supposing the Indian industry says “we will give up this claim”, what would be your attitude in that case? I should like you to answer that question.

Mr. Elliot.—It would seem to be a case that the Indian industry would be giving up very little and I do not quite appreciate what object there could be in connecting the two matters in that form.

Mr. Natesan.—You have to remember that the differential duties were levied in the interests of the Indian consumer and not at your request. If you remember that, you will appreciate why I put the question in that form.

Mr. Elliot.—We would say in principle that so long as Indian products are admitted into the United Kingdom free of duty, looking at it from the broadest point of view entry of British products into India should also be free.

Mr. Natesan.—Supposing for purely economic reasons the Indian producer says “No, I don’t want these to go free and I will take them on other conditions”. Would you give up your claim? I may tell you I have not formed any definite opinion about it. The problem bristles with difficulties. I only want to clear up the situation.

Mr. Elliot.—If the Indian industry in their own interests asked and obtained a different condition of affairs, it does not appear to me to invalidate the principle that free entry into one country should be met by free entry into the other.

Mr. Natesan.—We will leave it at that. My next point is this. Your object is to secure the surplus market in India, after Indian output has been sold for the United Kingdom. This you suggest should be achieved by levying either nominal or very low duties on imports into India from

the United Kingdom and prohibitive or high duties, whichever expression you may prefer, on Continental steel. This question raises many difficulties and I want to clear up one doubt and I hope you will help me. Do you want preference for the British manufacturer or for the British exporter also? I may tell you what I have in my mind. If high or prohibitive duties are levied on Continental materials will there not be a danger of Continental steel being imported first into England and then re-exported to India? Will not the large margin, between the duties on the imports from United Kingdom and imports from the Continent into India, afford large scope for the British exporter to obtain Continental steel and export it from the United Kingdom to India? I may also add, as far as I could see at present, such re-exports of Continental material from Britain will have a very adverse effect on the Indian consumer. If the imports come from the Continent, the Indian consumer under the existing scheme of duties, will have his articles cheap. Under the scheme proposed by you, if Continental materials are re-exported from England, the Indian consumer will have to pay a higher price for the Continental steel as if it were British steel and therefore the purpose of the differential duty will be defeated and as you know the purpose of the differential duty is to safeguard the interests of the consumer. Not only that, the purpose of protection itself will be defeated, if this thing were to happen. I have put before you the difficulties in the way, and I hope you appreciate them.

Mr. Elliot.—I think, I do. I am quite sure that the Indian Customs authorities have such regulations in the form of certificates of origin and so on as to make it impossible for steel from the Continent to be imported into India *via* England and thus defeat the intention of the differential duties.

Mr. Natesan.—I want to draw your attention to a case I have come across. After the Ottawa agreement about galvanized sheets was concluded, one British exporting house purchased galvanized sheets from Belgium and sold them in India. I know they were not re-exported from England. They were sent direct to India. This shows the divergence in the interests of the British manufacturer and the British exporter. I have not given you the name of the firm but you may take it that I am stating a fact.

Mr. Elliot.—You use the term importer in the sense of the merchant who will buy in the cheapest market. I take it in the instance to which you refer the country of origin was established and the Belgian sheets paid the proper rate of duty applicable and it was merely an accident that they were sold by an exporter in Great Britain and that fact would not affect the position at all.

Mr. Natesan.—Allow me to state that that firm has a head office in England. It has also a branch in Bombay or Calcutta. I am purposely not giving you the name. They got certain goods from the Continent. They came to India but in the name of the British firm. I may tell you so far as my little experience of this business goes and from enquiries made that it seems to be a common occurrence.

Mr. Elliot.—I don't think so myself because I feel convinced that the Customs regulation must make it impossible to evade the proper rate of duty whatever may be the name of the firm exporting and wherever they may be situated.

Mr. Natesan.—I am only pointing out to you that it is very difficult to effectually prevent this sort of thing and the Customs people will find it a very difficult thing.

Mr. Elliot.—I should be surprised to hear that that really was so.

Mr. Natesan.—May I request you to consider this case and give us a statement about it? Having regard to the difficulties that I have raised, please let us know how exactly the difficulties can be overcome.

Mr. Elliot.—I would give you an answer which is very simple. I would say by efficient Customs which I am sure you have

Mr. Natesan.—I daresay we have an efficient Customs Department and we have also an efficient Income-tax Department but these are departments which often complain to us and bring up from time to time amendments in the Central Legislature saying "This has been evaded or that has been evaded". I have myself been connected with the Central Legislature for some time.

Mr. Elliot.—I would only be too glad to give you any supplementary information in my power if I am quite clear as to what information you require, but it seems to me that possibly there is some misapprehension on this point. All the possibilities of evasion, if they do exist, can be removed if these matters are brought to the notice of the Customs people.

Mr. Natesan.—You said this morning that your Federation represented more or less all the steel makers—100 per cent.—and that you would take effective steps to see that such a thing was not repeated.

Mr. Elliot.—I am not clear that any offence has taken place in the case cited by you if the sheets paid the proper rate of duty applicable to the Continental sheets. I don't think you can expect the British Steel Industry to attempt to control the whole of the merchant fraternity whose operations are international.

Mr. Natesan.—If I thought the remedy was such a simple one, I would not have put that question to you. Now that I have mentioned to you the difficulties, you may send a note if you care to.

President.—As far as I understand my colleague's question, what he would like you to do is in the first instance that you collect information as to the extent to which, as far as you are aware, within your knowledge, evasions of this kind have taken place—such concrete cases as have come to your knowledge—so that we shall be able on that kind of information to judge the extent to which evasion has been practised. Secondly, I take it what my colleague would like you to do is suggest, if you can, the means by which suitable Customs arrangements can be made for preventing evasions of the sort which have come to your knowledge. That I take it is my colleague's point.

Mr. Natesan.—That is exactly my point.

Mr. Elliot.—Mr. Baird tells me that this is provided for in the legislation regarding the Ottawa agreement.

Mr. Baird.—It is there definitely provided that if Continental materials are imported into India from Great Britain, the preferential duties do not apply.

Mr. Pearce.—The certificates of origin must also be countersigned by the High Commissioner.

President.—One course open to us in regard to this matter is to get into touch with the Central Board of Revenue and ascertain from them the precise Customs arrangements which are now in force wherever import duties are collected under the existing differential duties. If we are not satisfied that these arrangements are sufficiently effective, then I suppose it is a question which we have to discuss with the Indian Customs Department as to the arrangements which should be made. But if you have any suggestions to make we would like to have them. We leave that to you—if you care to make any suggestion.

Mr. Elliot.—There is no lack of desire on our part to assist you in any way we can. We will look into this point and if we can give you any information bearing on it, we shall only be too pleased to give it.

Mr. Natesan.—In answer to a question put by the President this morning you said that your scheme of co-operation with the Indian producer is supplemental to the framework of protection and that if the scheme of co-operation or temporary partnership fails there would still be the framework of protection to safeguard the Indian producer. Will you kindly elucidate this a little more clearly? I shall tell you my difficulties. I think that so far as British steel is concerned you want to substitute protection by agree-

ment for protection by tariffs. If for some reason your agreement as regards price with the Indian producer fails what will be the protection to the Indian producer against British steel? For according to your scheme the framework of protection will contain duties only against Continental steel and no duty or only nominal duty on British steel. Don't you think therefore that the framework should contain adequate protection against British steel also, for as you can easily foresee the Indian producer's interests will not be safeguard against British steel if for some reason or other the price agreement fails. These are the difficulties that suggested themselves to me after listening to your answer this morning.

Mr. Elliot.—We hope and believe that as a result of the Board's investigations they would find that there is no justification for continuing protection against British imports. It was estimated by the Board in 1926 that that position would be reached at this stage and for many reasons which I need not go into, it seems to us that that position has undoubtedly been reached. If, on the other hand, the Board were to find that some protection against British imports were necessary for the Indian producer the position would then arise as to whether there was sufficient security under the scheme of co-operation to warrant not putting that duty on. That is a question upon which after all the Board would wish to be satisfied, but it appears to me that as it is not known that it will arise at this juncture we cannot pursue it.

President.—You replied to one question of mine this morning. Personally what I thought was, the extent to which the scheme of agreements such as you have proposed is consistent with the scheme of differential duties, that is to say can be fitted into a scheme of differential duties, that question cannot be answered except with reference to the final results which may be arrived at by the Board, and since the question is therefore at present very much in the nature of a speculative question I felt it would not serve any purpose if I pursued the matter further, but I understood you to say that a scheme of duties on British imports which necessitates substantive protective duties would make it difficult to put through a scheme of co-operation such as you have suggested and if a scheme of agreements is to be feasible within the framework of differential duties then duties applicable to British imports must be such as would not increase the burden on British imports above what you may consider a normal level of revenue duties.

Mr. Elliot.—Broadly speaking yes.

President.—At the present stage it is impossible for us to answer definitely the question whether the scheme of agreement you have proposed will necessarily fit in the scheme of differential duties.

Mr. Elliot.—That is the whole thing in a nutshell.

Mr. Natesan.—In paragraph 34(a) of your supplementary memorandum you say that the Indian producers must be enabled to sell the whole of their output. But in paragraph 34(e) of your supplementary memorandum you want to direct and control the production of the Tata Company along lines chalked out by you. How do you reconcile this with the freedom of the Indian industry to expand and grow without restriction?

Mr. Elliot.—Sub-paragraph (e) would only operate when the demand was sufficient to give the Tata Company some choice in the allocation of its products. It is governed by the primary consideration that they must in any case be enabled to sell their full output.

Mr. Natesan.—You mean to say you would put a restriction on their output?

Mr. Elliot.—No restriction on their output, but when there is some choice as to how that output should be directed we are suggesting that it is in the interest of India that it should be directed into certain channels rather than others in some order of priority.

Mr. Natesan.—The object of India is to become self-sufficient in the matter of iron and steel?

Mr. Elliot.—It is particularly from that point of view that we suggest this because from the point of view of the erection of another steel works in India and the financing of such a project it is quite clear that the new concern whatever it might be would compete with the existing concern, that is to say that the market in products not at present made by the Tata Company is not sufficiently certain to warrant the erection of a new steel works. That being so, it might be a matter of policy for the Tata Company to prevent a rival to come into existence and compete with them, to so direct their output particularly by further extensions in their finishing plant that the inducement for capital for the new steel works would diminish and the project become very difficult to realise. That is a matter of very great importance we consider from the point of view of attracting capital for a possible competitor of the existing industry.

Mr. Natesan.—The order of priority contained in your paragraph 34(e) leaves in one's mind the impression that you want the Indian producer (the Tatas at present) to produce the cheaper forms of steel such as rails, billets, etc., in larger quantities which will undoubtedly mean that the more valuable steel materials such as tested steel, plates and sheets will be reserved as a surplus market to be met by the United Kingdom. I should like you to tell me exactly the principle on which you have made the suggestion.

Mr. Elliot.—We approached it from a quite opposite point of view. 'Rails' of course is a very valuable product, and I am quite sure the Tata Company would admit that it is the most valuable product to the extent that a big tonnage of rails is not only valuable in itself and realises a satisfactory profit but increases their total output, but so far as tested and untested steel are concerned we are suggesting that the proportion between the two should be maintained as far as possible from this point of view: if a competitive steel works came into existence in India and conditions of actual competition ensued between the two concerns it is always found that tested steels tend to hold their price under such conditions better than untested steel. If therefore the Tata Company obtained too great a hold on the market for tested steel in that way also it would tend to discourage the erection of any new steel works. There would be less security for the project and it would be less attractive to capital.

Mr. Natesan.—You ought not to forget that under the scheme of protection which this Board is formulating steps would be taken to see that Tatas do not abuse the privilege given to them. If I understand your position aright, you say that in the scheme of protection given to them there are so many elements to increase their prices so as to prevent competition; you are presuming too much, at least from my point of view.

Mr. Elliot.—I agree. I think you are rebuking me for suggesting that the Board will not look to this point. It is not very easy to judge how far one may go in these representations but we thought that as it bears on the scheme of co-operation we have put forward we might fairly call the Board's attention to it.

Mr. Natesan.—We have been advised that many of the articles for which you ask for free entry can be produced in India as we have the necessary raw materials. Would not your scheme of co-operation shut the door to new producers in these lines?

Mr. Elliot.—It is a little difficult to follow that out in one's thoughts. I don't quite see why it should. You are referring to articles which are not at present subject to protective duty, which are not probably made in India and which may be made in India.

Mr. Natesan.—If you wish to draw a distinction between protected and unprotected I would say that it is rather a subtle distinction. What is not protected to-day may be protected to-morrow. Some may be just lifting their head; as soon as they are in a position to do so, they may

immediately apply for protection. It is difficult for me to draw a subtle distinction between protected and unprotected. I have in view several industries which within the margin of 15½ per cent. revenue duty are struggling and there may be a time sooner or later when they will come up for protection. Therefore nothing should be done to hinder the growth of these industries.

Mr. Elliot.—The request for free entry is bound up with the question of reciprocity in the Ottawa Agreements and I think would not, if they can be extended, make the price of the imported article cheaper but merely to some extent alter the direction of the imports giving a greater proportion to the British industry than to other countries and that does not affect the prices. It would not therefore affect the position of the industries to which you refer.

President.—The scheme of agreement you propose refers primarily to rolled steel for the obvious reason that it is an agreement with the existing works, and as I understand your scheme, the scheme of agreement as such does not profess to extend to classes of steel which are not at present protected. If you ask for a differential or preferential treatment in respect of other classes of steel you do so not on the basis of the agreement that you propose, but on the basis distinctly of reciprocity.

Mr. Elliot.—That is so.

President.—So the question of the extent to which industries which are now in existence in India or are likely to come into existence would be affected by a scheme of agreement, that question does not arise.

Mr. Elliot.—That is exactly the position.

Mr. Natesan.—What exactly is the effect of your proposals about agreement and co-operation on rolling mills?

Mr. Elliot.—Our prospect of securing substantial surplus over and above the production of the Indian basic industry is in our view largely dependent on the encouragement and development of the secondary industries and we should do everything in our power to secure that development. I can't see how in any way that would be prejudiced by the scheme of co-operation.

Mr. Natesan.—As these agreements come to pass between you and the Tata Company these smaller subsidiary industries that are trying to lift their head, some of them have already been in the field, and others yet to come may be prejudicially affected? I should like to have an assurance that you are certain that they would not be affected.

Mr. Elliot.—I can assure you definitely that it is our policy to encourage these industries.

Mr. Natesan.—The policy may be that but if in actual working between you and Tatas these industries suffer, it will be deplorable indeed, don't you realise that?

Mr. Elliot.—I don't think that position would arise because we assume that behind the scheme of protection there would be a protective framework which would establish a minimum price for imports; that aspect of the matter is clearly not affected by the suggested scheme of co-operation. In fact there are other advantages that we claim for the scheme of co-operation which could not be realised by the protective framework alone.

Mr. Natesan.—Under the existing scheme of protection differential duties are levied in the interests of the consumer. Basic duties are levied on British steel because it is superior to Continental steel and additional duties are levied on imports from all other countries because such steel is inferior to British steel. Am I right in saying that broadly speaking the differential duties are based on the assumption that British steel is tested steel or steel conforming to British standard specifications and continental steel is untested or non-standard steel?

Mr. Elliot.—British steel is all tested quality and if the consumer does not happen to ask for certificates that does not alter the quality of the steel. As regards Continental steel the position is as you say.

Mr. Natesan.—Am I right in saying that all steel imported from the United Kingdom is tested steel?

Mr. Elliot.—All tested quality, with the exception to which I referred this morning, viz., reinforced concrete bars, which are not asked for in tested quality.

Mr. Natesan.—Are the imports of tested steel accompanied by test certificates similar to the certificates issued by the Government Metallurgical Inspector here?

Mr. Elliot.—If they are asked for, yes.

Mr. Natesan.—Have you been exporting to India from the United Kingdom both tested and untested steel in the past?

Mr. Elliot.—Almost all tested and a very limited export of untested steel in the particular category which I indicated just now, but in recent years that has practically ceased.

President.—In that case untested steel which is exported to India from the United Kingdom could at present be neglected and they would very largely be in unprotected categories?

Mr. Elliot.—I think that is so.

President.—If you are thinking of small sizes of rod, less than half an inch, if that is the sort of steel to which you refer, then as the tariff schedule stands at present that is unprotected?

Mr. Elliot.—Reinforced concrete bars are generally of a very small diameter.

President.—In that case they would be unprotected, therefore I can take it as far as imports which belong to the protected classes are concerned, they are all of tested quality?

Mr. Elliot.—Yes.

Mr. Natesan.—As you are aware the differential duties have been recommended by the Tariff Board in the interests of the Indian consumer. You now advocate a change in the system of duties. Am I to understand that your contention is that in the past the interests of the consumer have not been served by differential duties.

Mr. Elliot.—We don't in fact advocate a change. We ask very definitely for the continuance of this system. We say that within that system by co-operation with the Indian producer we can give the consumer certain very definite benefits.

Mr. Natesan.—You have stated that United Kingdom should be allowed to supply the balance of the Indian requirements of both tested and untested steel, after the Indian output has been sold. Now I take it that as you want to supply both tested and untested steel, you won't claim differential duties which have been based on the assumption that you were shipping only tested steel to India.

Mr. Elliot.—No. This is all based on the assumption that behind the proposed scheme of co-operation there is this framework of differential duties. One result of that is to raise the price of the imported article whether tested or untested, to a certain level. It so happens that the price for the untested article is on practically the same level as for the tested article. Therefore so far as imports are concerned, the British industry would be quite prepared to supply the steel in the untested class and actually it would supply steel of tested quality. It is the artificial raising of the price which would make that possible.

Mr. Natesan.—You suggest price agreement which Government can control. Do you think that in actual practice this is workable? Under this price agreement, the price will not reflect the changes in the world market.

Mr. Elliot.—That was already contemplated in the sheet agreement in that paragraph which I read this morning which stated that "each Government would be at liberty to take appropriate measures to prevent sales

at unfair prices by the manufacturers in the other country or to check an unnecessary increase in prices against the consumer by a combination of manufacturers in both countries”.

Mr. Elliot.—Prices are in the first instance fixed by the fair selling prices established by the Board. To the extent that there may be variation from those prices by the combination of British and Indian manufacturers, you remember it was suggested this morning that the off setting machinery should be applied as a salutary check to such a combination.

Mr. Natesan.—I hope I am stating it correctly. All this is quite good if there are competitors. If two of you are working in co-operation, it will be very difficult for the consumer to set the machinery in motion. If Tata's alone are affected they will come at once and say ‘look here, this is what is going on’. If you alone are affected, you will say that Tata's are doing this. But if both of you are working on a co-operative basis, it strikes me as a very reasonable inference that the consumers' interests are likely to suffer. As you know, it is very difficult to set the machinery in motion. Your own merchants have complained about it and our merchants have complained about it.

Mr. Elliot.—As matters stand there is only one party who really governs the sales policy in regard to these products. Although it is a combination of two, it is a very different thing to a monopoly. There is always underlying the potentiality of competition even with two and, as I said, this morning, the whole basis of the agreement makes it essential that the British industry should do their utmost to develop the consumption to a maximum extent in order to realise the maximum surplus for themselves.

President.—I may say one of the features of the present enquiry which have impressed us most—I have been connected with more than one enquiry in connection with steel—quite an interesting feature of the present enquiry is the extent to which the consumers' voice has been heard,—*i.e.*, the voice of people who purchase from the Tata Iron and Steel Company either in the capacity of purchasers of primary materials or in the capacity of purchasers of semi-finished materials. The continuance of protection to steel during the past 10 years is, I think, beginning to awaken the real consciousness among the purchasers of their interests as against producers and I am inclined to think that if we trust to an off setting machine for the purpose of preventing a combination between the Indian Steel industry and a body of importers, I do think there are sufficient people aware of their interests in this country to move Government in the matter of bringing the off setting duties provision into force. Of course my colleague is right in this sense that the consumer is probably the least organised person in any country. That is perfectly true, but I think that when assistance is granted so to speak out of public funds either directly or indirectly, you do help to awaken a sense of consciousness among the purchasers of their interests. The consumers are driven to organise and they get over the inertia.

Mr. Natesan.—My apprehension is that the merchants and the manufacturers have greater opportunities and more effective means of making their case heard than the consumers who will have to organise themselves hereafter. That is all I have in view.

Mr. Elliot.—We are most anxious to satisfy the Board from the point of view of the consumers.

Mr. Natesan.—I would like to look at your proposal from another point of view and here I have clearly reduced to writing what I felt about it. The Indian consumer has so far borne the burden of protection. The extra cost on Indian production has gone to the Indian industry. The extra cost of the imported article due to protection has gone to Government coffers so far. Under your scheme of reserving the market for the Indian and British manufacturers, the extra cost paid by the Indian consumer on account of protection will go either to the Indian manufacturer or to British manufacturer and nothing to the Indian Government, who will have to make good the loss of this revenue by increasing the general level of taxation.

Thus will there not be a double burden? One that will go to the British manufacturers which was formerly going to Indian Government and another amount which will be raised by taxation by Government. I would like you to criticise it.

Mr. Elliot.—In the first place, as I said this morning, I do submit that the revenue aspect of this question should be divorced from the protective aspect. If the calculations of the Board establishing fair selling prices are not falsified by events during the next period of protection, I think that the Government would not in any case receive an additional revenue on account of the protective duties. The British case for free entry is in two parts: first of all freedom from protective duty upon which we appeal to the Board; the second part is freedom from revenue duty on general principles, consideration of the Ottawa agreement upon which we can appeal to the Government, but the answer given by the Government will now be dictated by their necessities from a revenue point of view. In other words I submit that the Government will look after the revenue side of this question. There is also the point to which President referred this morning that there are indications that the high level of duties has produced a diminishing return. That is a matter which Government may have to consider very carefully and it does not necessarily follow that the maximum amount of revenue is obtained from high duties rather than from moderate duties.

Mr. Natesan.—I have one or two more questions. When you refer to reciprocity between England and India, I take it you are referring to reciprocity between the British Iron and Steel industry and the Indian Iron and Steel industry.

Mr. Elliot.—In the first instance that is applied so far as practicable to the circumstances of the two industries.

Mr. Natesan.—Because the United Kingdom gives 33½ per cent. preference for Indian pig iron and sheet bar, you want free entry for British steel into India or only a small revenue duty. Do you anticipate that the benefits resulting from these reciprocal arrangements will be equal in value to the industries of both the countries.

Mr. Elliot.—It is really impossible to foresee and I think that you cannot narrow down this question of reciprocity to an exact balance in the case of particular industries.

Mr. Natesan.—Can you give us an estimate of the money value of the arrangements proposed by you both to the industries of the United Kingdom and of India?

Mr. Elliot.—I am afraid that is impossible. No one can foresee what tonnage of steel would be imported into India in the next few years, what its value may be is a matter of pure speculation. With regard to the Indian industry, as I said before, I am sure they will admit that they have obtained very great value under this pig iron arrangement during the period of its operation. For all I know their circumstances may have changed and their increasing output of steel must mean that they have changed to a considerable extent and that value may not be obtainable to the same extent in future. I do not know.

Mr. Natesan.—I will ask for another information which may perhaps be easily available. The Board asked Tatas to give an estimate of the profits to them on the supplementary Ottawa agreement in respect of iron and steel and they have furnished it. Could you give us a similar statement?

Mr. Elliot.—The profits to British industry from the sheet agreement.

Mr. Natesan.—Yes.

Mr. Elliot.—I should ask Mr. Pearce to give you that.

Mr. Pearce.—It is impossible to furnish.

Mr. Natesan.—I was wondering whether you would be able to give us some idea so that we may understand the situation better.

Mr. Elliot.—I am afraid that would be really impossible in the present circumstances.

Mr. Natesan.—I see your difficulty. I have one more question. Both your original and supplementary memoranda are based on the assumption that the Indian Steel industry will be granted protection by means of tariffs. There is a school of economists in this country who say that tariffs should be discontinued and bounties given. Suppose after our enquiry we came to the conclusion that protection should be given by means of bounties and not by tariffs, I would like to know what your position will be then, what your demand before the Tariff Board will be then?

Mr. Elliot.—I think you would simply invert the procedure. Instead of your having differential duties upwards, you would have to consider how you could prevent these bounties reaching unmanageable proportions and I think you would be driven to apply exactly the same principles in some other way, I do not quite know how—in order to keep the Government of India solvent.

Mr. Natesan.—In view of the difficulties I have placed before you, do you still maintain, that your scheme of co-operation is demonstrably in the interests of the Indian industry and the Indian consumer and will ere long enable it to face unaided world competition which is the objective of the Government and the people of this country?

Mr. Elliot.—The first two points definitely yes. On the third point I don't think any one could give you an answer, because it is a very big economic question. The last period of protection has shown the unexpected way in which world conditions can change. If protection for an industry is contingent upon its being able at some reasonably near date to meet world competition, I think in future that must be further qualified by introducing the words "fair competition". After all nothing can stop the introduction of subsidies in other countries, subsidies for export. There is this very difficult question of exchanges. I don't see how it would be possible to ensure an efficient and economic industry against attacks of that kind except through continuance of duties in some form or other.

Mr. Natesan.—If nothing untoward happened, you might consider it a purely academic question—do you think that under your scheme of co-operation the Indian Steel industry would have a smooth and easy passage to the goal of making itself self-sufficient and to face world competition?

Mr. Elliot.—I think the Indian industry would have a very much smoother passage than in any other way.

Mr. Atha.—In paragraphs 18 to 25 of your Supplementary Memorandum certain matters of a technical nature are dealt with. The Tata Iron and Steel Company's reply to this Memorandum has cleared the position a good deal, I think and the President touched on it this morning, but I should like to make sure that the position is really clear. The suggestion contained in paragraph 18 of your supplementary memorandum as to the adjustments in costs of tested and untested material is based on the assumption stated in paragraph 25 that the whole of the open hearth ingot output is for tested materials. The Company's reply makes it clear, that is really not the case. The Board in the early stages of its enquiry obtained a great deal of information from the Tata Company both from their cost sheets and from visits to the works. It is quite clear that the open hearth and duplex ingots are used more or less indiscriminately for both tested and untested material. That being so, it does not appear to be possible to separate the costs.

Mr. Elliot.—I quite recognise now that the assumption made in paragraph 25 is erroneous. But on the general question of separate costs for tested and untested steel, you know very well that there is a big range of specifications to which tested steel may be required to conform. The mere fact that tests are called for and inspection takes place involves a certain additional expense which I would put down at home as certainly 5 shillings a ton. The general practice in British industry as you know which may not be quite applicable out here is to have a basis price for so to speak the standard

quality material and to have a scale of extras according to the specification, nature of tests and so on above that, and that is really the object of raising this point. We feel that that is a more economic way of grading prices and has the right kind of effect on consumption. The consumer of untested steel has a right to expect that he would pay less for his steel. Now it so happens that during the current scheme of protection that has undoubtedly been the case, but that has been the case because the scheme of protection has failed in its intention and the price of Continental untested steel has fallen far below the estimates made by the Tariff Board. In order to keep in line with that price, the Tata Company's price for untested steel has been reduced. What we are rather afraid of is in the new scheme of protection, if the estimates are correct, if the Tata Company starts on a basis of average cost, it will not any longer be compelled to reduce its price owing to importations of untested material and that price will affect the average costs and that you will only slightly lower the price say for tested steel than for untested steel. I am not wishing in any way to suggest that the Tata Company will not deal with this point when it arises in a thoroughly economic and sensible manner from the point of view of charging a proper price for the article required by the consumer, but there is a possibility which we thought it well to call the Board's attention to.

Mr. Atha.—What you have mentioned is more a commercial question than one of the works costs. As was explained this morning, the actual works cost of manufacturing the two classes is practically identical, and the case is exactly similar as far as I can see to the case which you spoke of in Great Britain where a works makes the same quality of steel and if a customer wants a test certificate he can get it. As far as I can see, that is really the position of Tata's and how any different costs can be made up I do not know. As to the sales policy they would doubtless charge testing costs and something to cover the sales of special qualities.

Mr. Elliot.—In our memorandum there is undoubtedly some confusion as between the cost side of it and the sales side of it.

Mr. Atha.—On the question of advantage to the Company, to get a good proportion of tested steel, as their representation shows the price that they get is very much higher, the cost being practically the same it is obviously to their advantage to sell tested steel. The point you make as to works efficiency as far as I can follow is that there is a danger of getting orders for so much tested material that if some is rejected they could not get rid of it as untested. I think the figures show that during the first six months of the year the amount of tested steel including rails is only about 16 per cent. of the total, so that that sort of practical difficulty in the works does not arise, and is not likely to arise.

Mr. Elliot.—I appreciate that. As there is a wide margin between the present percentage of tested steel and the percentage which might have any effect at all in this manner the question is one which could be ignored.

Mr. Atha.—On the question of yield, as you show, the yield at Tata's works is lower than the British yield in all instances except plates. Tata's have explained that that figure is one which should not be compared with the British figure. On the proper basis I make the plate yield to be 61.2 which is exactly 4 per cent. lower than the British practice. From our investigation and from what we have seen at the works, I don't think that the question of yield is connected with the question of tested and untested steel. I quite agree however for certain classes of tested steel the yield will not be so great as for untested steel. That is quite obvious, but in these figures, on the results they get, I think it is safe to say that the question of tested and untested has practically no effect at all and I see no reason why the Tata Company should not bring their figures up to the British practice which I expect in time they will. In paragraph 23 you draw attention particularly to the plates because the position as to yield appears to be reversed there. I don't quite understand your statement that it would seem to be due to the large proportion of untested material. As a matter of fact, the tested material in connection with plates is much higher than in the

case of any other product. The tested material for plates is 40.14 per cent. I think you must have had the impression that there is some inherent difficulty in making tested steel or meeting the requirements of tested steel by the duplex process. If so that does not seem to be correct. The most carefully tested material as far as we know made by the Tata Company is rail steel. Some time ago the Government Metallurgical Inspector carried out a rather elaborate series of tests on open hearth rails as compared with duplex rails. He came to the conclusion that there is no inferiority shown by the duplex rails and I think that equally applies to other tested material.

Mr. Elliot.—That is very interesting to us, because we have not the knowledge of the circumstances of operation of Tata's works which you have. We have certainly made some assumptions which do not appear to be correct.

THE HINDUSTHAN CONSTRUCTION COMPANY, LIMITED,
and
THE INDIAN HUME PIPE COMPANY.

**Evidence of Mr. WALCHAND HIRACHAND, recorded at Bombay
on Wednesday, the 6th December, 1933.**

President.—Mr. Walchand, you are appearing on behalf of both the Hume Pipe Company and the Hindusthan Construction Company?

Mr. Walchand.—Yes.

President.—I propose to discuss with you all the points which have been raised in the representations we have received from both the Companies; that would suit you I suppose?

Mr. Walchand.—Yes.

President.—You have stated your case so succinctly that I think it will be possible for us to make the examination quite brief. There are three matters with which you are mainly concerned; there is first the question of wire and wire nails, secondly the question of pipes and thirdly the question of high tensile steel. I will deal first with the question of wire. I gather from the papers that you have sent in that you make wire and wire nails mainly for your requirements.

Mr. Walchand.—Quite.

President.—That is to say for your requirements in respect of reinforced concrete pipes.

Mr. Walchand.—Rather more for reinforced Hume pipes than steel pipes.

President.—When exactly did your plant start working?

Mr. Walchand.—January this year.

President.—I should like to get some idea of your total capacity, first of wire and then of nails.

Mr. Walchand.—Roughly about 3 tons a day of hard bright wire.

President.—That is a maximum capacity of say 1,000 tons a year. You have a nail machine?

Mr. Walchand.—Yes.

President.—What is it capable of turning out?

Mr. Walchand.—A very small quantity and we are not very keen on working it.

President.—It is really a negligible factor as far as you are concerned?

Mr. Walchand.—That is so.

President.—Since you started working in January this year roughly what quantity of wire have you produced?

Mr. Walchand.—Roughly 230 tons. We have not worked to full capacity because there was no demand; owing to depression there were reduced orders for Hume pipes.

President.—That is to say you have consumed so far say about 250 tons of wire rod roughly?

Mr. Walchand.—Yes.

President.—You have not sold any of your wire outside?

Mr. Walchand.—We sold about 31 tons out of the 230 tons in the Bombay market just as a test.

President.—You have not sold any nails, have you?

Mr. Walchand.—About 1½ tons, the rest we have used in our own works.

President.—What precisely is the sort of wire that you require for your own purposes.

Mr. Walchand.—I will give you a statement on that.

President.—But approximately?

Mr. Walchand.—3 to 10 gauge for Hume pipe purposes, hard bright, sometimes annealed.

President.—You don't use 12 gauge, do you?

Mr. Walchand.—Very rarely for extremely small diameter pipes, 4" to 6".

President.—The bulk of your requirements fall between 3 and 10?

Mr. Walchand.—That is so.

President.—As far as your proposals regarding wire are concerned the position has been rendered rather easier because of the concrete suggestions which you have made since you sent in your representation. So I propose to deal with the proposal you have submitted to us. Your proposal really comes to this, that you would agree to purchase all your supplies of wire rod from the Indian Steel and Wire Products at a price of approximately Rs. 105 f.o.r. Bombay which is the price at which you are able to land imported wire rod at Bombay to-day and you agree also that you would not sell any of the wire that you make out of wire rods supplied to you by the Indian Steel and Wire Products in the open market?

Mr. Walchand.—That is correct.

President.—So far as that is concerned I think the position is satisfactory in the main, but there are a few points of detail which I should like to discuss with you. Actually would you require so much as 1,000 tons for your requirements?

Mr. Walchand.—Normally we would expect this; last year our calculations were upset by reduced orders but normally we expect that we ought to be able to use 1,000 tons in our factories on the West Coast.

President.—That is to say, if your pipe plant were working to normal capacity you would consume so much wire as would correspond to 1,000 tons of wire rod?

Mr. Walchand.—On the east, say at Calcutta we would buy wire from Mr. Indra Singh; why we put in this plant here was because of the serious railway freight disadvantage.

President.—As far as areas near Jamshedpur are concerned all your plants would get their wire from the Indian Steel and Wire Products.

Mr. Walchand.—As long as their prices are reasonable. If I can afford to send drawn wire from Bombay to Calcutta and make it cheaper than the price at which Indra Singh can supply it I would do it.

President.—That is rather a speculative question; what would be a reasonable price would depend on the protective duty that we propose for wire and wire rod.

Mr. Walchand.—Our intentions so far are to consume this 1,000 tons in factories on this side of the country.

President.—I may tell you why I am pressing this question of quantity. 1,000 tons is not a very substantial proportion of the output the Indian Steel and Wire Products expect to have; but what I feel is that if we suggest to the Indian Steel and Wire Products to make a special arrangement of this kind it is going to mean that this particular quantity would have to be sold by them at a price somewhat short of what the Tariff Board regard as the fair price. So that if we are going to protect the industry it is essential that the quantity supplied in this way below the fair price is not too large. If therefore it is possible for you to work down your requirements to a lower figure, provided you are able to satisfy all your requirements in this way, it will probably meet us better.

Mr. Walchand.—I appreciate the point; I have therefore said here “not exceeding 1,000 tons”.

President.—I notice you have said that.

Mr. Walchand.—If we consume only 500 tons as might happen if we have a repetition of the present year, then we do not require 1,000 tons.

President.—On this question of prices, I notice from your letter that you have suggested a figure of Rs. 105, partly by comparison with a figure that was suggested in the course of arguments at Calcutta, as the price at which wire rod may be delivered at Karachi and you assume that the difference in freight between Karachi and Bombay from Tatanagar would justify a difference of Rs. 10 between the figure suggested for Karachi and the figure which would be suitable to you. That is part of your argument, and the other is that at present you are getting your wire rod at Rs. 105. I presume the Karachi people are also getting their wire rod at much the same price.

Mr. Walchand.—I don't go into the market but use that for my own product.

President.—How would you like a proposal of this kind: We have not discussed this matter with the Karachi works and I want to make it also absolutely clear that we have not come to any sort of definite arrangement with the Indian Steel and Wire Products. But the whole thing is under consideration and if I make any proposals to you this morning they are entirely of a tentative character. Supposing the Karachi works are prepared to take wire rod up to about 2,000 tons at a price of Rs. 115 delivered Karachi and suppose the difference in freight between Karachi and Bombay is about Rs. 10 from Tatanagar, then the position would be, as far as these exports to Karachi and Bombay are concerned from Tatanagar, that 2,000 tons will be sold at Rs. 115 and 1,000 tons at Rs. 105. If I take the weighted average of that it comes to about Rs. 111. If I put a proposal to you on these lines; at present imported wire rod is landed at the same price practically at all the ports in India, therefore the supplies which may be sent from Tatanagar to the various port markets should also be supplied at the same price. There is a kind of practical reasonableness about the proposal. Subject to further discussion with both the manufacturers at Tatanagar and Karachi the difficulty I feel is this; that it may probably be felt that the manufacturer at Karachi who is able to get his material at the same price as you do under your proposals would be placed at a disadvantage.

Mr. Walchand.—No; he has got the advantage of sale in the market. He might demoralise the Indian Steel and Wire Products' market to a certain extent. In my case it is an out and out individual market and no wire is expected to go outside. Therefore the entire market is open to him. I don't know if the Karachi people would restrict this to a maximum of 2,000 tons.

President.—I have not discussed the matter yet with the Indian Steel and Wire Products, but I want to have the position made as clear as possible before I discuss it with the Karachi people and discuss it again with the Indian Steel and Wire Products. There is another point. The only alternative to an arrangement of this kind, assuming that the Indian Steel and Wire Products is an industry which deserves protection, is a protective duty on wire rod which would be left at the same rate at Bombay and Karachi. The import price without duty is the same at both ports, therefore under the only alternative arrangement that is possible you would be exactly in the same position as the Karachi manufacturer.

Mr. Walchand.—Quite. But as regards this weighted average we had a joke when we read the Indian Steel and Wire Products evidence, 60x70 average 67! That means in the first two years the poor thing will have to pay 3½ lakhs of rupees more per year instead of 60.

President.—That is entirely an irrelevant point because what I am discussing is entirely on a different footing, because the figures that you are

mentioning are the figures at which it was suggested in the course of the oral examination that billets might be supplied to the Indian Steel and Wire Products by the Tata Iron and Steel Company. There was only one producer so that the question in this form did not arise at all. After all, supposing you were able to get your wire rod say at Rs. 110 or Rs. 111, the price without duty to-day is Rs. 105, it would simply mean that you are paying a price which is equal to a duty of Rs. 6 per ton.

Mr. Walchand.—I am paying Rs. 5,000 per year extra.

President.—It is very much less than the revenue duty.

Mr. Walchand.—We wanted an exemption from the duty protective or revenue to continue for some time. At present as a special case we are exempted or we get the refund.

President.—The whole case for exemption rested on the fact that there was no wire rod produced in India. The moment wire rod begins to be produced in India, the position in my opinion is completely altered and in the light of the altered situation we have got to consider the question now. The point that I want to put to you is this: You have suggested a figure of Rs. 105. The whole matter is under consideration. Suppose as the result of further discussions with all the parties concerned, we reached a figure different from Rs. 105, but not exceeding Rs. 112, would you be prepared to consider the question of accepting the proposal?

Mr. Walchand.—Probably I will have no alternative, but I don't like this additional burden of Rs. 6,000 because of Karachi considerations.

President.—I can very well imagine that you don't like it.

Mr. Walchand.—Nor have I an alternative.

President.—I should like you to give me a margin so as to enable me to negotiate, because the negotiation implies that the figure would have to be altered.

Mr. Walchand.—I leave it to you entirely.

President.—If the figure was somewhere between Rs. 105 and say Rs. 112, it won't be very unreasonable from your point of view.

Mr. Walchand.—I am quite prepared to leave it to you.

President.—There is just one other small point. With regard to nails, the provision that you make is that nails that you make will be used as far as possible in the works of this Company. When it comes to an agreement, a phrase like "as far as possible" can easily cause difficulties.

Mr. Walchand.—I am prepared to score out the words "as far as possible". Why I have added the words "works of this Company or the Associated Companies" is that the Hume Pipe by themselves use very few nails and it is the Associated contracting companies for reinforced concrete require that sort of nails.

President.—I don't think your position would in the least be affected if you omitted the words "as far as possible".

Mr. Walchand.—No.

President.—Have you got the actual figures of freight from Tatanagar to Bombay and Tatanagar to Karachi?

Mr. Walchand.—For what?

President.—On wire rod. I expect wire rod would be in class 2 like other steel products.

Mr. Walchand.—Last time we made enquiries. If my memory is right, it was quoted at somewhere about Rs. 27.

President.—Do you know what class it is?

Mr. Walchand.—No.

President.—I should not be surprised if it was in class 2, because most of the steel products come under class 2.

Mr. Walchand.—I will look up and let you know.

President.—According to the information supplied by the Indian Steel and Wire Products, the freight from Bombay to Tatanagar is likely to be higher than the figure they give as the freight from Tatanagar to Karachi. I mean the railway freight. It is not really a matter of distance. There are other complications that come into it.

Mr. Walchand.—There is no transshipment in both cases.

President.—They don't give us precise figures. But such figures as they gave me made me think that the freight from Tatanagar to Karachi may probably be slightly less. I may be wrong.

Mr. Walchand.—It is rather extraordinary.

President.—Would you mind collecting some information on that point for us?

Mr. Walchand.—Ours will be a standard stencil reply from the railways.

President.—They will probably quote you class 2 rate.

Mr. Walchand.—I will get the information from the railway and pass it on to you.

President.—That is as far as we can carry this question of wire and wire nails. Now I propose to deal with pipes.

Mr. Walchand.—As regards pipes, I should like to make a short statement before we proceed. I think my reference to Mysore has not conveyed obviously that meaning which I intended to. I didn't intend to criticise Mysore. There was no intention to criticise the Mysore Government, but bring out the fact that they may continue to sell at some loss, because, as a result 8,000 subjects are employed. I would congratulate them on this and would desire that my Government would do something on these lines to establish industries in this country at the same time relieving unemployment. Therefore my intention was not to criticise, not to find fault with them but to point out the difficulty. They are doing a very good thing in continuing to run it. My difficulty is that they have got the satisfaction of employing 8,000 poor men which consolation I haven't got and I cannot afford to.

President.—The Tariff Board has not suggested that you made that statement in any spirit of complaint.

Mr. Walchand.—It was pointed out to me by responsible parties that it might be read like that and therefore I have made this statement.

President.—You make the statement for your own satisfaction.

Mr. Walchand.—I wanted to clear up the misunderstanding.

President.—Your Company makes two classes of pipes, hume concrete pipes and hume steel pipes?

Mr. Walchand.—Yes.

President.—As far as concrete pipes are concerned, they don't come into this enquiry, because this is an enquiry of wire and wire nails. Therefore the question of protecting concrete pipes does not arise in this enquiry.

Mr. Walchand.—Nor have we asked for an enquiry?

President.—You have not suggested the imposition of protective duties for the purpose of assisting the manufacture of concrete pipes and so we leave that out.

Mr. Walchand.—Yes. Do I understand that if I did, it could have been possible to go into it?

President.—My reading of the terms of reference is that the question of concrete pipes would be outside our terms of reference. With regard to your steel pipes, your contention is that your steel pipes compete partly with cast iron pipes mainly of Indian make and secondly with the imported pipes, that is to say the competition to which hume steel pipes are exposed is competition which proceeds first from cast iron pipes largely of Indian made and secondly from imported pipes.

Mr. Walchand.—Not exactly. It is mainly owing to dumping of foreign imported pipes which necessitate the Indian cast iron producer to reduce his price consequentially affecting me adversely.

President.—In the first instance competition comes from Indian cast iron pipes.

Mr. Walchand.—No.

President.—The low prices quoted of Indian cast iron pipes are the direct source of competition to which you are exposed. These low prices which the Indian cast iron pipe Companies are compelled to quote are due to exceptionally severe competition from certain countries from which cast iron pipes are imported into India. But in the first instance your competition is with the cast iron pipes of Indian made. The question of the reason for the specially low prices that Indian cast iron pipe manufacturers quote is a different question. We will discuss that later on, but in the first instance your competition is from Indian cast iron pipes?

Mr. Walchand.—I don't like to put it that way.

President.—How would you do it?

Mr. Walchand.—I would like the Indian cast iron makers to make reasonable money to get the protection which automatically will give me my natural field. After all my natural field I estimate, is a small tonnage. I want the Indian cast iron producers to be happy.

President.—When you tender for water supply works in any part of the country, actually you tender in competition with Indian manufacturers. Have you ever had to quote against Japanese cast iron pipes?

Mr. Walchand.—Indirectly Japan always influenced.

President.—I am speaking of the direct aspect of the question.

Mr. Walchand.—While tendering we do take that into account.

President.—Do you quote low prices because of the Japanese competition?

Mr. Walchand.—No.

President.—Can you think of any considerable water supply scheme for which tenders were made by importers of Japanese cast iron pipes?

Mr. Walchand.—There are probably four big schemes. My information is for the Bhavanagar scheme Japanese did quote a very low price—Rs. 88 or Rs. 87 whatever it was.

President.—The Indian manufacturers quoted still lower.

Mr. Walchand.—Not exactly lower, probably Rs. 2 or Rs. 3 higher. They were no better because of this Japanese competition. They were given a chance by the State to revise their quotation if my information is right. I think they have got about Rs. 2 better than Japanese price. Whatever it was, it doesn't affect the main contention. I understand there was another big scheme in Raichur for which Japanese pipes were tendered.

President.—What is the quantity involved?

Mr. Walchand.—13 miles of 15" diameter. The Japanese did quote. Consequentially the Indian cast iron pipe makers quoted very low beyond the expectation of the local Engineer. We thought we had discussed it so fully with the Engineer and the Engineer was so satisfied that the order was almost secure to us. We even selected the site for our factory. When he saw that the Indian cast iron pipe producers' quotations were so low, so tempting, than what he had estimated, he said, he would rather take those cast iron pipes.

President.—What is the lowest price?

Mr. Walchand.—Would you like more instances?

President.—No. What is of consequence to us is what is the lowest price for Japanese cast iron pipes against which you have had to quote, the lowest price actually touched in your experience.

Mr. Walchand.—We never thought they would go below Rs. 87 or Rs. 88.

President.—That is duty paid, is it not?

Mr. Walchand.—Yes.

President.—The lowest price in your experience is Rs. 88.

Mr. Walchand.—I had in view the Bhavanagar and the Raichur schemes. In Delhi we were afraid that they would go lower than Rs. 88, somewhere near Rs. 67, because the freight from Calcutta to Delhi was to be considered. Delhi tender was a big one.

President.—What was the price that they quoted?

Mr. Walchand.—Rs. 67 c.i.f. Calcutta. I do not know whether they actually quoted. The tenders read out were four steel pipe makers, non-Indian and one cast iron Indian. We were told that they were prepared to tender very low. Actually whether they did it or not, we do not know. The price at which they are prepared to quote was about Rs. 67.

President.—I want to put this proposition to you Mr. Walchand. Accepting your position that the competition which you experience in respect of your pipes arises directly or indirectly from Japanese, if we provided a tariff sufficient to safeguard the Indian cast iron pipe industry against Japanese competition, that would meet the problem completely as far as you are concerned.

Mr. Walchand.—No. You have seen the Bhadravati representation. They want Rs. 32 or Rs. 33 against British pipes also. If these industries are to be established, the steel pipe and the cast iron pipe

President.—I am coming to the question of the imported pipes later. I want first to discuss the competition that you experience from cast iron pipes largely of Indian make. The position with regard to Indian cast iron pipes is that whenever there is an order, they are compelled to quote specially low prices because of this constant menace of Japanese competition and the proposal that I am making to you is to the extent that we are able to provide a sufficient tariff against cast iron pipes imported from Japan, to that extent your position would be safeguarded also automatically, because the price of cast iron pipes against which you have to quote for your own pipes would correspondingly improve.

Mr. Walchand.—I would go the other way. I would take what is the fair price I am entitled to and bring all the imported price up to that level, whether British, German or Japanese.

President.—The whole question is one of comparing Indian costs with import prices. The whole question is based on that.

Mr. Walchand.—Yes.

President.—You have not manufactured cast iron pipes.

Mr. Walchand.—No.

President.—You have had no experience of it.

Mr. Walchand.—None.

President.—As far as the costs for cast iron pipes are concerned, we must base our figures on information supplied by people who are directly concerned in the manufacture.

Mr. Walchand.—Yes.

President.—Supposing we find that a fair price for the Indian manufacturer of cast iron pipes is such that a duty is required only against cast iron pipes dumped from Japan, then there is nothing further to say as far as that is concerned.

Mr. Walchand.—Speaking for my industry—steel pipe—taking the same analogy I know what I would like to have. I should begin with the price to which the imported pipes should be pushed. I should be protected from imports. On that basis if I am given the duty on imported pipes which are brought up to somewhere near the locally manufactured pipes, whether they are steel pipes or asbestos cement pipes which will give me somewhere

near Rs. 145 per ton of C. I. pipes *ex*-port, it will enable me to meet my difficulties in the beginning.

President.—Supposing it was possible for cast iron pipes in India to compete at a lower price than that, then as far as your competition with cast iron pipes are concerned, there is no further question. Supposing on an investigation of the costs of cast iron pipes, we find that a price lower than the price you have suggested would meet the case?

Mr. Walchand.—That to a certain extent is immaterial to me. As you have rightly said my cost is somewhere near this. There are some occasions where steel pipes are preferred to cast iron. In those circumstances if the steel pipe making is established, I would like to get in the initial stages the price at which I think my costs work up to. I will give you a statement later on. I hope to work up to economic costs in about 15 to 20 months.

President.—You are now on the question of imported pipes other than cast iron. I want at this stage to concentrate the discussion on cast iron pipes. I am coming to the question of the other imported pipes later. As far as cast iron pipes are concerned, since you are not in a position to furnish us with information regarding costs, we must proceed on such costs as we have which other people have provided.

Mr. Walchand.—Quite.

President.—To the extent we are able to provide against competition from other countries in respect of cast iron pipes, to that extent your position is also safeguarded.

Mr. Walchand.—Quite.

President.—There is nothing further you have to say of cast iron pipes.

Mr. Walchand.—Not at this stage.

President.—We now come to the question of other pipes. You refer in your representation to asbestos pipes. I do not gather from your representation that competition of imported steel pipes is felt to any extent by your industry. There is no reference to it in your representation as far as I can see. In paragraph 6 of your representation you say "Our difficulty has been competition from non-Indian steel pipes as also from Indian cast iron pipes. Owing to the competition of Japanese cast iron pipes indigenous makers of cast iron pipes have had to reduce their prices considerably". That is the first aspect. We have discussed that. Then you refer to the non-Indian competition. "Hume steel pipes have also been faced with keen competition to an increasing extent from imported Asbestos cement pipes". I don't find in the whole of this representation any reference to imported steel pipes.

Mr. Walchand.—The reason presumably for that is in the July tender we had to compete against four or five imported steel pipe makers—2 British, 1 French, 1 Belgian or German I do not know what the country was. That was our first important Hume steel pipe tender in open competition. They did not come till then. Even now some of them are not seriously worried about our competition which we are developing and pushing. We are afraid of firms like Turner and Newell with huge organisations and resources as regards Asbestos cement pipes. As soon as they find that we are developing and pushing, they might easily underquote us. After all, we are thinking of only 2,000 tons to begin with. It would be easy for a firm like Messrs. Stewarts & Lloyds to underquote us. We want to be protected against them. We think we took them unawares.

President.—They are imported steel pipes?

Mr. Walchand.—Yes.

President.—I should like to dispose of this question of Asbestos pipes and then we will go to the steel pipes. Where do the Asbestos pipes come from?

Mr. Walchand.—They are being made in England—near Manchester I think by Turner and Newell—something running into dozens or scores of

millions. In India they have succeeded in snatching from us half a dozen quite big orders—most of them at an enhanced price. That is most extraordinary.

President.—Was it recently?

Mr. Walchand.—Yes. Although they were 30 per cent. higher, they got the order—semi-military—three or four months back.

President.—What was the quantity involved?

Mr. Walchand.—11 miles of 8" or 12". They got two orders before that—big ones—Sialkot, Lahore and Rawalpindi for water mains. They are now threatening us almost everywhere. In Hyderabad we were told recently that there were these cement Asbestos pipes to compete. We have been seriously corresponding with the other Italian patents to bring them in here to use them against Newall Turner. Against these big giants, no one could expect to live. If you know the organisation, it is something colossal.

President.—What was the actual size for which the most recent tender was quoted?

Mr. Walchand.—They did not go beyond 18" as far as I know but for lower sizes 4" to 6" and in some cases 9" they are very keen competitors.

President.—What was the price quoted for 9"?

Mr. Walchand.—I will send you a statement later.

President.—You have not given us any information in your representation about either prices or your own costs and I am not in a position at all to decide for myself whether there is any case for assistance because the case for assistance depends entirely and solely on the consideration of your costs in comparison with imported prices. To the extent you have not given us any information on these points, I am unable to make up my mind.

Mr. Walchand.—Our difficulty is this. We have only recently started. We are learning and gradually improving on our costs almost every quarter. We have been reducing our costs steadily and by the end of 15 or 20 months we will, I think, be able to bring our costs down from an equivalent of about Rs. 146 to about Rs. 120, per ton of C. I. pipes *ex-ports*. That is why we are not able to give you definite costs. Our orders have been after all so far 500 tons. We lost 2,000 tons worth of order due to competition.

President.—You could certainly give us a statement of your costs for the latest order which you have executed.

Mr. Walchand.—We will send you a detailed statement of our costs.

President.—I shall tell you the main heads under which I want you to prepare the statement. What is supposed to be your standard size? I should like the cost statement to be prepared in respect of your standard size.

Mr. Walchand.—At present we are taking these from 9" to 24".

President.—12" would be a typical size?

Mr. Walchand.—We will give you for three sizes—9", 15" and 24".

President.—Yes.

Mr. Walchand.—We do make 9", 12", 15", 18" and 24" pipes. We will eliminate 18" and 12".

President.—You are going to prepare the statement on the basis of your actual costs in respect of the most recent order you have executed.

Mr. Walchand.—Yes.

President.—What was the amount of that order?

Mr. Walchand.—Nizam's Railways—Rs. 70,000 worth of order.

President.—Would you mind giving us a statement also of your costs in respect of the two previous orders?

Mr. Walchand.—The previous ones have been miscellaneous things. Of course we tendered and prepared our estimates for this other 2,000 tons.

President.—Estimates would not do for our purpose.

Mr. Walchand.—We will give you the actuals of the last order which we are completing now, 9" and 15".

President.—I want you to give me the costs per ton or would it be more convenient for you to give me per unit of length? I will tell you what you might do. Give us your statement of costs based on your latest order and give us the total output both in tons and in terms of length, that is to say tell us in respect of each size of pipe what the length corresponding to a ton is.

Mr. Walchand.—Yes.

President.—It practically means you will be giving us the cost statement per unit of weight and per unit of length.

Mr. Walchand.—Yes.

President.—In giving us your total output, state it in tons and state it also in so many feet.

Mr. Walchand.—We had some rough statement prepared which would give you the cost per foot—the bare cost of making the pipe. We will have to add on overhead, supervision and selling charges. As regards average freight, we took it to Secunderabad and Delhi. By adding the average freight and comparing it with cast iron pipes we will show you what the *plus* or *minus* is between ourselves and the cast iron price.

President.—I should like also to get your capitalisation?

Mr. Walchand.—We have given.

President.—I have not got a detailed statement.

Mr. Walchand.—No.

Mr. Wiles.—Rs. 3 lakhs and a probable Rs. 3 lakhs to come.

President.—That represents a capacity of how much?

Mr. Walchand.—Each factory is capable of making 5,000 tons of steel plates but we will be quite satisfied in the first year or two if we do 2,000 tons.

President.—That is to say the plant which costs about Rs. 3 lakhs to instal can account for an output of 5,000 tons. It is on that basis we propose to calculate your depreciation and interest charges.

Mr. Walchand.—No. I would be a happy man if I got 5,000 tons. We are basing it on 2,000 tons. Only the capacity is there.

President.—The moment you get a protective duty, you ought to be able to increase your output very considerably.

Mr. Walchand.—From what I could gather from this discussion I don't think I am going to get anything near what is going to cost me. If it is going to be somewhere near Rs. 145, then I think at the end of 20 months.

President.—We are keeping a perfectly open mind. I am sorry to have misled you.

Mr. Walchand.—If it is somewhere near Rs. 145, then it is possible.

President.—The maximum capacity is 5,000 tons. What is the normal output?

Mr. Walchand.—We are basing on 2,000 tons a year.

President.—What is the basis for this figure?

Mr. Walchand.—What we actually tender for is 2,000 tons. This is what we can see. We have a very elaborate organisation throughout the country. We know every municipality and its drainage and water supply position in the whole country including all the Indian States and we base our figure on that.

President.—You publish balance sheets, do you?

Mr. Walchand.—Pending the completion of negotiations, the Hume Steel has not been registered as a separate company. At present it is incorporated in the Indian Hume Pipe Company.

President.—Can you give us any statement which will give us an idea of the financial position?

Mr. Walchand.—Whose financial position?

President.—Hume Steel Pipe Company's.

Mr. Walchand.—There is no company formed. At present, it is being treated as part of the Indian Hume Pipe Company.

President.—The Indian Hume Pipe Company has two departments?

Mr. Walchand.—Yes.

President.—The concrete pipe department and the steel pipe department?

Mr. Walchand.—Yes.

President.—Could we have a statement—a joint statement for these two departments—representing the financial position say last year?

Mr. Walchand.—You would like to have it separate for the Hume steel?

President.—Would you be able to separate it?

Mr. Walchand.—Yes. The whole department is treated separately, but in the audited balance sheet, the Hume Steel is under some heading. We will give you that.

President.—You give us a statement of the whole Company.

Mr. Walchand.—You mean the Indian Hume Company, Limited.

President.—Yes.

Mr. Walchand.—Will it interest you?

President.—I expect it is a fairly detailed statement.

Mr. Walchand.—As required under the Indian Companies Act.

President.—What I want to know is this. Actually how long have you worked now? How long have you been making steel pipes?

Mr. Walchand.—16 or 18 months, out of which the first eight months have been pure demonstration and development.

President.—How many months ago did you start?

Mr. Walchand.—We were almost ready in April last year.

President.—April 1932?

Mr. Walchand.—For the first eight months we were simply demonstrating and trying to convince engineers.

President.—What is your financial year for accounting purposes?

Mr. Walchand.—June.

President.—Could you give us a statement for the year ending June 1933?

Mr. Walchand.—As regards Hume Steel we have taken the whole account as debit. We have not struck any profit and loss account separately. We have treated all this as development expenditure during construction. The negotiations between Australia and us will take some time. As soon as everything is ready, the Company will be registered.

President.—The only thing I ask you to do is to give us a statement for the Indian Hume Pipe Company?

Mr. Walchand.—Yes.

President.—We will try to make the best of it.

Mr. Walchand.—We will send you the printed balance sheet.

President.—Balance sheet and profit and loss account for the year ending June, 1933?

Mr. Walchand.—Yes. That won't make you any wiser except that it will give you "total debit for Hume Steel in so many lakhs".

Mr. Wiles.—Is that the total expenditure which will ultimately be debited to the block account of the new Hume Steel Pipe Company?

Mr. Walchand.—Yes. That will be what will be debited to the new Hume Steel Pipe Company plus Jamshedpur plant which will be actual costs of machinery and buildings.

Mr. Wiles.—You can give us what you have actually spent on machinery, and buildings, if any, plus what you have spent on development which will ultimately be adopted to the block account?

Mr. Walchand.—Yes.

President.—If on reading your statement any further information is required, we will be able to give you specific points on which you can supply information.

Mr. Walchand.—While on this point I should like to make it clear that most of the plant for the Hume steel was manufactured here.

President.—Yes, I know.

Mr. Walchand.—Almost the whole of it. We are making here in our works; 90 per cent. of the Jamshedpur plant is all made here. If we are fortunate in getting further orders justifying another plant to be put at site 99 per cent. will be made here.

Mr. Wiles.—Is that made by the Hume Steel or Hindustan Construction Company?

Mr. Walchand.—The Indian Hume Pipe Company organisation.

President.—The statements that we want are your works costs both per unit of weight and per unit of length in respect of your latest order and the details of your capitalisation giving us the analysis of the capitalisation you have mentioned?

Mr. Walchand.—If I can give you a complete estimate of what the Jamshedpur plant will cost, land, buildings, power house and machinery, that will simplify matters.

President.—Quite. Give us also a statement of the financial position in respect of the whole company for the year ending June, 1933.

Mr. Walchand.—What is at the back of your mind? If you want to know whether the Company can finance, I can make that point clear straight-away.

President.—Yes, if you are in a position to give us. You have been working for about 18 months?

Mr. Walchand.—Yes on the Hume Steel.

President.—What is the total quantity you have turned out so far?

Mr. Walchand.—500 tons worth of plates we have consumed.

President.—You have produced only 500 tons in the course of 18 months?

Mr. Walchand.—Yes.

President.—You have been quoting these pipes in competition with imported pipes?

Mr. Walchand.—Yes.

President.—And you have to quote specially low prices?

Mr. Walchand.—Yes.

President.—With the result that you have been left with a loss?

Mr. Walchand.—We have not struck out any profit and loss account. 500 tons was given at a special rate by the Tata Iron and Steel Company to do this propaganda work.

President.—I will place my cards on the table. I will tell you what I want. You are giving us a cost statement. I don't mean to suggest that I am not accepting your cost figures but for the purpose of putting up a

satisfactory case to the Legislature and to the Government it is necessary for me to make certain that on such costs as you incur on your steel pipes and on such prices as you are able to realise for them under present conditions, you are actually put to loss. If that is so, I can understand there would be case for assistance. If on the other hand you have not been put to any definite loss, it seems to me that the case for assistance is to that extent weakened.

Mr. Walchand.—Giving you detailed cost of what we have done would not be fair either to you or to me not having run on a commercial scale, a large amount of work being done as regards training of staff, securing of orders and so on. What we are prepared to do is to give you—it will be much cheaper than our actual cost—what we estimate that we can work to when we run to 2,000 tons.

President.—You have no objection to giving us a statement?

Mr. Walchand.—None.

President.—I want also information about the most recent prices of which you have information regarding imported pipes, both asbestos and steel.

Mr. Walchand.—The Delhi tender will give you the quoted prices of imported pipes.

Mr. Walchand.—Are you going to give us detailed information about the Delhi tender?

Mr. Walchand.—It was read out there.

President.—I should like to get that.

Mr. Walchand.—I will get it for you. Our information is authentic to the extent that our engineer was present at the time of the opening of the tender.

President.—Whatever information you have on that please pass it on to us. That concerns both steel pipes and asbestos, does it? Were both tendered?

Mr. Walchand.—I don't think asbestos pipes were tendered. C. I. and steel we know.

President.—Will you be able to give us information about that?

Mr. Walchand.—Yes.

President.—It is impossible for us to discuss the specific proposal that you have made as regards the rate of duty till we have examined the figures of prices and the costs.

Mr. Walchand.—Here also I appreciated your difficulty and I want you to appreciate my difficulty, not having had the advantage as Bhadravati had of losing continuously for the last ten years. I have not had that misfortune and therefore what I proposed to do was to make matters easy by taking the cast iron representation as a guide and we shall be quite happy if the cast iron people are given what you consider reasonable or nearly what they want. To my mind it is a very reasonable case.

President.—Mr. Walchand, you are a very experienced applicant before the Tariff Board: may I point out that the Tariff Board has never in any single enquiry accepted figures exactly as they have been given to it by witnesses: All the figures supplied are subject to scrutiny by the Board.

Mr. Walchand.—Sometimes you do, but sometimes you have accepted.

President.—I do not remember a single case.

Mr. Walchand.—Take matches.

President.—No. As a matter of fact your proposal is an extra duty of Rs. 33?

Mr. Walchand.—Yes.

President.—The present c.i.f. price of Japanese cast iron pipes corresponding to the present rate of exchange we may take at an average

of Rs. 70. The revenue tariff on imports coming from non-British countries is 20 per cent.; that is Rs. 84, *plus* your Rs. 33 brings it up to Rs. 117 and not Rs. 146?

Mr. Walchand.—The exchange is independent. You are dealing separately with the exchange ratio fluctuation. . . .

President.—You make no reference in your representation.

Mr. Walchand.—I admit I have made a mistake. But the exchange fluctuations, depreciation of currencies of any country you are now independently dealing with. Barring that give me the Rs. 33 and the Rs. 14 and base depreciation of currency.

President.—Base on what sort of price?

Mr. Walchand.—Rs. 70 *plus* Rs. 14 *plus* Rs. 33, that gives you Rs. 117 and add depreciation of currency at the end.

President.—What kind of figure would you suggest for depreciation? Raise it mathematically? Things do not work out that way in the market. What you suggest is, if the normal duty is Rs. 33, the additional duty required in this sense is the duty required for the rupee-yen exchange and you get Rs. 132'6.

Mr. Walchand.—Rs. 72 is the price of pipes at the depreciated yen, the normal would be Rs. 100 or Rs. 105.

President.—Not that I know.

Mr. Walchand.—You can get it from any authentic quotation.

President.—There is no authentic quotation. Prices do not vary much in the mathematical ratio. There are various points involved in that.

Mr. Walchand.—Quite.

President.—Your formula would not be of any use to us. As far as your application in respect of steel pipes is concerned, at this stage I cannot discuss profitably the proposals that you have made for an extra duty till I have had time to examine your costs and the relevant import prices, so I leave it at that.

Mr. Walchand.—Yes.

President.—You want special terms for the plates that you purchase from the Tata Iron and Steel Company. Have you had any negotiations with the Company on this point?

Mr. Walchand.—Yes. We have been discussing this for a long time with the Tata Iron and Steel Company. The stand they have taken up has been that as cast iron pipes can be made at Rs. 3 the expert has advised them that there is no future for the steel pipe and therefore there is no point in giving us any special rates for plates. This went on till we thought the time had come for us to put up the plant and make pipes on a large scale and get a correct idea. We therefore wrote to them that because of the temporary brisk sales of your products you are indifferent and your impression that there is no future for steel pipes to give any concessions to us. We want to put up a plant at Jamshedpur.

President.—Give me the facts so that I may be able to deal with the position.

Mr. Walchand.—At Jamshedpur the price of pipes should be the Bombay price less the railway freight from Jamshedpur to Bombay less 3 or 5 rupees.

President.—What does it work to in terms of price of plates?

Mr. Walchand.—It was a fluctuating price.

President.—Fluctuating in accordance with the price of imported plates?

Mr. Walchand.—If the price of plates imported into Bombay cost X, we wanted them to sell it to us at Jamshedpur at the Bombay price less the railway freight from Jamshedpur to Bombay and a further 3 per cent. Subsequently we discussed this with Sir Naoroji Saklatwala: I told him

that it was a very unfair position for them to take up and I gave him various data. Then he said he would go into it and we need not go on the basis of Rs. 3 per cwt. for C. I. pipes.

President.—That was your proposal?

Mr. Walchand.—We made that clear that we were compelled to do this in view of their attitude. I will read out what we wrote “As this is a new outlet for your plates we had expected a special price much lower than what we had mentioned above but in view of the various discussion our representative had at your office and because of the recent brisk sales of your materials you seem to be disinclined to give this industry a special consideration. That is why we have put the above proposal before you for the present. We are prepared to arrive at a co-operative arrangement by which you can share the profits with us at a required minimum, but this will require further examination and consideration on both sides. We have thought that some such arrangement can be arrived at. The consumption of plates on our side will amount to a thousand tons per year”. We wrote this to them.

President.—Will you put in a copy of this letter?

Mr. Walchand.—Yes.

President.—Apart from the proposals that you make there, can you tell us on the prices which have been estimated by the Tata Iron and Steel Company for the future, what sort of reduction you want for supplies of plates to you? According to Tatas estimates which are not by any means final, they are subject to consideration by the Tariff Board, the fair selling price suggested by the Tata Iron and Steel Company for plates not *ex-works* but at the port is Rs. 116 for untested and for tested Rs. 114. Approximately about Rs. 115 is the price that they have suggested for plates at the ports. Now at that price what is the sort of suggestion you have to make?

Mr. Walchand.—The way my mind was working is this: I took Rs. 60 to Indra Singh, Rs. 71 to Henry Williams, for billets and therefore Rs. 90 to us at Jamshedpur should be a reasonable price.

President.—I don't understand your argument.

Mr. Walchand.—I will try to explain. If they are going to supply Mr. Indra Singh billets at Rs. 60 and to Messrs. Henry Williams at Rs. 71 approximately, we imagined that from blooms or slabs to billet it might be costing them Rs. 9 and therefore from 50 to 90, *i.e.*, Rs. 40 per ton to roll into plates we thought was a decent allowance and we based our calculation on Rs. 90 a ton delivered Jamshedpur.

President.—Those figures that you give for Mr. Indra Singh and Messrs. Henry Williams were simply illustrative figures. As far as Mr. Indra Singh is concerned Rs. 50 is the figure mentioned in the draft agreement.

Mr. Walchand.—In an agreement which has only minor points to settle. That Rs. 60 for the first two years and 70 for the last so many years, that gives you some basis to go on and that is why I suggested Rs. 60 and 71 of billets should justify Rs. 90 for plates.

President.—They give their average works cost for the future of plates as Rs. 62 and they want depreciation, profit, interest on working capital and so on on plates of Rs. 39 and it comes to Rs. 101. That is their price *ex-works*.

Mr. Walchand.—We are basing it at Rs. 90 *ex-works*.

President.—You want this in addition to protection?

Mr. Walchand.—In the first place I don't think there is very much of concession in this. Their own cost including profit, depreciation, overhead is Rs. 101. I am asking Rs. 90 but the protection is quite a different question, and this I want only in the initial stages.

President.—It raises a general problem of considerable importance and that is this: after all looking at it in a broad way steel pipes are a form of fabricated steel.

Mr. Walchand.—Yes.

President.—The whole question of fabricated steel is under consideration as to what sort of duty should be applied to fabricated steel. In whatever duty we may propose for fabricated steel there would be two elements; the first will be the compensatory duty to compensate fabricators for the protective duty on rolled steel and then there is the element of substantive protection. If we arrive at a duty on fabricated steel on that basis then it seems to me that a concession of this kind will not arise because the duty on fabricated steel will necessarily involve a compensatory duty in respect of protection on rolled steel.

Mr. Walchand.—Quite. If you give us what we estimate on a full run I am prepared to take it at Rs. 101. I do think in 20 months time we should be able to reduce our costs.

President.—This question has arisen in connection with the application made to us by engineering firms. The position is that engineering firms have got to tender for fabricated steel against very severe competition; sometimes they can do so only on the basis that they can get their rolled steel at something less than the price ordinarily charged by the Tata Iron and Steel Company and in some cases they have been compelled to charge very low to give them the benefit of low prices. Your position is exactly the same?

Mr. Walchand.—I submit that I should be treated much better than fabricators because I am producing an article which requires much more than only drilling of a few holes and punching as is the case with fabrication; this is really a new industry and the whole thing is a different article.

President.—It is a much simpler process than say fabricating bridge-work. You bend your plate and then weld it. The amount of the work you do on the steel is not very considerable. However that is a small point and I do not consider that it is entitled to any more careful consideration than fabricated steel. The point that I was trying to get at is this. There is always a certain lag between the ordinary market price of steel and the price that the Tata Iron and Steel Company are able to realise. There are various reasons for this lag but one of the most important reasons is that when an engineering firm or a firm in your position is compelled to quote against exceptionally severe competition, rolled steel has got to be supplied at prices lower than ordinary market prices. If we are able to add in the fair selling price that we calculate for the Tata Iron and Steel Company an allowance for this factor then it ought to be possible for the Tata Iron and Steel Company to make arrangements whenever there is occasion for it. We need not go into this question now. If provision is made in Tata's fair selling price for certain lag between the ordinary market price and the realised price arising from circumstances of this character, then it seems to me you are in a position yourself to negotiate with the Tata Iron and Steel Company, because you can use the very valid argument that here is a provision made in the fair selling price.

Mr. Walchand.—They are guided by their expert who has said that the cast iron pipe can be made at Rs. 3 per cwt. I have put everything on record. I have argued with the topmost man and it looks so serious that I had to put it here.

President.—In certain cases it becomes necessary for the Tariff Board to arrange for special agreements, because it would be impossible to meet the situation simply by tariff adjustments. Take for example the wire rod industry. As far as possible we ought to restrict the sphere of the special agreements. It is better to let these things work themselves automatically

and if a provision, as I have suggested, is going to be made in the Tata's fair selling price to meet cases of the kind you are interested in, it looks to me that we can leave the question to be settled by the parties themselves.

Mr. Walchand.—Yes, if you make it clear that if a particular fund or margin is allowed to Tatas, in such a case Hume steel pipe is one of them.

President.—We will consider that point.

Mr. Walchand.—I have got one or two points with regard to steel plates. Our difficulty has come in about the registration of patent rights. Various Indian States have created difficulties and they say they are not bound by what is happening in British India and they are quite prepared to imitate our patents.

President.—What kind of patent?

Mr. Walchand.—We started with Hume concrete pipe patents. We wanted to register these in various places, Hume steel patents—in order to protect ourselves and the difficulty seems to be that these Indian States say that they are independent and they don't care. In one case one of the States went to the length of openly telling the contractors "the State will take upon itself the responsibility for infringing the rights and you can make the pipes here". In another case one State has refused to register our patent. I do not know when we are going to finish these 100 or 150 important States and I would like to bring to your notice this difficulty about these patents.

President.—It is a question of the way in which Indian States deal with patent rights. I am afraid it is outside our province.

Mr. Walchand.—You are dealing with industries.

President.—These questions involve the relations between British India and the Indian States.

Mr. Walchand.—Would you not look at it from the industry's point of view?

President.—The same question was before us in the Match enquiry and we always vetoed it.

Mr. Walchand.—Here there are two concrete cases. One State has rejected it and another State has openly told them that the State will take care of the infringement.

President.—You would have to bring the matter to the notice of the Government of India.

Mr. Walchand.—They would tell me to wait till the Federal Constitution by which time I would be an old man.

President.—Coming to the question of high tensile steel, you say in your letter that the quantity of steel involved in the new Howrah Bridge is 50,000 to 60,000 tons. We had a letter from the Chairman of the Calcutta Port Trust. He estimates that the quantity would be 17,000 tons of high tensile and 8,500 tons of mild steel.

Mr. Walchand.—That is why I have prepared a supplementary note which I have handed over. That improves my argument. There were two statements. On the 4th October, the Associated Press announced that the only amount that would be sent out of the country of this Rs. 2 crores would be the cost of 17,000 tons. Immediately later Tatas issued a statement showing that they could make high tensile steel here. Subsequently Mr. Elderton gave an interview to the Statesman which you must have seen. The Chairman of the Howrah Bridge Commissioners said that Tatas could make it and that the Government Metallurgical Inspector had passed it or something to that effect and that there was no necessity to go outside the country. In view of these three points the position has considerably improved. When I mentioned 50,000 to 60,000 everybody qualified to speak

mentioned it to me. Personally even now looking at the rough estimates, I cannot understand how it can come down to 25,000 tons having provided for a crore and three lakhs. I don't see how they can spend Rs. 103 lakhs on 25,000 tons.

President.—That is a definite statement made to us by the Chairman.

Mr. Walchand.—25,000 tons has improved matters as far as fabricators are concerned and Tatas having issued this statement that they can make it has also improved matters considerably. I am quite thankful and the country should be thankful to Tatas for having spent the money in the research and for having taken all the trouble and courage in their own hands to do it so quickly. Therefore it is all the more reason why full protection as regards preference to Indian materials and labour should be given more than what is usually granted. The same applies to the erection of the plant.

President.—Let me understand the position: is your application at present in respect of tensile steel or is it really in respect of Howrah Bridge? My point is this: it is now fairly clear that the Tata Iron and Steel Company can make high tensile steel. You come into this question as a contractor.

Mr. Walchand.—Yes.

President.—There are three parties involved. There is the roller, there is the fabricator and there is the contractor. As far as I can understand your position, if the steel is not rolled in India, it is unlikely that the fabrication would be done in India. If the fabrication is not done in India, it is unlikely that the contract would be placed in India. Therefore the three things hang together. The rolling is done or can be done in India. Therefore there is a reasonable chance of the fabrication being done in India.

Mr. Walchand.—The Port Commissioners having definitely made their statement that they would not give any preference, questions were asked in the Assembly and replies were given that the Port Trust were an independent body and that they could do what they liked.

President.—What is your proposal? Do you want at present in the light of the changes that have taken place since you addressed your representation to us that steps should be taken not necessarily to ensure that rolling is done in this country, because rolling can be done in this country, but to ensure that fabrication is done in the country?

Mr. Walchand.—Quite. Directly it emanates from that.

President.—Supposing the Tariff Board recommended that any protective duty recommended for mild steel should be applicable equally to high tensile steel, then as far as the rolling is concerned, the problem is met, isn't that so?

Mr. Walchand.—Yes.

President.—We therefore come to the question of fabrication. Is it on the question of fabrication that you want to make proposals? We cannot help you as a contractor. There is no possible means of doing it.

Mr. Walchand.—As a necessary adjunct to those of the roller and the fabricator, you should also keep the contractor alive.

President.—We can't help the contractor by means of tariff manipulation.

Mr. Walchand.—I think you can. What I am afraid of in the peculiar circumstances of Howrah bridge is this: Foreign firms have got definite advantages. So the stores purchase rules should be necessarily enforced in order that the whole contract should remain in the country. What might happen and what is likely to happen is that the competition from foreign firms might be so keen that they might underquote because of the advantages I have mentioned. They have got the plant, the residual value of the plant.

President.—What you are driving at is assistance in respect of fabrication.

Mr. Walchand.—The same will apply to high tensile. You are going to raise the duty on high tensile steel.

President.—High tensile steel can be made apparently in this country?

Mr. Walchand.—Quite.

President.—The only question left now for consideration is

Mr. Walchand.—You will have to modify the duties accordingly.

President.—The duty on mild steel, if it is automatically applied to high tensile steel, as far as the rolling aspect of the thing is concerned, the problem is met.

Mr. Walchand.—Yes provided it is sufficient.

President.—The Tata Iron and Steel Company does not want any higher duty on the high tensile steel than the duty on mild steel. Therefore the problem from their point of view is met.

Mr. Walchand.—Quite.

President.—When you are looking at it from the point of view of fabrication, the problem is not one of high tensile steel, but the problem is one of Howrah bridge, because there has not been in the past such large scale bridgework done in this country. Therefore the fabricator would have to be specially assisted, is that your point?

Mr. Walchand.—Quite.

President.—It is not high tensile steel, but it is Howrah bridge.

Mr. Walchand.—It is the fabrication.

President.—Not in respect of high tensile fabrication, but Howrah bridge fabrication.

Mr. Walchand.—A fabricator is a necessary adjunct to the steel industry.

President.—Your suggestion is that we ought to help the fabricator by means of an adjustment of tariffs?

Mr. Walchand.—Yes on the lines of what Braithwaites have suggested and which you seem to have discussed with them in their evidence.

President.—We didn't see much light while discussing. I will tell you what the position is. Messrs. Braithwaite and Company and Messrs. Jessop and Company placed before us figures regarding the Narbada bridge. The prices quoted for the Narbada bridge were exceptionally low. It was somewhere about Rs. 205 a ton c.i.f. Bombay. We discussed the question of protection for fabricated steel with both these engineering firms on the basis of the Narbada figures. If we decided to base protection for the next few years entirely on these Narbada figures, taking them as the standard figures for the whole fabricated steel, it would be necessary on a conservative estimate to raise the duty to somewhere about Rs. 80 per ton. That is a tremendous imposition on a thing like fabricated steel. Now the problem is this: suppose we decided to go further and provided assistance by means of tariffs, so that the order for Howrah bridge, for its fabrication may be placed in the country, then on the top of the Narbada figures you have got to have an additional duty to cover the depreciation charges in respect of the special erection plant that will be required by the engineering firms for such a large piece of work as Howrah bridge. You would reach a level of duty in this which would make the enterprise in this country almost impossible.

Mr. Walchand.—You are taking the Narbada figures as the basis which are abnormal.

President.—You cannot have a duty of Rs. 100 or Rs. 150.

Mr. Walchand.—You are taking this on the basis of Narbada figures. Narbada figures will be abnormal.

President.—The engineering firms told us that the imports of fabricated steel from abroad now are, on the whole, in small quantities, that is to say the competition is sporadic. Ordinarily all our fabricated steel is supplied in this country, Occasionally in respect of large orders you get competi

tion from abroad. The competition is of a very sporadic character. In order to enable Indian engineering firms to meet this kind of sporadic competition, they suggested that the duty should be fixed at a level which would meet competition of the kind represented by the Narbada tenders. If we accepted their suggestion of Rs. 80 for ordinary mild steel bridge-work, and since the Howrah bridge would require special erection plant by Indian engineering firms which might not be useful for any further works and you calculate depreciation to the extent of 75 per cent. on that plant, then this Rs. 80 in respect of Howrah bridge would have to be raised to Rs. 150. The proposition amounts to this that on fabricated steel on public works of this country you ought to impose a duty to the extent of Rs. 150 per ton.

Mr. Walchand.—Rs. 150 in the case of Howrah bridge alone; otherwise Rs. 80.

President.—You cannot have two duties one for Howrah bridge and another for others. You can have only one kind of duty for fabricated steel. What I feel is that both yourself and the engineering firms have not sufficiently thought out the problem.

Mr. Walchand.—We must admit that we were taken by surprise. When we saw the notice containing the sanction given by the Bengal Government to invite tenders, we were surprised. We thought something was fishy. Everybody ran to us and we ran to you in our turn.

President.—We, as a Board, have not considered this question, but I should personally be inclined to meet the situation in connection with the Howrah bridge by other means than tariff adjustments. I am not in a position to state what means are open to us, but I think we should explore every possible means of meeting the situation on lines other than tariff adjustments, because a tariff at the rate which would be necessary on these figures is to my mind almost unthinkable.

Mr. Walchand.—As long as you meet it and keep the contract in the country to the country's contractors and fabricators we are satisfied. That is all we want.

President.—I should think in a matter of this kind, where one single piece of work is involved and apparently a single Company is involved, it ought to be possible by arrangement of some kind to reach a satisfactory settlement.

Mr. Walchand.—What is the single Company you refer to?

President.—Information regarding these matters was given to us by the engineering firms concerned in confidence.

Mr. Walchand.—My information is that they agreed to make it public.

President.—The name of the company concerned in these matters—I am speaking of the foreign Company—was not given to us, but I feel in matters of this kind, it is probably much the best thing from the point of view of the country that a settlement is arrived at on lines other than tariff adjustment. Any way the matter is being considered by the Board and I am not in a position to say anything at this stage.

Mr. Walchand.—Quite.

Mr. Wiles.—Are you importing your plates at present?

Mr. Walchand.—No.

Mr. Wiles.—They all come from Tatas?

Mr. Walchand.—Quite.

Mr. Wiles.—You have hitherto imported your wire rods?

Mr. Walchand.—Yes. In the early stages we bought them from Mr. Indra Singh. Even now as far as possible for these factories in that area, we buy wire from Messrs. Indra Singh for our requirements. It is only here since we have put in the plant, we have imported.

Mr. Wiles.—You are actually asking in this representation that a duty should not be put on imported rod.

Mr. Walchand.—My supplementary note revises the position. It avoids all controversy and it says that if I get my rods at the same price at which I can import them, provided we agree not to sell—the maximum is limited—the whole of that question disappears.

Mr. Wiles.—You would abandon your demand for exemption from duty provided you can get your material from Jamshedpur?

Mr. Walchand.—Quite.

Mr. Wiles.—If you fail to make satisfactory arrangement with the Indian Steel and Wire Products, you revert to your demand for exemption from duty.

Mr. Walchand.—Yes. There doesn't seem to be much chance of not arriving at an arrangement in view of the nominal difference between Rs. 111 or Rs. 112 and Rs. 105. We do want to use as much as possible of indigenous material and therefore even if we have to pay a bit more, we don't mind. We would like to be 100 per cent. swadeshi.

Mr. Wiles.—I understand that, but you regard both of your industries, your pipe making industry as well as wire and wire nails, as definitely Indian industries?

Mr. Walchand.—Yes.

Mr. Wiles.—Although they may for the time being be using imported raw material.

Mr. Walchand.—Because the rod was not being made in India. There was no other alternative.

Mr. Wiles.—It was at the time you submitted this representation.

Mr. Walchand.—Just started. The rod mill had just begun to work. When I was in Germany, Krupps told me, their last man was coming out, in June.

President.—They started about the middle of September.

Mr. Wiles.—If the raw material is obtainable in India, you would hold that your industry should be compelled to use Indian material and should not be allowed to import free.

Mr. Walchand.—Yes.

Mr. Wiles.—The point I am trying to make is this. Many of our industrialists who have applied to us for protection do not regard an industry which is using imported materials, although those materials are obtainable in India, as an Indian industry. They regard the importation as definitely harmful to themselves and they say that no support should be given to an industry which is using imported materials when they are obtainable in India.

Mr. Walchand.—Quite right. I entirely agree with that. I should like the Government to regulate that an industry should, if possible, be 100 per cent. or as much percentage as possible Indian.

Mr. Wiles.—It seems a little inconsistent with your statement that if you cannot make arrangements to get your requirements, you should be allowed to use imported materials.

Mr. Walchand.—I have revised it at the earliest possible moment.

Mr. Wiles.—Yes, if you can get the material cheap enough in the country. If you cannot get it cheap enough, you will still want the imported material. You cannot have it both ways.

Mr. Walchand.—Even in our original representation we said that the period should be restricted to two years because we have put down a plant. We want it till such time as Indra Singh comes to real economic working and because of the railway freight. We have given you the reasons.

Mr. Wiles.—Do you regard your steel pipe industry as competing with the cast iron pipe or as competing with the imported steel pipes only?

Mr. Walchand.—In a sense they have different spheres. As the note from Mr. Maddocks shows there are situations where only steel pipes can be used. In some other cases they compete with cast iron pipes.

Mr. Wiles.—I asked this question because we were told that there was a definite maximum consumption of pipes in India. I forget exactly what the figure was put at.

President.—The estimate of consumption of cast iron pipes given by the Bengal Iron Company and Mysore Iron Works does not exceed 50 to 70 thousand tons.

Mr. Walchand.—It was 17,000 tons last year.

Mr. Wiles.—Normally it was 50,000 tons. It is that market which you normally intend to compete for.

Mr. Walchand.—All the steel pipe market and the Asbestos cement pipe market. Wherever Asbestos pipes are used, mine could be used.

Mr. Wiles.—Everything is included in that 50,000 tons.

Mr. Walchand.—50,000 tons is for cast iron pipes alone. Steel and Asbestos pipes are of recent growth.

Mr. Wiles.—Let us take the extent to which you can compete with the cast iron pipe industry. The cast iron pipe manufacturers consider that they are able to supply that market entirely. To that extent you will be depriving them of their market by competing with them as far as you are successful.

Mr. Walchand.—To a certain extent, that might happen. This is a new industry, a new article, an article which is required by engineers and which has got room in the country.

Mr. Wiles.—That does not affect the main point I am trying to ascertain, namely, to the extent to which your competition is successful, there would be a smaller market for cast iron pipes.

Mr. Walchand.—Only a particular percentage of our production, not the whole of our production.

Mr. Wiles.—The demand for pipes is not a demand which is very elastic.

Mr. Walchand.—To my mind, it is continually expanding.

Mr. Wiles.—“The more pipes you have, the greater the demand.” There is no such thing as that. The demand is more or less constant.

Mr. Walchand.—As people come to know the use of these in connection with drainage and watersupply, of which there are big schemes which have been affected temporarily by depression, there is likely to be a great demand; at any rate there is scope for expansion.

Mr. Wiles.—The figures in the past ten years do not lead us to suppose that the expansion will be very rapid. Of course, we are going over a very bad period, I admit.

Mr. Walchand.—My experience with Hume pipe is that in spite of the acutest depression from 1928 to 1932, the sales of Hume pipes have remained at a steady figure and they have ousted other imported pipes in these four years which are very bad years. We had an old name, to wipe out. In spite of these handicaps and serious competition over four years our sales were not affected although the depression was growing worse and worse.

Mr. Wiles.—That is on your Hume pipe.

Mr. Walchand.—Yes. It is only during the last year owing to the reasons which I mentioned and which we discussed that we were seriously affected in total sales.

Mr. Wiles.—Your steel pipes have really not been long enough in the market for you to be able to say whether they are going to be successful in India or not. For instance, I have been told that one objection in certain countries to the lining is that where the expansion and contraction of steel is very great, you get flaking of the concrete.

Mr. Walchand.—Mr. Maddocks as a technical expert has told us that steel pipe has scope and we have sent you a copy of his statement. Our engineer who went round the world and returned only in May is of the same opinion. He went round the world studying the steel pipe and the concrete pipe. He really went to attend the annual world conference of concrete pipe makers at Ottawa which was shifted to Chicago. He then went to Australia. The information is that there is a great future. Australia tells us that all their Hume steel plants are doing very well. That is the case all over the world. We go by that and there is nothing in the Indian climate or Indian raw material or Indian conditions peculiar which is not elsewhere in the world.

Mr. Wiles.—Except that you probably get greater extremes of heat and cold than in most parts of the world.

Mr. Walchand.—Mr. Maddocks who is considered a recognised expert does think that there is a future, a very good future. Australia tells us so. I am a lay man.

Mr. Wiles.—I gather from the remark that you threw out a little while ago that you are dabbling in the thought of establishing an Asbestos cement pipe industry in India?

Mr. Walchand.—Yes.

Mr. Wiles.—Have you got very far with it or is it merely an idea?

Mr. Walchand.—No, because I was advised "why not talk it over with Newall and Turner". I have had two or three serious conversations with them and I am awaiting further developments. I have got also two alternatives which are Italian. I missed them by one day in Italy.

Mr. Wiles.—I suppose a handsome tariff on Asbestos pipes might help you to make up your mind.

Mr. Walchand.—I am not wavering. It is Newall and Turner who want to discuss it further and who want a different type of terms.

Mr. Wiles.—You are quite confident, independently of tariff, that there is a market in India.

Mr. Walchand.—Much would depend on the result of this enquiry. If the Tariff Board treats us reasonably well, there will be justification for bringing out these patents. If they discriminate in their protection, we will have to reconsider the position.

Mr. Wiles.—We are dealing essentially with the Steel industry and it gives rise to complications when we are asked to cut out substitutes which may be of great value in themselves.

Mr. Walchand.—No, this will affect your steel consumption and pig iron consumption.

Mr. Wiles.—The point I am raising is whether the Board ought to assist the Steel pipes at the expense of substitutes which may be of great importance to the consumer.

Mr. Walchand.—By putting on a duty, you will be encouraging an industry to be established here.

Mr. Wiles.—You mean that by discouraging the use of substitutes by putting on a big tariff on the importation of Asbestos pipes, we may incidentally encourage the establishment of an Asbestos pipe industry in India.

Mr. Walchand.—Firstly that, and secondly you will be reducing the competition against steel and cast iron pipes. Thus you will be killing two birds with one stone.

Mr. Wiles.—The point I am trying to make is whether we are justified in cutting out by the import duty a form of pipes which may be of great value to India. We should be supporting an industry of which we do not know whether it is really going to be successful—I mean the steel pipe. We have your word for it and your expert's word for it. Should we be justified in prohibiting the importation of a substitute which might prove to be of great value?

Mr. Walchand.—I would say, rather than have the privilege or luxury of using a most up-to-date pipe, in order to keep the money in the country. I would deny myself the privilege of using the most modern article in the shape of Asbestos cement pipe if it is imported. I do not want my money to go beyond India, beyond the Seas.

Mr. Wiles.—That is putting it from the extreme protective point of view.

Mr. Walchand.—Yes.

Mr. Wiles.—Regarding this statement of "wire and wire nails", what depreciation do you normally take in your works? You have taken 10 per cent. depreciation on machinery in the case of wire and wire nail factory?

Mr. Walchand.—Yes.

Mr. Wiles.—Is that 10 per cent. on the entire capital outlay on a rough average?

Mr. Walchand.—It has been taken on the cost of machinery.

Mr. Wiles.—You put no depreciation on land and buildings?

Mr. Walchand.—They are old temporary huts, the cost of which is almost negligible.

Mr. Wiles.—Do you regard 10 per cent. on machinery as sufficient?

Mr. Walchand.—I would like to have more depreciation and obsolescence put together in this business. The minimum I put at 10 per cent.

Mr. Wiles.—What is your 10 per cent. on capital? What does that cover? It seems a high figure. Is it 10 per cent. on your investment? Is that what you consider a fair return?

Mr. Walchand.—It is only on the machinery we have taken.

Mr. Wiles.—You say 10 per cent. depreciation plus 10 per cent. interest on capital.

Mr. Walchand.—That is fixed capital, not working capital for which we charge a lesser rate.

Mr. Wiles.—Do you regard 10 per cent. as a fair rate of profit?

Mr. Walchand.—On fixed capital expenditure we have provided for 10 per cent. interest.

Mr. Wiles.—On fixed capital?

Mr. Walchand.—On block outlay.

Mr. Wiles.—Did I understand you to say that the price obtainable for Asbestos was actually higher than that of your own product?

Mr. Walchand.—They have succeeded in selling it at higher rates than ours for equal service and equal quality of pipes. In all the three cases higher prices were paid by military people, knowing that they were higher prices, for which we proceeded right up to Simla. The higher prices were paid and the reason was the Military Department's usual plea.

Mr. Wiles.—I presume that "Asbestos pipes suited them better.

Mr. Walchand.—I don't think that that was at all the reason. The reason seems to me to be that the Military Department wants to know everything about all things that are happening in case of an emergency and therefore whenever any new thing comes on the market, they will give it a trial so that their staff might know. That is the only explanation.

Mr. Wiles.—Do you regard that as a normal price which would be obtained under ordinary conditions?

Mr. Walchand.—There is no justification for them to pay anything more if the service by other pipes is equally good. We were prepared to guarantee and to demonstrate. Still they paid a much higher price in all the three cases. As a matter of fact, at Sialkot and Rawalpindi, those pipes did not behave and they failed. The explanation given for that was that there was some negligence at the time of laying these pipes. In spite of having

obtained a very much bigger price, it was neglected in laying by the local staff.

Mr. Natesan.—You are a well-known industrialist and I may tell you in every representation that we have received—from the Chamber of Commerce and others—it is stated that if any manufacturer or industrialist uses anything foreign even if it is to a small extent, then the case for protection becomes weak. I understand the extremely difficult position in which you find yourself owing to your responsibility for the two concerns, viz., Indian Hume Steel Pipe industry and the wire and wire nail industry. I am very glad you have sent in a supplementary memorandum but I don't think you have made your position quite clear which still seems to be inconsistent from the answer that you gave to Mr. Wiles. In the one case you advocate out and out protection and in the other where your commercial interests are not satisfied, you say "don't give protection." I am therefore suggesting to you, now that you have sent in a supplementary memorandum, you might as well withdraw your original contention.

Mr. Walchand.—I am quite prepared to withdraw it.

Mr. Natesan.—That settles that point. On reading your memorandum I have found it difficult to be convinced with regard to Hume steel pipes as to how far you would be able to stand in competition with cast iron pipes because in the case of cast iron pipes we know very well that for a long time they are being manufactured in India and before the Board is asked to take any definite steps on behalf of the Hume Steel Pipe, one would like to be convinced of the superiority of your pipes or at least should be convinced that they are equally good. From the papers given to us, I could not make out but I may say at once that the questions I had noted down were framed last night before the receipt of Mr. Maddocks' note. I would therefore put a few more questions to bring out the difficulties from the answers rather than express any opinion myself. Will you state now what are the disadvantages of cast iron pipes in particular conditions and soils to which you have referred. That point has been, to some extent, referred to by Mr. Maddocks and I would like you to tell me what are those disadvantages?

Mr. Walchand.—I am afraid I will have to repeat I am a lay man. If you will kindly send me the question, I shall ask Mr. Maddocks and another expert Mr. Temple to reply to that.

Mr. Natesan.—You will make out a case if you say in answer to my question what the disadvantages are of cast iron pipes in particular conditions and soils.

Mr. Walchand.—I might be asked to keep to my job rather than point out the defects of other people's articles but in conditions like that of the sugar industry, I think I have mentioned

President.—As it is, it is difficult for a lay man like me to understand.

Mr. Walchand.—Do I understand that you would like to have our view of the superiority of our pipes as against cast iron pipes?

President.—I am asking you to elaborate and substantiate your case with more facts: when you talk of disadvantages of cast iron pipes, you have also certain advantages. If you can further help us it would be useful.

Mr. Walchand.—I will try to.

Mr. Natesan.—I am very glad you have made an explanatory statement with regard to the Bhadravati Iron Works. I now take it that even if they work at a little loss you do not grudge the Mysore Government doing it seeing that a large number of people are benefited because that is also an indigenous industry asking for protection.

Mr. Walchand.—I congratulate them.

Mr. Natesan.—For how long has your company been producing steel pipes?

Mr. Walchand.—18 months.

Mr. Natesan.—Have you supplied your pipes to well-known public works in this country within these 18 months?

Mr. Walchand.—Our supply has been limited to 500 tons. The largest individual order was from the Nizam's Guaranteed State Railways and for a water supply scheme near Secunderabad.

Mr. Natesan.—To any district boards or municipalities?

Mr. Walchand.—To the Sholapur Municipality, not very big quantity. Our initial work has been propaganda, development and things of that sort.

Mr. Natesan.—With regard to high tensile steel I may tell you that in a statement to the Press the Chairman of the Calcutta Port Trust has said that so far as high tensile steel is concerned Tatas are capable of manufacturing it and it has been proved by the Government Metallurgical Inspector that their steel is satisfactory. So that point has now been cleared up: do you still want a high protective duty to be imposed on high tensile steel?

Mr. Walchand.—In this the fabricator comes in; that statement won't be of any use.

Mr. Atha.—I should like to get a little more information as to whether it is cast iron or steel pipes that you are likely to compete with. In the case of steel pipes of course a large tonnage will be of smaller diameter than you contemplate making.

Mr. Walchand.—I had all along in view steel pipes of the diameter I will be making as regards competition.

Mr. Atha.—What dimensions?

Mr. Walchand.—We can make 4" and 6" but we have not yet come to that efficiency where we can successfully compete; 8" and above we can.

Mr. Atha.—What are the smaller diameters with which you do not expect to compete in India?

Mr. Walchand.—I would rather put it as 4" and under. We think in Australia for 4" and 6" there is a good deal of market. So far in view of the orders we have received we have restricted ourselves to 9" and above.

Mr. Atha.—As far as cast iron *versus* steel, it is admitted that for ordinary services cast iron pipe is generally preferred and used rather than steel pipes all over the world but there are circumstances where steel pipes are used under certain conditions which make it desirable. Mr. Maddocks, your Consulting Engineer, refers to those points in his note under the heading "Elasticity", namely that steel pipes are more reliable than cast iron pipes in operation, steel being better able to take sudden stresses due to water-hammer, etc., without fracture. Steel pipes are also less liable to fracture if subsidence occurs. And there are also other similar cases where a pipe line is required to stand vibration and bending stress: in those cases steel pipe is used. The reason for that is that steel is more elastic. It seems to me that by taking a steel pipe and encasing it in concrete you make it as inelastic as cast iron and you give steel pipe the characteristics of a cast iron pipe.

Mr. Walchand.—Only in cases where the engineer wants it; in many cases the engineer has been satisfied only with tar coating and hessian, in some cases both cement coating and lining and in some cases lining only. We ask the engineer what he considers necessary.

President.—Even if you omit the external cement the internal cement lining is also inflexible specially to vibration or bending stress. Where pipes are used under conditions requiring expansion and contraction, if steel pipe were necessary, I think it will still be necessary, as a cement combination with steel would not suit the purpose.

Mr. Walchand.—I should like to discuss that with Mr. Maddocks.

Mr. Atha.—The point I want to make is that a combination of steel and cement is really a rigid pipe. Under conditions where the pipe must

be more or less flexible and is subject to vibration, etc., there steel pipe is still necessary?

Mr. Walchand.—And superior to cast iron.

Mr. Atha.—And superior to a cement combination with steel because cement won't flex.

President.—Have you any information about the proportion of steel pipes less than 3" in diameter imported from abroad to the total imports of steel pipes?

Mr. Walchand.—We have never tried to investigate that.

President.—That of course is wholly a class of steel pipe with which you do not come into contact.

Mr. Walchand.—Mr. Meswani, one of our Engineers brought a scheme from Birmingham to make small 1" pipes and round about that.

President.—I have been told that imports of steel pipes less than 3" probably amount to more than 50 per cent. of the total imports of steel pipes into India.

Mr. Walchand.—Probably even more. As regards scope for steel pipes of sizes above 8", to give an example, the Tansa Scheme consumed 80,000 tons of steel pipes, the duplicating scheme consumed steel pipes of thinner diameter. In Karachi there is a scheme running into two crores of rupees and but for the financial stringency they would have gone straight into it and half of that will be steel pipes.

President.—The point I was raising was somewhat different. That is to say it would be necessary in any case to differentiate in the tariff schedule between pipes of the class that come in competition with you and the large amount of steel pipes imported which do not come into competition with you.

Mr. Walchand.—Yes; we have said somewhere above 4". We do not propose any duties for pipes which we do not manufacture, below 4".

President.—If they represent much the greater part or the steel pipes imported, the question of giving you protection in respect of imported steel pipes may not be of very great importance; that is to say if the great bulk of the imported steel pipes are pipes of dimensions that do not come in competition with yours then the question of protecting you against imported steel pipes may not be of very great consequence.

Mr. Walchand.—It might be easy. It might not be difficult because the duty will be only on 4" and above.

President.—The point is rather different. The point is that if out of the total imports 80 per cent. are imports of kinds that do not come in competition with yours then the extent to which you are exposed is so little that the problem does not present itself as one of importance.

Mr. Walchand.—That 20 per cent. forms my 100 per cent. I don't propose that any duty should be levied on pipes below 4".

President.—If in addition to that we find that this 20 per cent. which are of the dimensions which compete with you have invariably been sold in this country at a price considerably higher than your cost?

Mr. Walchand.—Even then at the initial stage it is reasonable that you should protect me.

President.—Even if the prices are higher than your costs? That is not the sort of protection we administer.

MESSRS. BRAITHWAITE AND COMPANY (INDIA), LIMITED.

**Evidence of Messrs. W. A. RADICE and T. DOUGLAS, recorded
at Calcutta on Tuesday, the 28th November, 1933.**

President.—Gentlemen, you represent Messrs. Braithwaite and Company (India), Limited?

Mr. Radice.—Yes.

President.—When you sent in this representation you asked us to keep your representation and your statements confidential. I do not know if you desire to have them retained as confidential documents or would you waive your reservation as regards that?

Mr. Radice.—I have no objection.

President.—I am glad you do so, otherwise it would be impossible to make use of your representation and statements. Before I proceed to examine your representation, I should like personally to express my appreciation of the very interesting and careful statement that you have submitted to the Board. Personally it has enabled me to get a clear idea of the position with regard to fabricated steel in India. The first thing I should like to do is to examine your Appendix I which gives the statistics regarding fabricated steel in India. Can you tell me how the data for this appendix were collected by you?

Mr. Radice.—Columns (1) and (4), top statement, were supplied by the Statistical Department of Messrs. Tata Iron and Steel Company from their records. Column 2 was estimated by us from our records of the percentage of imported materials required and the others are merely totals of these.

President.—I take it the first column really represents the sales by Tatas of tested steel.

Mr. Radice.—Tested and untested.

President.—I take it for fabricated steel work, the materials used in the country are almost entirely tested materials.

Mr. Radice.—Nearly entirely, but not quite. A lot of sugar factories and other private interests have asked us to use untested material in order to get a cheaper price.

President.—In the last column what has happened is that the Tata Iron and Steel Company have taken figures from the Trade Returns of fabricated materials imported.

Mr. Radice.—Yes. That is why they exclude imports on Government account.

Mr. Douglas.—It is not suggested that column 3 is the estimated total fabricated tonnage in India which the leading six or seven firms can produce. The tonnage of fabricated steel which six or seven leading manufacturers can produce is considerably less than the total in column 3.

President.—May I understand it correctly? The estimated tonnage of fabricated steel in India which you show here represents the amount of steel fabricated in India, that is to say steel fabricated in India not merely by the big recognised engineering firms, but by all the fabricators in the country.

Mr. Douglas.—I think a good deal of this will be plain material which goes into the ceilings and floors of buildings. It is really of very simple or nil fabrication.

President.—That is to say it is not fabrication in the sense that a piece of bridge work is fabrication.

Mr. Douglas.—No.

President.—That brings us up rather to a difficult question: when does a piece of rolled steel become fabricated?

Mr. Douglas.—For customs purpose when there is a hole in it.

President.—A good deal of it (*i.e.*, Tonnage in Column 3) is simple fabrication in the sense that the rolled steel has been drilled?

Mr. Radice.—Drilled.

Mr. Douglas.—Or undrilled. As the beams in floors and ceilings of ordinary buildings are not drilled.

President.—It is fabricated in the sense that it has been cut to a special size and not given a special shape, so that your suggestion is that the figures in the third column, if you are thinking of the fabricated steel, are rather overstated.

Mr. Douglas.—Yes, Column 3 figures are excessive.

President.—The position is worse than you indicate as regards the demand for fabricated steel in this country.

Mr. Radice.—The Indian Stores Department's figures represent 80 per cent. of the high class fabricated steel.

President.—We have received a statement from the Indian Stores Department. They don't help us very much, because they give figures in terms of value and not tonnage and the only sort of quantities they indicate in this statement is number of spans, number of sets which are not particularly useful.

Mr. Radice.—Mr. Douglas has made some very close approximations to what we might call high class fabricated.

President.—Will you give me the figures such as you have?

Mr. Douglas.—I am trying to judge the various normal working capacity of the various important firms in India and I think adding all together in normal times, they would produce 5,000 tons a month or 60,000 tons a year of what we consider the better class of structural work.

President.—60,000 tons a year is the capacity?

Mr. Radice.—It is what they might produce.

Mr. Wiles.—What relation has this to any given year?

Mr. Douglas.—I have assumed that we take the best year (during the past 5 years) for each of the six or seven different firms and I don't think they have produced more than 5,000 tons in any one month or 60,000 tons in any one year.

President.—You take these leading engineering firms which make fabricated steel of the highest grade and in the case of each firm you take its best year?

Mr. Douglas.—Yes.

President.—That is to say, the maximum production which they have actually undertaken in any particular year during the past five or six years.

Mr. Douglas.—Average production is considered to be 80 per cent. maximum capacity.

President.—You mean the highest production during the past six years of each of these firms and if you total the highest production you get 60,000 tons?

Mr. Douglas.—Yes. If you were gauging the maximum capacity of those firms for 12 months, you would add 20 per cent. No firm can work at 100 per cent. capacity. The best of the years represents the production of 5,000 tons a month or 60,000 tons a year *plus* 20 per cent. which would give the maximum capacity.

President.—Full normal output in the sense of 80 per cent. total capacity?

Mr. Douglas.—Yes.

President.—That would give us a figure of something of the order of 70,000 tons as the capacity.

Mr. Douglas.—The Indian Stores Department could produce tonnage figures from which you could verify this statement.

President.—Actually the best output is 60,000 tons and the output of last year has been considerably less than 60,000 tons.

Mr. Douglas.—Yes.

President.—Taking your statement as it stands, I draw the following inferences from it: During the past three years the consumption of fabricated steel in India has declined by more than 50 per cent.

Mr. Douglas.—That is correct.

President.—The proportion of steel fabricated out of Indian steel has steadily risen during the past three years?

Mr. Douglas.—Yes.

President.—Due presumably to drastic reduction of prices both by the fabricator and by the manufacturers of rolled steel.

Mr. Radice.—Yes.

President.—The proportion of steel fabricated in India from imported steel has been steady round about 8 to 10 per cent. during the past three years.

Mr. Douglas.—Yes.

President.—There has been a very large decline of imported fabricated steel.

Mr. Radice.—Yes, due to internal cut throat competition.

President.—There has been a decline in the imports of fabricated steel made out of foreign steel. Internal competition has resulted in a lowering of prices and on account of the specially low prices due to internal competition, imports have been kept out.

Mr. Radice.—Yes.

President.—You make a very interesting statement in paragraph 10 of your representation regarding the use of interchangeable parts in bridge work. What I mean is this: when the steel parts which compose a bridge-work are manufactured on an interchangeable basis, it is possible for you to standardise your parts or sections and employ more of repetition work and the result of that is that there is a considerable reduction in the cost of conversion on bridge-work. May I take it that bridge-work as compared with other forms of fabricated steel lends itself more to the employment of the principle of repetition? That would be correct?

Mr. Radice.—Yes.

President.—If that is so, it must necessarily follow, must it not, that the cost of conversion on bridge-work, if anything, be lower than the cost of conversion of the ordinary structural work.

Mr. Douglas.—That is our experience.

Mr. Radice.—I should like to qualify it. In a firm like ours where we prefer bridge-work—we have bridge-work tradition and we like it—the ordinary structural is of less interest. Therefore what we fabricate of the ordinary structural steel is more inclined to be odd jobs which would have very little duplication.

President.—Scope for repetition work.

Mr. Radice.—If we concentrated on sheddings and railway workshop buildings, we might have ranges of 500 or 600 roof trusses where we could have repetition work.

President.—The fact that in your own shop the cost of conversion on bridge-work happens to be lower than on structural work does not necessarily imply that in a shop which is doing a larger quantity of steel work of the bigger classes, there may not be almost equal room for standardisation.

Mr. Radice.—Not to the same extent as in bridge-work, but it all depends on the type of work offering.

President.—It would depend on the nature of the work.

Mr. Radice.—It varies.

Mr. Douglas.—The amount of repetition or duplication in structural (building) work is not met with in the same degree as bridge-work.

President.—If you are thinking of large sheds, say a factory building. Supposing, for example, you are making structural work for sugar factories in 20 different parts of the country, you could employ a considerable amount of standardisation.

Mr. Douglas.—The Railway Board have standardised bridge-work up to certain sizes—even the bigger bridges. They all come in for plenty of repetition. The Standardisation Committee (Railway Board) in Delhi have up to now standardised spans from 10' to 60'. It is difficult to standardise buildings of the Sugar Factory type mentioned by you.

President.—Although the cost of conversion of bridge-work in your shop is lower than on ordinary structural work, in other shops the difference between the two costs of conversion may not be quite so great, but there will still be an advantage in favour of bridge-work on account of standardisation?

Mr. Radice.—Yes.

President.—We come to paragraph 22 of your representation which raises an important point in connection with this enquiry. I understand your position to be this that the exceptionally acute competition which the Indian fabricated steel industry has got to face arises largely from the circumstance that the foreign fabricators who compete with you have their own rolling mills. It all turns on that. Whether the fabrication is done here or the fabrication is done elsewhere the fact that they have their rolling mills enables them to pass the rolled steel at something less than the ordinary market price into their fabricating works.

Mr. Radice.—Yes.

President.—You have therefore got to compete with fabricated steel which involves the use of rolled steel at something less than the economic price.

Mr. Radice.—At cost price.

President.—What I call an economic price is the price that covers your out of pocket expenses and then a fair rate of depreciation and a small return on capital, but where rolled steel is passed by the rolling mill into the fabricating shop at a price which simply corresponds to the works cost and out of pocket expenses, that is not a fair price.

Mr. Douglas.—It is not a fair price. In other words, we will assume for the moment that an English rolling mill can supply its fabricating shop rolled steel at £6 a ton which is equivalent to Rs. 123-4 landed in India. Supposing we are buying the same material and placing that in our works, we will have to pay at least Rs. 143.

Mr. Wiles.—£6 is based on information?

Mr. Douglas.—I have reliable information that this figure is the home works mill cost on less than full production. On full production it might be £5-10.

President.—Such information as we have confirms that figure of £6. That doesn't include depreciation.

Mr. Douglas.—That difference must be absorbed in conversion costs.

President.—It is simply materials, labour and establishment charges?

Mr. Douglas.—Yes.

President.—It doesn't include depreciation and it includes no return on capital?

Mr. Douglas.—Perhaps not.

President.—It is simply the amount which the manufacturer has got to disburse straightaway if he has got to make the steel?

Mr. Douglas.—Yes.

Mr. Wiles.—No overhead?

President.—Overheads in the sense of superior staff.

Mr. Radice.—An excise duty of Rs. 20 or Rs. 25 can be placed on them in India to enable Indian works to meet the competition.

President.—The point is this: If I have a large rolling mill and I have got the whole world as my export market and if I am able to ship steel in the form of fabricated steel to some export market at a price that covers my out of pocket expenses, then the fact that I have been able to increase my output reduces my cost in the works. Although I don't realise any depreciation on this particular item, I gain by the general reduction in the costs, that is the point.

Mr. Radice.—Yes. The price of £6 does not cause the mills any cash loss. The transfer price covers all out of pocket expenses of the steel maker.

President.—From the point of view of the steel maker it may be under certain circumstances a positive advantage.

Mr. Radice.—Yes.

President.—Whatever the word dumping may mean, it is difficult to apply it in this connection because if the manufacturer did not recover his cost, it would raise his costs throughout his works and on the whole he would be in a worse position. He is not chucking his money away.

Mr. Radice.—It is a permanent threat.

President.—It is a permanent threat because this particular steel industry has got a very large and extensive export market. That is the whole point.

Mr. Radice.—Yes, and its selling price is controlled so that it can take full advantage of any chance of selling at a higher price in any special market. It is a highly organised industry.

President.—But primarily I take it the advantage arises from the fact that it can regulate its prices in different markets according to the conditions in each of these markets?

Mr. Radice.—Yes.

President.—Now I want to look at this entirely as a practical problem. You are faced with competition in two ways. There is first the steel fabricated in India out of imported material which has been entered in the works simply at works cost. Then you have got to compete with fabricated steel in respect of which the fabrication was done abroad and the steel also was rolled abroad. I take it from the figures given in Appendix I that the first is the more important of the two. Am I right? I was looking at it with reference to the figures of 1932.

Mr. Douglas.—No, your assumption is not correct.

President.—Take the last three years 1930, 1931 and 1932. In those years the proportion of steel fabricated in India out of imported steel has been steady about 8 to 10 per cent., imported fabricated steel in the sense that both the fabrication and the rolling were done abroad represents 5 per cent. in 1932 and less than 3 per cent. in 1932 of the total consumption in India. Judging simply by the quantity, it looks to me that steel fabricated in India out of imported steel is the more serious problem of the two.

Mr. Radice.—The figures in column 2 include sections of steel for example that we have to import which Tata's do not roll.

President.—I did not realise that: so that in any class of bridge-work you have to get about 10 per cent. of the sections from abroad. That 10 per cent. would ordinarily be imported into the country at ordinary market prices and entered in the works costs at ordinary market prices. That has got to be excluded from this.

Mr. Douglas.—The extent of the danger from the fabrication in India of foreign steel by foreign people is only to the extent of what that works can produce, say 4,000 or 5,000 tons a year. If its capacity is 5,000 or 6,000 tons, it is only to that extent that we have to meet its competition. That is why we believe that the more important consideration is the threat of the foreign fabricator in Great Britain, landing fabricated steel in India at a price which is below the economic level. Our trade is not seriously threatened by the fact that foreign steel is fabricated in India by a foreign fabricator.

President.—Do you want any remedy against steel fabricated in India out of imported steel or might we leave that out?

Mr. Douglas.—I think it may almost be ignored.

Mr. Radice.—At present it is small; it may become large at any moment.

President.—Obviously that is the more difficult of the two to find a solution. The particular remedy that you have suggested I do not fancy much because the question of levying an excise duty on steel fabricated out of imported steel would, as far as I can judge at present, present innumerable difficulties.

Mr. Radice.—Yes, we could not think of anything better.

President.—Since the quantity involved is not large, the cost of administering the excise duty would be out of proportion to the magnitude of the problem. We need not consider this problem at all.

Mr. Radice.—We think that it must be seriously considered. Though comparatively small now, it may become large with increased demand.

Mr. Douglas.—The demand in two or three years time may be sufficient to let them in.

President.—What would happen is this. From the way in which fabricated steel makers have been operating in India during the past two years of difficulty, when you find specially low prices of this kind quoted against you, the first thing that you do I take it is to go to the Tata Iron and Steel Company and tell them that they have to quote specially low prices for their steel if the order is to be retained in this country.

Mr. Douglas.—That is true.

President.—The second thing you do is to reduce your own cost of conversion—the figure that you have got for your conversion. As regards the first, suppose in the fair price that we adopt for the Tata Company's rolled steel, structurals, plates and so on we make a certain allowance for occasions of this kind so as to enable them in the case of orders from engineering firms to quote specially low prices which may be necessary—what I am thinking is this. Suppose we take orders of this kind to be about 4,000 tons a year—2,000 tons of plates and 2,000 tons of sections. Somewhere in your representation you suggest that about Rs. 55 is the amount by which the price of fabricated steel fell short of the cost price. Rs. 55 per ton on about 4,000 tons might come to about a little over Rs. 2 lakhs. On Tata's total output of 500,000 tons, it would be less than 8 annas. Suppose in their fair selling price we gave them an extra eight annas as a reserve for financing specially low priced orders of this kind, the problem could be met to some extent.

Mr. Radice.—It would meet it very well, because it has also this great advantage that it would be a constant threat and it is only when we

succeed in beating this local firm that our friends, Tata's, would have to draw on that fund. Meanwhile we could be quoting Rs. 50 or Rs. 60 below cost. As long as we do not get the order, we do not draw on the reserve.

President.—But of course as regards the reduction in your own cost of conversion, that is difficult to meet.

Mr. Radice.—Yes.

President.—I can think of no effective method as far as that is concerned. We can provide you with an effective remedy as far as imported fabricated steel is concerned because by tariffs we can regulate the position. Where fabrication is done in the country, if an excise duty is impossible which I believe to be the case, I am afraid the problem is impossible of solution.

Mr. Radice.—If we could get Tata's steel at Rs. 50 to Rs. 55 below their fair price in such cases we could book orders.

President.—Provided we could fix a limit to the total quantity of such orders.

Mr. Radice.—Yes.

President.—If it is only 4,000 or 5,000 tons a year, I think by a small adjustment in their fair selling price, we can meet the position.

Mr. Douglas.—That would be quite sufficient safeguard in our opinion.

Mr. Radice.—Six months of that sort of treatment would make it unattractive to our competitor.

President.—How long do you think that it is going to last?

Mr. Radice.—If we could get steel to fight it on that basis, we could kill it in six months.

President.—In the ordinary course, unless you provide definite remedies against it, a process of this kind might go on indefinitely.

Mr. Radice.—Yes, and it might expand. It is a simple thing to double the capacity of the shop. We could add another bay to our capacity for a couple of lakhs of rupees in three or four months.

President.—Before I go on to the next question—what is to be done with regard to fabricated steel—I want to refer to the letter that you sent yesterday regarding export price. Is the export price that you give there current export price for plates? Is that a correct figure? Our information is that it is £7-15 and not £7-17-6. The prices that you give for sections and joists are correct.

Mr. Radice.—It may be wrong. But this is the letter that we got by air mail from England and this is what Messrs. Braithwaite and Company, Westminster gave us.

President.—Has there been any recent alteration in export prices of plates? These prices have been almost stationary since 1929.

Mr. Radice.—It might be a slip of the pen.

President.—Could you verify it?

Mr. Radice.—Yes, by cable.

President.—I don't want to go into the details of your calculation regarding the Narbadah bridge. Whichever way you look at it, there is not the slightest doubt that the price is a most difficult price from the point of view of the Indian fabricator. The only point that I wish to raise is this. Supposing it became necessary to fix the duty on fabricated steel with a view to preventing competition of this sort, at what figure should we fix the duty? I should try and calculate it with your assistance. What I want to do is to work out the duty on the basis of the estimated price of rolled steel as given in the Steel Company's representation for the future—the prices that you would have to quote are the prices on page 38 of their representation. The price which they propose at port is what matters to you. The fair selling price at the port for tested struc-

turals is Rs. 108.4 and for tested plates Rs. 114.5. We have to proceed on that basis.

Mr. Radice.—That would give an average of Rs. 111.

President.—Would you consider an average of 50 per cent. of plates and sections as reasonable?

Mr. Radice.—Yes, for bridge-work.

President.—When considering a bridge like the Narbadah bridge, we can take an average price of Rs. 111.

Mr. Radice.—Yes.

President.—Seven-eighths of every ton of bridge-work would be Tata's steel.

Mr. Radice.—That is right.

President.—Therefore it would be Rs. $111 \times \frac{7}{8}$ for Indian steel per ton of bridge-work, say Rs. 97.

Mr. Radice.—Yes.

President.—One-eighth would be imported. I add Rs. 5 to the Indian price and take it at Rs. $116 \times \frac{7}{8}$ = Rs. 145.

Mr. Radice.—Yes.

President.—For mill extras, rolling margin, etc. I take a figure corresponding to one-sixth of the total cost per ton of steel.

Mr. Radice.—You can take Rs. 22 per ton for bridge-work.

President.—That includes wastage?

Mr. Radice.—Yes.

President.—If you take the price at Rs. 111 or 112 per ton as compared with the higher price for rolled steel, the wastage comes down. You have taken a figure of Rs. 22 on the higher priced rolled steel. Since we are taking a lower priced steel, the wastage comes down.

Mr. Radice.—The mill extras do not.

President.—Make it Rs. 20.

Mr. Radice.—Yes.

President.—I fix the conversion at Rs. 80 per ton. That would be right?

Mr. Radice.—Yes, for bridge-work.

President.—I take profit at 5 per cent. on capitalisation which is Rs. 18. Now we come to the thorny question of freight disadvantage. You say that it is no use taking an average figure. There is no other kind of figure that we can take. In the matter of tariffs since it is obviously out of the question to levy different rates of duty in different provinces and different ports, we simply have got to take an average. There is no getting away from it. Since a good deal of the demand comes from railways, I think that for your freight disadvantage the average of railway material rate and second class rate is the correct figure to take?

Mr. Radice.—There is a correction to be made. The figures we have put forward are actuals and naturally they are pertaining to our most favourable markets: that is, where the freight disadvantage is least.

President.—On the basis of your actual distribution of orders, say for the last year or two, your freight disadvantage calculated as an average on the railway material rate and the ordinary second class rate comes to Rs. 8.

Mr. Radice.—Yes.

President.—If you were in a position to quote for orders also outside your advantage areas, the actual freight disadvantage would have been higher than Rs. 8.

Mr. Radice.—Yes.

President.—May we take it at Rs. 12?

Mr. Radice.—You may reduce that because the greater part of the work is for railways.

President.—Rs. 10 would be nearer the mark.

Mr. Radice.—Yes.

President.—That gives you Rs. 240.

Mr. Radice.—Yes.

President.—Taking the import price as given in the Narbadah tender it works out—in this the steel work, fittings, rivets, etc., have been provided—to Rs. 206 per ton including the duty. That is correct, is it not?

Mr. Radice.—We make it Rs. 202 landed.

President.—Is it not only on the steel work here? We are thinking of the whole work.

Mr. Radice.—Of cast iron bearings, hook bolts, etc., there are 300.45 tons which were included in our tender price of Rs. 98,590. That should be deducted from the weight.

President.—Per ton of bridge-work what does it amount to?

Mr. Radice.—208.

President.—208 if that is included?

Mr. Radice.—Yes.

President.—We have left that out from your figures. In this figure of Rs. 240 has provision been made for everything?

Mr. Radice.—Yes, except, as I said, these two or three items, e.g., hookbolts, cast steel bearings, etc.

President.—Then you have got to add it to your cost. The full figure per ton of bridge-work amounts to how much?

Mr. Radice.—Rs. 208.

President.—I am afraid we are talking at cross purposes. We arrived at a figure of Rs. 240 as your fair price for bridge-work of this kind. In the various elements we took into account in calculating your fair price we did not take into account fittings of this sort; therefore we have got to add a figure to cover your cost in respect of these things. What would be the normal figure for that?

Mr. Radice.—It is about Rs. 8.7.

President.—I will make it Rs. 9. That brings all your costs including everything to Rs. 249, including profit at 5 per cent. on capital, approximately Rs. 250?

Mr. Radice.—Yes.

President.—What I did with regard to the Nurbadah Bridge tender was this: per ton of bridge-work, including castings, bolts, rivets everything it is Rs. 24,12,303 and the total tonnage is 11,389.4. That gives you an average of Rs. 211.8 delivered at Broach. Deduct freight to Bombay; then Rs. 206 is the duty paid price.

Mr. Radice.—Yes, at the present scale.

President.—Therefore 206 divided by $100 \times 121\frac{1}{2}$ gives you about Rs. 170. That means a duty of Rs. 80; that is about 47 per cent.

Mr. Radice.—Yes.

President.—That is to say, if you fix your duties on the principle that cut-throat competition of this sporadic character should be made impossible a duty of some where of the order of 50 per cent. would be required.

Mr. Radice.—Our idea is that it is not an exceptional case, on the other hand this is the result of bringing down prices through amalgamations at Home plus a certain subsidy which is only operative in special cases from Association funds plus certain rebates which shipping companies allow to the extent of 12s. 6d. in this case, so that it is not an exceptional price according to our idea. This is what the whole of this amalgamation and rationalisation which has been going on at Home is

intended to bring about. This is the aim that they have in view. We can deduct 30 shillings which we know was granted as subsidy which was never paid because they did not get the order, and we can deduct 12s. 6d. which the shipping companies sacrificed as a special case, but we must expect a normal price of something like that.

President.—Supposing on a consideration of all the circumstances the Tariff Board came to the conclusion that provision should be made on an adequate basis for meeting competition of this character, I want to raise now the other side of the question. Is it not likely that there would be an attempt by engineering firms in this country under the shelter of a high tariff to create a situation which would result in unfavourable prices to the consumer?

Mr. Radice.—If you were in the English trade I should say yes at once, but I don't think the Indian industry is still so elastic but even if that is to happen the executive should have power to alter the duty according to the changes in import prices and thus keep the Indian fair selling price at a dead level figure, the fair selling price.

President.—But that is rather a different point.

Mr. Radice.—That would counter the danger that you have in mind.

President.—Suppose I suggested a duty of Rs. 80 per ton on bridge-work. Under the shelter of that it would be possible for engineering firms in this country to raise their prices to a considerably higher level than they have been doing in the past.

Mr. Radice.—It would be limited to the Rs. 250 which you just calculated to be their fair selling price.

President.—That is assuming that the imports of fabricated steel would invariably be imports involving the use of rolled steel at cost price, but where in the case of a big order for bridgework foreign quotation represents a rolled steel price at the ordinary market level, then this Rs. 80 would enable you to quote an unreasonably high figure?

Mr. Radice.—Our case is that this unreasonably low price is really a fair measure of what we have got to expect. It is only very recently that these cost saving amalgamations have been taking place and it is only very recently that trade at Home has realised what competition they are likely to experience hereafter owing to the cut-throat internal competition which is ruining us.

President.—The danger arises almost entirely in respect of the rationalised industry in the United Kingdom?

Mr. Radice.—That is our belief.

President.—It ought to be possible for us to settle a matter like this satisfactorily by agreement. Supposing it was suggested that if this practice continued in its present form as represented by the Nurbadah Bridge quotation then it would be necessary for the Indian legislature to levy a duty as high as Rs. 80 per ton, then it would be an unfair and unsatisfactory arrangement. Here is this rationalised industry which can act on behalf of the whole industry and we tell them "can't you arrange to send fabricated steel to this country at not less than what we consider a fair selling price for our own industry" and tell them that the alternative is to put an exorbitant duty on their imports: would you face that or would you rather arrange this thing by agreement? It would be an excellent proposition for settlement by agreement.

Mr. Radice.—We would like to think this over.

President.—The British National Federation are sending a representative to place their view of the steel industry situation before the Board. We expect to hear them about the middle of December. I think probably the best thing we could do is to place this aspect of the case before them and see what they say because I take it that the manufacturers who are mostly concerned in this are members of the National Federation of Iron and Steel manufacturers in the United Kingdom.

Mr. Radice.—Yes.

President.—It ought to be possible for us at any rate to know what the position is and what can be attempted.

Mr. Radice.—That will be an excellent solution but there are some practical difficulties. We should like to think round it a bit.

President.—If you will send us a considered note later it would be useful to us; send it in the first week of December.

Mr. Radice.—I will. Mr. Douglas was just pointing out that the Rs. 250 which was just arrived at would be according to his English experience quite a fair selling price for the English fabricator to import. Putting himself in the position of an English fabricator he thinks this is a price at which he would be prepared to sell.

President.—You might explain that point in your note.

Mr. Douglas.—This is equivalent to £13-5 f.o.b. English port.

President.—The other important question that you deal with in your representation is the question of high tensile steel. That is in part B of your representation. Your suggestion is that the duty on high tensile steel should be fixed at a higher level than on mild steel.

Mr. Radice.—Yes, as a temporary measure.

President.—Even as a temporary measure why? The rolled steel industry does not want it. They think that if they have the same duty as on mild steel they would be well off.

Mr. Radice.—I am not talking of steel here; I am talking of fabricated steel.

President.—What exactly is the reason for suggesting a higher duty on fabricated tensile steel? Your argument is that although per ton tensile steel is more expensive than mild steel, per unit of work it is less expensive, that is to say you are able to save to the extent of may be about 20 per cent. of your cost by the use of tensile steel although ton for ton tensile steel is more expensive.

Mr. Radice.—That is right.

President.—Suppose you are able to get next year sufficient quantities of high tensile steel from the Tata Iron and Steel Company can't you use it in your works?

Mr. Radice.—No.

President.—Would it need the installation of a big new plant?

Mr. Radice.—Yes and that plant we could use only for similar large works. If we were in a position to secure similar big orders over half the hemisphere as is the case with England then the burden would not be so serious but we have got to face the fact that in order to compete for a really big order we have to instal a very big plant which would be of little use to us after the job is over.

President.—So that you would have to include in your cost depreciation at the rate of 50 per cent.?

Mr. Radice.—Even more. 50 per cent. might do for shop machinery, but for erection of plant which is a very special plant and adapted for that purpose only it would be worse. I think the Consulting Engineers made an estimate for a similar big bridgework for which the depreciation allowed was considerably greater, and the residual value was in their estimate something like 20 to 22 per cent. of the initial cost of the plant. You will find an estimate with the Calcutta Port Commissioners.

President.—All that we have received from the Port Commissioners is a statement about the provisional specification.

Mr. Radice.—I can get you a copy of the estimate and of the provision for the plant.

President.—If you could do that it would be very useful.

Mr. Radice.—So I suggest for three or four years at any rate this particular branch of the industry might be strengthened by something like half the difference in the advantage of using high tensile steel for mild steel just to cover these little difficulties for the time being.

President.—As a matter of fact the problem arises only in respect of this particular tender?

Mr. Radice.—Yes. After the ground is broken over that, we or anybody else would be ready to undertake work of that kind. It is merely turning the corner.

President.—If you allowed for a difference in the duties on the two classes of fabricated steel measured by the amount of depreciation that you allow, it might enormously increase the cost of this bridge.

Mr. Radice.—I made a comparative estimate.

President.—Have you?

Mr. Radice.—It doesn't. It leads to a considerable amount of advantage by using high tensile steel, so that the bridge would cost less than it had been made of mild steel.

President.—You have got that also worked out?

Mr. Radice.—I have.

President.—If you will give us a statement of the Port Commissioners' estimate and these figures that you have worked out—we have not been able to consider the question in any detail, as we have not had any information—it will be rather useful.

Mr. Radice.—Yes.

President.—I come to this question of steel towers. The important thing is to be able to know at what rate the duty should be fixed on steel towers and the most recent figures that you have are your own figures with regard the Pykara extension.

Mr. Radice.—Yes.

President.—I want to try and calculate on these figures what would be a fair duty for the Indian maker of steel towers. This is how I calculated it. If you take the British price c.i.f. Cochin plus 10 per cent. duty, it comes to £22-19-6. That is right?

Mr. Radice.—Yes.

President.—The price without duty, applying 100 x 110 to that, you get Rs. 278.

Mr. Radice.—Yes for galvanised towers complete.

President.—The Continental price c.i.f. Cochin is £22-7-6. On the same calculation I find the price without duty is Rs. 247. Your own quotation c.i.f. Cochin is Rs. 280 or £21.

Mr. Radice.—Yes.

President.—That Rs. 280 involves freight from Calcutta to Cochin of Rs. 27?

Mr. Radice.—Yes.

President.—That leaves you a price ex-works of Rs. 253.

Mr. Radice.—Yes.

President.—In order to get a price for steel towers which would be applicable throughout the country and on which a uniform tariff rate can be fixed, I propose to add to Rs. 253, your average freight disadvantage on class 2 rate.

Mr. Radice.—Yes.

President.—That would be Rs. 13.

Mr. Radice.—Yes.

President.—So that Rs. 266 on these figures is the normal price?

Mr. Radice.—Yes.

President.—The adjustment that we have got to make is this: Tatas quoted Rs. 95 for sections in connection with this. If we take their fair selling price for tested sections as they give in this representation, Rs. 108.4, add wastage at 5 per cent.

Mr. Radice.—I should make it a little more.

President.—Make it 10 per cent.

Mr. Radice.—Yes.

President.—It comes to Rs. 15. That you have got to add to Rs. 266 which gives you Rs. 281. The British price ex-duty is Rs. 278. So the duty is negligible as far as that is concerned. The Continental price without duty is Rs. 247. That leaves a difference of Rs. 34 which on the duty free price is about 13½ per cent., so that if instead of 10 per cent. it was raised to 13½ per cent., the situation would be met on these figures.

Mr. Radice.—There are two little corrections. The average freight disadvantage is Rs. 13, and it is likely to be thrown up a bit, because parts of India where hydro-electric installations are likely are far away from the steel works and the other is when we quoted Rs. 21, we cut our price very low, because it was the first essay.

President.—You cut your own cost of conversion.

Mr. Radice.—We wanted really to compete and get one order and as in other cases Tatas were kind enough to collaborate with us.

President.—Supposing you quoted a fair figure for conversion, that is to say normal figure, by how much would the quotation be raised?

Mr. Radice.—I should say galvanising costs about Rs. 60 a ton. If we added that to the fair selling price of steel which we worked out here without bearings and so forth at Rs. 240, we get a figure of Rs. 300 which is about the fair selling price.

President.—Rs. 300 would be the fair c.i.f. price Cochin?

Mr. Radice.—Rs. 300 would be at our works.

President.—Deducting Rs. 247 from that, it would have meant a difference of about Rs. 50.

Mr. Radice.—We might reduce Rs. 240 a bit, because it is all repetition work. We might reduce it to about Rs. 230 so as to get Rs. 290 instead of Rs. 300 plus freight disadvantage which we suggest at Rs. 13—I should like to make it Rs. 15—and we get a price of Rs. 305 as against Rs. 278.

President.—I take it the Continental price of Rs. 247 is the duty free price?

Mr. Radice.—Yes.

President.—That would be Rs. 58. That is about 23½ per cent.

Mr. Radice.—Yes. On the English it is just about 10 per cent.

President.—The present machinery rate would be suitable there and on Continental steel what the figures seem to indicate is the duties would have to be raised more or less to the fabricated steel duty at present—somewhere of that order.

Mr. Radice.—Yes. Against that we have found out that in this case one of the Cable Companies made a sacrifice of their own price in order to quote a low price for towers, in order to sell their own materials. It is a fact that we know.

President.—You make some reference to it in your representation. What is the practice? You place the order with a cable company which gives you not merely your cables and so on, but also supply you your towers. They place the orders with other parties for towers.

Mr. Radice.—Buyers like to do that.

President.—It is very convenient for the buyer?

Mr. Radice.—Yes. There is another important point as regards this. The design of towers does not follow the usual lines adopted for bridge work

and other steel work. It has been developed in America very highly with large testing machines on actual towers which would give practical results. It is only two or three firms in the world that have this knowledge that can design a tower at a competitive basis. Millikens is one at home, I believe. Instead of acting as Consulting Engineers they trade themselves and make use of their special knowledge.

President.—This particular steel tower, was that bought for the Madras Government by a Cable Company?

Mr. Radice.—Yes. We could have, I find, tendered direct. They did give us the tender forms. The Government of Madras did permit us to tender for any one section if we liked, but they qualified that by a general statement that they prepared to entrust the whole contract to one firm which is a very usual thing.

President.—You expect a large amount of orders of this kind are on the anvil?

Mr. Radice.—Yes.

President.—This is ordinary fabricating work?

Mr. Radice.—Pure and simple and the introduction of that kind would increase the capacity of the galvanising plant in India. The moment you have a galvanising plant down here, the prices for all fittings would come down.

President.—I come to the question of the pressed steel tanks. I don't quite understand the position with regard to pressed steel tanks. They are classified for tariff purposes as fabricated steel?

Mr. Radice.—Yes.

President.—And yet you find the competition in respect of it is particularly acute. Do they all come from the Continent mainly?

Mr. Radice.—All competition comes from Great Britain. There are three or four makers who are working chiefly on patents.

President.—Supposing you made pressed steel tanks, you would be using Tatas' plates?

Mr. Radice.—Yes.

President.—What is the advantage that the pressed steel tanks have as compared with the other forms of fabricated steel?

Mr. Radice.—The freight is less and the erection is all by bolting up—making the joints tight with a special compound.

President.—Ordinarily on fabricated steel it would be £1½.

Mr. Radice.—The internal freight is saved. All the plates are alike.

President.—You mean railway freight would be less.

Mr. Radice.—Most other tanks are either circular or conical. Pressed steel tanks can be erected with one expert man and 6 khalasis. They can put pressed steel tank of any size in position. We supplied one of 3 million gallons for Murree. That was put up in 6 months.

President.—But the process of fabrication in the case of pressed steel tanks must be very simple.

Mr. Radice.—Very simple—not much more than pressing a sleeper.

President.—From that point of view I would like to see what the position is. You give a figure of £9-10 as the c.i.f. price. That is without duty and without landing.

Mr. Radice.—That used to be the price three years ago when we used to import tank plates.

President.—That was three years ago.

Mr. Radice.—Since then we have not been able to import them at that price, because the Customs would not accept that.

President.—£9-10 is Rs. 126-6. You take a figure of Rs. 3-5 for landing and that gives you Rs. 130-1. The duty on British fabricated steel would

be Rs. 27.6. That gives you a total landed price of Rs. 157.7. Tatas estimated fair selling price for plates at port in their representation is Rs. 114.5. That gives you a margin of Rs. 43 including wastage. Considering the process of fabrication of pressed steel tanks, would not that cover it?

Mr. Radice.—First of all this figure of £9-10 is 3 years old. It includes everything that makes a tank, stays, bolts and special pressed steel fittings.

President.—If you left that out?

Mr. Radice.—I can give you a figure without that.

President.—Give us as recent a figure as you can get.

Mr. Radice.—Yes. You want figures for plain steel work only?

President.—Yes. With regard to these various forms of structural parts required for machinery, I suppose what you say with regard to cranes and conveying machinery really amounts to an argument that protection is not necessary, because the Indian fabricator has very considerable advantage.

Mr. Radice.—Yes.

President.—If it requires special accuracy of adjustment and if its transit is a disadvantage and local testing is an advantage, in both ways you are helped?

Mr. Radice.—That is true.

President.—The kind of development rather indicates that they are component parts of the machinery. I do not know if the circumstances justify an increase in duty. The real point is, if you have got an engineering firm in this country which really knows how to make first class structurals for cranes and can establish a record for it, that would bring you the work.

Mr. Radice.—Yes.

President.—Why in spite of the disadvantages of having these things made abroad, people still go outside the country is because the standard of workmanship in India does not enjoy the kind of confidence that is probably necessary.

Mr. Radice.—We have examples from our own experience. We imported several cranes. They arrived so badly damaged that we had to practically rebuild them. Ever since, we built our own cranes here and there is no difficulty in getting good workmanship. We can make steel work for any cranes. If we can make Bally Bridge, we can make cranes. There is already an existing buying machinery which is utilised by all buyers including Locomotive Superintendents. They all buy through the consulting engineers from 20 or 30 crane makers at home. We have made special arrangements with one maker but we have no power to induce others to have the steel work fabricated here. Some have got their own workshop and they would rather go on in the old way although they did not really take much interest in the steel work. All that I am asking for is a short period of inducement to bring it home to the buyers here that they are making a mistake.

President.—Just to enable the Indian maker to establish the necessary connections?

Mr. Radice.—Three or four years would be quite enough.

Mr. Wiles.—I should like to be assured a little more thoroughly in regard to this Chapter C, regarding your statement that you don't want the Indian buyer to pay more but that you want him to buy Indian. You believe that if protection is put on the buyer will not pay more. Can you elaborate that a little? I will refer to the steel towers for instance. I should imagine that the object of allowing steel transmission towers to come in at the ordinary rate is to encourage the expansion of the electrical industry throughout India. It is a question of vast importance to many provincial Governments and they are distinctly worried about the

prospect of having to pay more for their transmission towers. It might have a very serious effect on the demand I should imagine, for the expansion of electrical power in various parts of the country. So, it is a matter of very considerable importance that the prices should not be raised.

Mr. Radice.—I am afraid I cannot substantiate that statement in regard to towers. I was chiefly thinking of the additional service and convenience in cranes and canal gates.

Mr. Wiles.—The proposed duty on towers would, you think, definitely raise the price by the amount of the duty.

Mr. Radice.—For the time being even there I should say a short period of protection for three or four years would serve the case to cover the establishment of galvanizing works and the risk of investing capital in it because when I was writing this I did not take into account the probable lowering of the cost of the raw material for towers in India. That was rather outside my province. At that time I was working only on present rates. That in itself would be a strong factor and an increase of a few percentages in the price of towers should surely not influence the total cost of hydro-electric projects by more than let us say $\frac{1}{4}$ per cent. or less than that. I can give you approximate figures from estimates that I have.

President.—Can you? It would be useful if you could.

Mr. Radice.—Yes.

Mr. Wiles.—Take the electric schemes such as are being introduced in Madras.

President.—Our figures led us to an approximate figure of 15 per cent. if you work on the basis of an increase from 10 to 25 per cent.

Mr. Radice.—I will give you the exact result on that.

Mr. Wiles.—A small point but perhaps worth referring to. In paragraphs 1 and 2 of the same part you refer to the case of Indian States and Customs duties. I should put it rather differently. I should hardly call this a loophole in the Customs arrangement. Is it not inherent in the rights of the States, if they wanted to, to forego the Customs duty? It is not a matter in which the British can interfere.

Mr. Radice.—I am afraid not.

Mr. Wiles.—Coming to the high tensile steel, I am afraid I did not quite follow the argument about the high depreciation. Do I understand that the new plant which you would have to erect for the construction of high tensile steel structures ceases to be of use in a year or two when the immediate work is finished?

Mr. Radice.—My argument was this. High tensile steel is most profitably used in structures of larger sizes and those are not of very frequent occurrence. It requires a special plant owing to their size. Once you have installed that plant for one particular work involving the use of high tensile steel, if it is big enough, you might have to wait for another 20 years for another one to come along. Of course, if you have economic access to several countries, your chances of finding other work of that magnitude within a shorter period are naturally increased.

Mr. Wiles.—It is only in the case of very large structures that you would have to put up a special plant.

Mr. Radice.—High tensile steel tends to increase the size of structures using very much longer spans.

Mr. Wiles.—In the Howrah bridge for example?

Mr. Radice.—It would mean this. If for example 350 feet were to be the economic span in mild steel by using a stronger material, the economic span might be up to 450 feet.

Mr. Wiles.—When you say a high duty on high tensile steel would do for a temporary period, that argument might be repeated indefinitely every time a very large work was required in India.

Mr. Radice.—The argument would fail in the second time because the plant would be existing in India at that time.

Mr. Wiles.—If it is existing and of service, then a high rate of depreciation does not apply.

Mr. Radice.—I was answering your first question. You said that we would have the same thing recurring if a second project came along. My answer to that was that the plant would be there.

Mr. Wiles.—Supposing another project came along 20 years hence?

Mr. Radice.—No structural firm can carry at a high value any plant that is likely to be wanted only every 20 or 30 years.

Mr. Wiles.—Coming back to this question of foreign competition I am still in doubt about your belief that this is a matter of some permanence. We were told this morning, for instance, that although some amalgamation had been effected, that of one of the largest steel works still remained to be effected. Is it not conceivable that this sudden depression of price to an uneconomic level which not only involves foregoing certain costs but actual subsidies to various departments is introduced by a special consideration arising out of the prospect of amalgamation? For instance, a big firm might be in a hurry to increase its output. All the firms concerned are struggling for the moment to get all the work they can, in order to get the benefit out of amalgamation. Do you think that it may have had any particular effect in this particular instance?

Mr. Radice.—It may to a certain extent, but what is happening is this. For the Midland there is a rolling mill who for years supplied 10 or 12 fabricators some of whom had to pay about 24 shillings a ton to put their products on board the ship at Liverpool. If some of these works are closed down and become merely selling organisations, whilst one of them or two of them get together and put up works at the steel works and fabricate everything the freight disadvantage is wiped out straightaway. They will avoid the double journey of the steel. That is one phase of it. The result of amalgamation is that uneconomic shops are closing down and being turned into selling agents. The best situated shops geographically speaking are being extended with the plant from others. That is one aspect of the matter. As regards the steel works, for example, out of three mills, the amalgamation will close down two and will work one at 100 per cent. production instead of working three at 33½ per cent. They may close down some of their blast furnaces. Mr. Douglas is more familiar with this because he has been brought up in that part of the country. All these are permanent improvements.

Mr. Wiles.—That is rather a different matter. My doubt about that is a little different. As I said this morning it seems to me that these amalgamations are intended to improve the position of the English steel works.

Mr. Radice.—Yes, to reduce their costs.

Mr. Wiles.—So as to enable them to get good prices. It is not necessarily to the advantage of the amalgamations to reduce their foreign prices immediately although it may be a prominent feature of their future sales policy to sell abroad cheaper than they do at home. That may be so, but that is as regards the future. That was not the point I was raising. I was putting it rather in this way that in the struggle for a position in the amalgamation certain firms may be extending their production and their sales all over the world quite irrespective of their costs. That is purely a temporary feature in order to get a tactical advantage.

Mr. Radice.—Yes, to a certain extent.

Mr. Wiles.—That is what is happening.

Mr. Radice.—That has happened in the past to my knowledge. I can testify to that. Our advent in India as bridgemakers has been described in the history of our development here given in our submission. It was the

placing of the contract for the Bally Bridge with an Indian firm that was the turning point for bridge builders at home and since then India has been a target because they at home have lost one of their best markets for bridgework which they possessed entirely. That was the turning point and now not only ourselves but also our big competitors—I should like to call them friends—have all come into line. As you will see from the figures, practically no bridgework has been imported for the last two or three years. Four or five years ago, practically every bridge beyond ordinary plate girders spans came from abroad.

Mr. Wiles.—The only point I want to make is that as you yourself have said in this representation the steel trade has been for so many years in a state of delirium that it would not be safe to base any permanent policy or procedure on those facts. You may be going too far in assuming that this is a permanent factor.

Mr. Radice.—Our point is we have been holding our own against them as far as securing the work by sacrificing a good deal of our overhead expenditure. Last year we made a loss of Rs. 7 lakhs in order to keep our organisation going and our men working and we are hoping for better times. An English firm quoting a price like that—Rs. 202 or whatever it was—does not make that sacrifice. It can do so without sacrificing a penny. It might not get depreciation. But it would not lose cash. Our liquid assets have been decreased by Rs. 7 lakhs by keeping the plant going. The fear is that they can go on for 10 or 20 years.

Mr. Wiles.—Does not your claim then amount to the same as that made by Messrs. Jessop and Company? What you really want is your fair share of the work in India.

Mr. Radice.—Yes, we want to sell at a fair selling price.

President.—What you want is this. You want protection in order to get the work and not to get higher prices.

Mr. Radice.—We want a fair selling price. At present, to compete with foreign fabricators we are not quoting an economic price. We are frittering away our resources which represent our life blood.

Mr. Douglas.—Because the trade here is so bad, we have tried to do business in China through our representatives there. They have been successful in getting us orders for a few hundred tons. That has been due to our sacrifice in respect of our overhead charges and willingness on the part of Tata's to meet us in the price of materials. This step was considered necessary to enable us to work to some thing like full production. The fact that we have had to work at half production has caused us to lose considerably.

Mr. Wiles.—In paragraph 23 of your 1st Chapter you point to the fact that current prices of imported steel have not fallen because you are compelled, in addition to what you are taking from Tata's, to buy imported steel.

Mr. Radice.—Yes.

Mr. Wiles.—Is that a temporary factor?

Mr. Radice.—No.

Mr. Wiles.—Do you mean by this that you think that the price of steel is not likely to come down?

Mr. Radice.—No, not for the type that we require, because whenever we are in the market, we are there for sections which are not rolled by Tata's.

Mr. Wiles.—I take it that the prices of the raw material brought in by a firm to which you have referred—rolled steel for fabrication—do not come into the statistical customs returns?

Mr. Radice.—I suppose they must come through the ordinary Customs returns—imported plain material.

Mr. Wiles.—Do they tend to depress the published prices of imported material?

President.—I think the difficulty with regard to that would be this that probably the invoice price is different from the price at which steel is actually transferred to the fabricating shop so that when a principal sends materials to an agent one never knows what value to attach to the price in the invoice.

Mr. Wiles.—That is true.

Mr. Douglas.—The Agents referred to have a stockyard of a capacity of 4,000 or 5,000 tons. Whenever they need steel for carrying out fabrication, they take it from the yard and this no doubt results in a book transaction between one department and another.

Mr. Radice.—If we buy we have to pay Rs. 145 a ton.

Mr. Wiles.—What do you put the number of first class fabricated steel works in India at?

Mr. Radice.—Seven or eight.

Mr. Wiles.—In your paragraph about freight disadvantage you use a phrase which would possibly lead to a little misapprehension, viz.: “the railways there (in Southern India) are all Company-managed over which the measures devised by Government for assisting home industries have little or no effect”. What are you referring to there?

Mr. Radice.—The rupee tender rules.

Mr. Wiles.—The phrase “measures devised by Government” led me to suppose that you meant some freight concession.

Mr. Radice.—I was just thinking of the ordinary Government of India purchase rules.

Mr. Wiles.—Complaint has been made by others that the Indian Company-managed railways are not subject to the stores purchase rules.

Mr. Radice.—I am not making a complaint of it; it is a fact.

Mr. Wiles.—Will you look at paragraph 39 of your representation? I don't quite follow the distinction between “5 per cent. return on capital invested” and “10 per cent. profit”, 10 per cent. profit on your total selling price and 5 per cent. on your total capital invested?

Mr. Radice.—Cash required to finance our trading.

Mr. Wiles.—You have not worked out the implications, I take it, of your paragraph 42

Mr. Radice.—I worked it at Rs. 69—Rs. 49 for part I and Rs. 20 for part II.

Mr. Wiles.—Do you think it is a practical proposition to have different scales of protective tariffs at different ports which you propose in paragraph 42, part A?

Mr. Radice.—For fabricated steel.

Mr. Wiles.—Do you think that is going to have much effect on the port at which fabricated steel will come in or is it your idea that the duty would be so prohibitive that no steel would come in at all?

Mr. Radice.—It seems to me to be a fairly simple executive matter.

Mr. Wiles.—What is the Port Trust going to say about that? If it would be a matter of complete indifference whether the fabricated steel goes to Bombay or Madras, so far as its ultimate destination is concerned won't Bombay be entirely neglected for Madras?

Mr. Radice.—We had a very good example in the Nurbadah Bridge. We were quoted two prices for the plain material, one for delivery in Bombay and another for delivery Calcutta. The price delivered Calcutta was Rs. 9 per ton less. They at first proposed to charge Rs. 12 less; we rather protested against it and they were kind enough to make it Rs. 9. There was a definite difference from our competitors point of view because there was a freight difference of about Rs. 17.

Mr. Wiles.—From your point of view it looks rather attractive, but I foresee great difficulties in the general administration of different rates of duties at different ports.

Mr. Radice.—Personally perhaps I am an ignoramus about it but I don't see any difficulty in charging Rs. 49 in one port and Rs. 52 in another per ton of fabricated steel imported.

President.—The channels of traffic connected with each port would rather be seriously disturbed.

Mr. Radice.—Do you think it would divert the traffic from one port to another?

President.—In areas on the border line. Take an interior place like Nagpur which can be supplied from either Bombay or Calcutta. If you vary the Customs duty they might shift either from Bombay to Calcutta or from Calcutta to Bombay and the Port Trust would have a good deal to say as they are a very sensitive people.

Mr. Radice.—Yes.

Mr. Wiles.—I will now turn to Appendix III of your representation. Take B "Equivalent rupee prices landed at Indian port for British article" and C "Equivalent rupee prices landed at Indian port for Continental materials"; is Continental price so much higher than the British price? £8, is this purely based on the value of the rupee in gold?

Mr. Radice.—It is merely a conversion table; it is a ready reckoner.

Mr. Natesan.—I should like to repeat the observations I made this morning to the representatives of Messrs. Jessop and Company. I was very much interested to read your memorandum; it is very valuable in many ways and I note that you have identified yourselves with the prospects of the steel industry in India and that you urge for protection. Not only that, you ask for increased protection for fabricated steel products. In your memorandum you have made this statement "It is Braithwaite's boast that not only have they never taken one rupee out of the country but that they have offered to the Indian shareholder an opportunity to purchase the fruits of their enterprise at bargain prices". You say in the next page that the successful completion of your bridgework followed by the fabrication in India of girders for every important bridge required ever since "is clear proof that under the fostering shelter of protective duties the Indian steel industry has developed this highly technical branch of its activities to the point where India can supply its own needs even for bridges of the largest size". With regard to your first statement do I take it that you have a number of Indian shareholders in your company?

Mr. Radice.—Yes, and two Indian directors.

Mr. Natesan.—Do you employ many Indian engineers in your firm?

Mr. Douglas.—Yes, a great many. During the last five years we have brought into our works for training in Bombay and Calcutta three senior Indian students to one European.

Mr. Natesan.—You are keeping Indianisation in view?

Mr. Douglas.—Yes.

Mr. Natesan.—I would turn to the next point. I gather from all the information you have given in the memorandum and from the oral evidence to-day that the steel industry has to contend against three sources of attack. During the last few days during the course of Tata's evidence before us and yesterday of Mr. Indra Singh we heard a great deal about the competition from the Continent and from Japan. To-day you have made it very clear to me at any rate and I hope I am making no mistake that all the trouble with regard to fabricated steel products such as transmission towers and pressed steel tanks comes from the British manufacturer. Am I right?

Mr. Radice.—Yes.

Mr. Natesan.—Am I to draw this inference from your answer to Mr. Wiles' question—you said it is not merely of the character of a passing

phase but that the difficulty is of a serious character and the Tariff Board must do something to prevent this unfair competition by the British manufacturer—am I right in thinking that all this trouble comes from the British manufacturer?

Mr. Radice.—That is our considered opinion.

Mr. Natesan.—So then the Tariff Board has to take into consideration, in considering the question of protection to the steel industry and also the measure of it, three factors, not only threatened Continental invasion, the increasing threat from Japanese competition but also competition from British manufacturers in the lines that you have stressed this morning in your memorandum and in your oral evidence. Am I right?

Mr. Radice.—Yes.

Mr. Natesan.—With regard to high tensile steel you have stated in your memorandum that it can be made in India. I found this morning a statement made to a representative of the *Statesman* by the Chairman of the Calcutta Port Trust to the effect that “tenders for material for the new bridge will be called from July, 1934. So far as high tensile steel is concerned, Tatas were capable of manufacturing it. It was therefore wrong to say that the use of this kind of steel would interfere with the purchase of material manufactured in India. High tensile steel would reduce the cost of the bridge. Without the use of this it was not possible to build a new bridge of adequate width with the funds available for the purpose. This particular type of steel was recently made and tested in the presence of the Government Metallurgical Inspector at Tata’s works at Jamshedpur who expressed the view that it was quite satisfactory”. Then having regard to this information it is all the more imperative that some protection should be given against imported fabricated high tensile steel; is that your point?

Mr. Radice.—That is so.

Mr. Natesan.—There is one other point on which I want information. With regard to the cost of conversion for a large bridgework you say it is as low as Rs. 80 in your case and the figure given by another firm is from Rs. 100 to Rs. 130. Is that due to the fact that your firm is specialising in bridgework; or is it also because, as you say, the component parts are made to be interchangeable and therefore repetition orders give you a greater chance for reduction in costs. Is that correct.

Mr. Radice.—Yes. The Company is fortunate in having the services of Mr. Douglas; there are very few people of his ability in producing interchangeable standards.

Mr. Natesan.—I thank you for this information.

Mr. Atha.—I presume you are more or less familiar with the financial results of British steel works during the last few years, including those that do bridgework. Do you think they can go on for another 10 or 20 years in the way they have been going on for the last few years?

Mr. Radice.—They may or may not but we certainly will not be able to do that for another two years. When we started a few years ago we were in the happy position of having something like Rs. 30 lakhs of liquid assets in excess and we have frittered away in the last two years something like 13 lakhs and we certainly cannot go on.

Mr. Atha.—Isn’t the position simple?

Mr. Radice.—I don’t think so.

Mr. Atha.—While there is room for a reduction in the costs on the lines you have suggested and they may, in time, reduce their costs. I suggest there must be a reduction in the costs before they will be able to reduce their prices or even continue their present prices.

Mr. Radice.—I am afraid I am not competent to answer it. I am not in touch with the conditions in England. Except from our own point of view I have no experience of the steel trade in England.

Mr. Atha.—I am speaking of published figures.

Mr. Douglas.—They are almost down to prewar level.

Mr. Atha.—In the way of costs?

Mr. Douglas.—Yes.

Mr. Atha.—I am speaking more of the financial results as shown in the published balance sheets. In some cases they are very good. It would seem quite obvious from these figures that they cannot possibly go on.

Mr. Douglas.—It seems very obvious that they must be working considerably below their capacity. Their loss would be considerable by working at say half their capacity. It would probably be much more if they did not work at all and had to close down.

Mr. Atha.—Some companies might have been better off if they closed down entirely as far as financial results are concerned. If they follow the course they have been following during the last four years, that may be the result. Then you would not have the competition.

Mr. Douglas.—It also follows if a bright change comes over the Steel industry at Home, they will not be tempted to quote Rs. 202 for imported fabricated steel, because better markets outside India will doubtless be found.

Mr. Atha.—For that reason I say with the apparent impossibility of going on year after year with the financial losses that have been shown, it doesn't seem to me to be likely that the low prices that have been quoted are likely to continue as you seem to anticipate.

Mr. Douglas.—For a bridge contract about a year ago for the supply only of about 5,000 tons,—foreign prices were more or less reasonable—and in the neighbourhood of Rs. 240 a ton. When an order amounting to Rs. 60 lakhs and involving the use of 13,000 or 14,000 tons of steel with the necessary fabrication also erection and pier sinking, prices of Rs. 202 were quoted. If an enquiry were issued for 30,000 tons, we would not know what to expect in the way of competition from abroad.

Mr. Atha.—Perhaps in view of the losses that they might make, they would give it up.

Mr. Natesan.—I forgot to put one more question. I understood also as a result of this tremendous competition from the British firm, your own firm has had to suffer serious loss and you said that you had suffered a loss of Rs. 7 lakhs.

Mr. Radice.—By cutting down salaries, by effecting stringent economies and by making men work harder than before, we hope this year to reduce it.

Mr. Natesan.—It must have had the same effect on other firms engaged in similar business.

Mr. Radice.—We are hit more, because we specialise in structural work only.

Mr. Douglas.—We have illustration of the severe competition we have to meet locally from foreign manufacturers. Whilst the Board has been sitting prices have been tendered at Rs. 180 a ton. The cost price of plain steel to us was Rs. 139-4 and the selling price of the firm who won was Rs. 180. We have to beat them. We didn't succeed and two useful bridge work orders were lost to India.

President.—Let me have these figures again. I should like to follow them. What kind of work is this?

Mr. Douglas.—Bridge work.

President.—What are the figures?

Mr. Douglas.—East Indian Railway plate girder, spans; total quantity 177½ tons with 158½ tons of Tatas material; 9-61 tons of home material together with rivets and bolts. The average price of that material was Rs. 139-4 per ton.

President.—What kind of price is this?

Mr. Douglas.—This is delivery at works using Tata material wherever possible.

President.—Ex-works in Calcutta?

Mr. Douglas.—Plain material *plus* rivets and bolts, delivered our works.

President.—This is the rolled steel price delivered at the works?

Mr. Douglas.—Yes. When fabricated, the price quoted by the firm which won the contract was Rs. 180 per ton leaving Rs. 41 per ton for all conversion or overhead costs.

President.—This is an Indian order?

Mr. Douglas.—It will be made from foreign steel.

President.—Fabricating being done out here?

Mr. Douglas.—Yes.

President.—I expect they must have got their rolled steel at somewhere about Rs. 95.

Mr. Radice.—Put it at Rs. 80 and the rest as rivets.

Mr. Douglas.—They may have got rolled steel at Rs. 145 a ton and they are recovering only making wages and no overhead expenses whatever at this end.

MESSRS. JESSOP AND COMPANY, LIMITED.

**Evidence of Mr. C. I. RODDICK and Mr. P. F. S. WARREN,
recorded at Calcutta on Tuesday, the 28th November, 1933.**

President.—Mr. Roddick, you and your colleague represent Messrs. Jessop and Company?

Mr. Roddick.—Yes.

President.—What I propose to do with regard to your representation is to take up the points to which you have referred in the order in which these points occur in your representation. I will therefore first deal with the more general part of your representation. If you look at para. 4 of your representation, you call attention to the great reduction in the volume of production consequent on the fall in demand and you go on to say that you base your claim for further protection on the vital necessity of retaining all the work available in the country. I should like to clarify the position that you try to put forward. As far as I can understand from figures of Indian production and imports of fabricated steel which I have seen, the position at present apparently is that steel fabricated in India out of Indian material now represents more than 85 per cent. of the total consumption of fabricated steel in the country.

Mr. Roddick.—Yes.

President.—The difficulty which the Indian fabricators are up against is apparently this; there is a considerable quantity of steel fabricated in India out of imported steel materials.

Mr. Roddick.—You mean by the Indian fabricators?

President.—What I am suggesting is that the Indian fabricating industry, by which I mean fabricating companies working in India as Indian companies, is up against competition from makers of fabricated steel who are not Indian companies who are using imported material. The fabrication is done in this country but the rolled steel which is used is imported rolled steel. I have not been able to investigate the correctness of the facts but apparently what is happening is that the rolled steel which is used for such works is steel which is apparently debited at a cost which falls considerably short of the ordinary market price of rolled steel in the country.

Mr. Roddick.—I would not say quite that; I would say it is debited at a fair cost otherwise the Customs people would not accept the debit from the tariff point of view. They would not accept an invoice which is a long way below what we buy at.

President.—Supposing it is imported at a price which judging by the invoice corresponds to the ordinary market price, but having imported the steel technically at the invoice price, later on when you have got a piece of fabricated work to do then a certain quantity of steel which you have technically imported at the invoice price is used in the works at a cost which is short of the invoice price.

Mr. Roddick.—That is so, but I would like to point out that that is only one issue of the problem.

President.—The other issue, as I understand it is that fabricated steel is imported into this country made out of imported steel, the whole operation being done abroad.

Mr. Roddick.—Yes, that is the other issue.

President.—Therefore the Indian companies are up against competition from two points, first fabrication done in this country but imported rolled steel used in the works at less than the economic price; the other is fabricated steel imported into this country made also of imported steel.

Mr. Roddick.—Yes.

President.—Both the steel used and the fabrication.

Mr. Roddick.—Yes, those are the two main issues we are up against.

President.—Messrs. Braithwaite and Company has given us some figures; they have asked us for the time being to regard their representation as confidential, so I cannot mention the figures; but as far as I am able to judge from their figures and such other figures as we have received, the competition from the first source is really more serious than the competition from the second source. Judged by the quantity of fabricated steel which is represented by competition from these two sources the more serious source of competition is steel fabricated in India out of imported steel.

Mr. Roddick.—I don't say it is any more serious but it is far more complicated to get round.

President.—I am judging by the quantities involved.

Mr. Roddick.—Yes, if you take purely on the quantity basis up-to-date.

President.—I will come back to the other proposition. The amount of imported fabricated steel, imported as such, on last year's figures does not represent more than 3 per cent. of the total consumption of the country, is less than 2,000 tons.

Mr. Roddick.—Yes.

President.—Suppose we gave you further protection and increased the rate of protection and enable you to get this extra 2,000 tons, is that going to materially alter the position?

Mr. Roddick.—That is not the point. It is admitted that the fabricators in India have taken practically all the fabricated steel that is going but they have only taken that by quoting ever so far below costs. Nobody would dream of quoting for another Narbada Bridge contract at the price we quoted before, because it was an uneconomical price. I don't think you can ever get those prices again and fabricators can't live unless they get very much higher prices.

President.—I should like to have the position cleared up. What you are really complaining of is the somewhat uneconomic price that Indian fabricating firms are compelled to quote under present conditions?

Mr. Roddick.—Have been quoting under the conditions of the last two of three years.

President.—The fact that they are quoting these exceptionally low rates may be due to two causes: first, it may be due to the exceptionally low prices at which importing fabricating firms are quoting for orders in India. In the second place, it may be due, apart from any competition from imported fabricated steel, to internal competition among the fabricating firms in India. May I suggest that of these two probably the more important cause is the internal competition?

Mr. Roddick.—Over that period of two years which has been the period when the fabricating industry in this country has been struggling to keep their works going, but we have now got to a stage where we cannot quote such prices; we cannot go on because we have lost all the reserves.

President.—It is therefore due to the fact that the fabricating capacity of the country now is considerably in excess of the orders available in the country.

Mr. Roddick.—At the moment but not at the peak load.

President.—What year would you take as the peak load?

Mr. Roddick.—Take for instance the contract for the Howrah bridge which is coming on next year; that we would take as the peak load.

President.—That of course is a very exceptional thing.

Mr. Roddick.—That is a peak load.

President.—Suppose we go on past figures, and take the last six years since the Steel Protection Act was passed. Are you in a position to tell us which year among these six years you would take as the peak year?

Mr. Roddick.—I can't tell you without looking into the figures.

President.—About 100,000 tons of fabricated steel may be taken as the highest consumption in this country.

Mr. Roddick.—Yes.

President.—Assuming as a result of revival in the steel industry generally we are going to get back to this peak year, then that would be considerably short of the present fabricating capacity of the country.

Mr. Roddick.—Not very far so.

President.—Can you just run your mind over and tell us?

Mr. Roddick.—I can't account for all the small concerns, concerns with output of 100 tons a month; there are small people all over the country who are continuing with their full production. So that of the figure that you have of the total demand we would have to discount something for the petty concerns. That is the first thing. The next thing is that we will have to divide that figure by say a figure of 6 and you get an average of about 15,000 tons, let us say 10,000 tons.

President.—That is 90,000 tons?

Mr. Roddick.—Yes.

President.—If you take the leading fabricating firms in this country and put upon each firm an average capacity of 15,000 tons.

Mr. Roddick.—I can't do that. I don't know what the individual firms' will say.

President.—Your own impression is that if the demand more or less revived to a level approximating to 100,000 tons, it would more or less correspond to the total capacity at any rate of the bigger engineering firms in the country?

Mr. Roddick.—Yes at the peak load with a margin of safety for such things as the Howrah Bridge.

President.—So taking the normal demand of the country the problem before us from the point of view of assisting the fabricating industry, is to do what we can to increase the market?

Mr. Roddick.—Certainly.

President.—The difficulty that occurs to me in that connection is that tariffs are the worst way of doing it.

Mr. Roddick.—I admit it.

President.—If your temporary need is an improvement in demand and if the tariffs are not altogether a satisfactory way of bridging that about, it looks to me that the engineering industry must seek assistance in directions other than tariffs?

Mr. Roddick.—I don't quite agree with you. For example, say a prohibitive duty was put on imported steel, owing to the cost of running these various works it must be admitted that you cannot produce steel in a fabricated form for the buyer at say a 100 per cent. efficiency figure because we do not get this peak load year in and year out. Therefore you have got to discount that to some extent.

President.—Your point comes to this that while it is true that under present conditions tariffs are not the most satisfactory method of assisting the engineering industry, at the same time the prices fixed for engineering products in this country must be such as to cover their cost of conversion on something less than full capacity.

Mr. Roddick.—That is the point, because I think it may be taken that there is no question of making large profits because the internal competition will see to that. But at the same time if you want the industry such as has so far been established going, it can't live if you have got the bugbear of the foreigner being able to quote prices which they have been doing. It is going to knock you out.

President.—What complicates the position is the reaction of these two factors. There is first the internal competition which is cutting down your prices and at the same time I have no doubt that the exceptionally low prices which are occasionally quoted by foreign firms for Indian orders have also the effect of bringing down prices.

Mr. Roddick.—Certainly.

President.—What I am not quite clear about is this: the quantities involved as regards imported fabricated steel are so very small in relation to the quantity of steel fabricated in this country, would this very small quantity have any appreciable effect on prices?

Mr. Roddick.—These quantities happen to be small. But the fabricating firms in India have been able during the period of two years, with their reserves, to carry on and quote these ridiculous prices giving something for nothing. Now we have reached a stage where it cannot be done and every bit of steel work will go out of this country.

President.—Let us say there is a bridge for which tenders are invited and the Indian firms quote for this bridgework; then the Indian firms when they quote for these orders do so under the apprehension that some foreign firm may also quote for that at cutthroat prices. The quantity involved may be very small but the sword of Democles is always hanging with the result that though the quantity imported may be very small, its effect may be out of all proportion?

Mr. Roddick.—That is one point. There is one point further and that is that I don't think that fabricating firms in this country can possibly go on quoting prices that they have been quoting for the last two years. It is absolutely uneconomical and unsound.

President.—Supposing this proposition is right that although the quantities imported are very small, the constant fear of very low prices being quoted by foreign firms has the effect of depressing prices which may be quoted by Indian firms in competition: there is always the dread that some fellow will come in with a cutthroat price and you have got in suggesting your price to anticipate that possibility?

Mr. Roddick.—Yes there is.

President.—Supposing by suitable tariff arrangement we provide against that you are still left with the internal competition fact?

Mr. Roddick.—We have no objection to that at all because although prices have been quoted at these ridiculous rates, it is obvious that once firms run out of their reserves they cannot do that, there will be internal competition just the same but it will be carried at a higher level.

President.—Why.

Mr. Roddick.—Because they have to carry on otherwise they will have to shut down. They are at the stage of actually closing down. That is the position.

Mr. Wiles.—I am extremely ignorant of the tender system. Are your tenders completely blind or is there any method by which you can ascertain what the competitive figure is likely to be?

Mr. Roddick.—Our tenders are blind; but on certain railways the custom is to read out the tenders; you can go to the opening of the tenders and hear what your competitors have quoted.

Mr. Wiles.—So that your quotations are absolutely blind?

Mr. Roddick.—Yes.

President.—Supposing we propose a duty on fabricated steel, high enough not merely to cover the cost, say, on a production of 50 per cent. basis, but high enough to prevent this kind of sporadic competition from abroad, isn't there a danger that under the shelter of a high tariff of that kind, half a dozen of the leading fabricating firms in this country may get together and quote prices which will be ruinous to the consumer?

Mr. Roddick.—I don't think so. My experience is that it has occurred in certain industries where a ring has been formed behind the shelter of a tariff wall. If however there is more than 10 per cent. profit, you will find plenty of competitions in a very short time, on the other hand even if it is a ring getting 10 per cent. profit, it is not fleecing the consumer.

President.—The point is, supposing we reach a stage where there is a sufficient demand in this country up to the total capacity of the leading engineering firms—let us say there is a demand for 100,000 tons of steel and let us assume that 100,000 tons represent the capacity of the leading engineering firms and in the meantime we raise the tariff say to a prohibitive level whatever it is, isn't there a very real danger?

Mr. Roddick.—No, I don't agree.

President.—That you can quote whatever prices you like.

Mr. Roddick.—You cannot.

President.—You can divide the orders among yourselves.

Mr. Roddick.—There are plenty of people willing and anxious to invest money in an industry, the moment there is a profit of 10 per cent. I myself would. That is my opinion.

President.—That assurance I don't deny. There may be force in that contention, but it does not carry conviction to my mind. I have known industries in previous Tariff Board enquiries where three or four firms have been able to get together—we anticipated that there would be internal competition, because there are three or four firms engaged in the industry—but actually by common arrangements they have been able not merely occasionally but sometimes frequently to charge prices which are slightly higher than the fair prices that we assumed.

Mr. Roddick.—That is largely controlled by the capital to be expended on that industry. If you get an industry that requires a very heavy capital expenditure, I can well imagine that situation arising. When I say heavy capital, I mean Rs. 2 crores or Rs. 3 crores. In comparison the capital expenditure to produce bridge work, need not exceed Rs. 15 lakhs. That is a very big difference. You may start even with Rs. 5 lakhs and be able to knock any ring out. It is only a danger to my mind where the capital expenditure is very heavy to produce the article.

President.—Your point is that in addition to the half a dozen recognised engineering firms in the country when there is a good order going, you are likely to get into the field, somebody outside this group of recognised firms with relatively small capital expenditure may be able to quote for the order.

Mr. Roddick.—Yes. Say there was a ring formed—I am not assuming that there is a ring for the moment—that ring would be to my mind very foolish to put up prices which would give them more than 10 per cent. It would be simply inviting competition.

President.—That is of course the provision which is normally suggested in the case of the monopolistic concerns. Even if you had only one firm in the country and if it charged a price corresponding to 50 per cent. profit, it is inviting some outside party to come into the field.

Mr. Roddick.—It is very healthy to put the tariff high.

President.—That kind of provision has rather a way of operating very slowly. You cannot depend upon it for a steady operation. Could you give us any concrete suggestion for meeting this difficulty?

Mr. Roddick.—I am not asking for a prohibitive tariff. As a matter of fact I have not asked for any particular tariff.

President.—I will drop this word “prohibitive”. Supposing I take the actual price quoted for the Narbada Bridge contract in this country, supposing I take that as the c.i.f. price, that price without duty is the c.i.f. price.

Mr. Roddick.—Yes.

President.—Supposing I eliminate the duty from that and take that as the c.i.f. price of imported bridge

Mr. Roddick.—As the worst dumping price.

President.—And fix your measure of protection on that, you would have a fairly high duty.

Mr. Roddick.—Yes. I mean to say you call it a fabricating duty. More than half of that would go to steel assuming that the steel duty remained what it is.

President.—One thing we are in a position to say and that is steel duties are likely to be lower.

Mr. Roddick.—That is all to the good. You are taking Narbada as the instance. We will assume that the steel duties are going to be the same as they are at the present moment. Then half the tariff on the fabricated steel that you would have to put on, would go into the steel.

President.—The way in which we would calculate the duty in that case would be this: we take the fair prices which we fix for Tatas’ rolled steel whatever they are for the future. They would, I think, be in some cases at any rate considerably lower. We take the ordinary proportions say of structurals, bars, plates which go into a piece of bridge work.

Mr. Roddick.—They vary.

President.—We take some normal standard proportions, say structurals 50 per cent., plates 50 per cent.—some proportion of that kind. We take these proportions of steel and take their cost as calculated on the future fair price of Tatas.

Mr. Roddick.—That is assuming that Tatas will never have to give special price for bridge work steel.

President.—To that we add your conversion cost and get your fair price in that way and compare that with the duty-fee price corresponding to the Narbada quotation. Then you get a duty which would prevent very low quotations.

Mr. Roddick.—That would prevent Rs. 202.

President.—Assuming Rs. 202 is exceptionally low, it would prevent exceptionally low quotations of that kind from abroad.

Mr. Roddick.—Yes.

President.—On that basis you might reach a level of duty which would be considerably higher than the present duty applicable to fabricated steel. I was just using “prohibitive duty” in that sense—a duty higher than the present duty on fabricated steel. Supposing we did this for the engineering industry, raised the duties on fabricated steel to a level which would make it impossible for raids of this kind from abroad.

Mr. Roddick.—For dumping.

President.—Dumping is a difficult word. I am using the word “raid”.

Mr. Roddick.—I accept that word “raid” in place of the word “dumping”.

President.—I gave you a duty corresponding to that which would be a substantially high duty.

Mr. Roddick.—Yes.

President.—Then to my mind there is a corresponding obligation on engineering firms in this country especially in view of the fact that their number is relatively small, to see that prices are never quoted which would be unfair to the consumers.

Mr. Roddick.—Admitted.

President.—You might find, when there is a good order going, foreign firms may not quote always at this exceptionally low price. They may quote fabricated steel on a basis of normal price for rolled steel.

Mr. Roddick.—The duty that you are contemplating here is based on figures which we call

President.—Normal price for rolled steel.

Mr. Roddick.—For fabricated steel.

President.—Let us get back to fundamentals. This is rather an important question. The position is that there are certain British firms in the sense of firms operating in the United Kingdom who are now fabricating steel just out here and who are also importing fabricated steel. There is a good deal of re-organisation going on in the British steel works. It is a period of transition and sometimes in order that a scheme of rationalisation may be completely effective, you are tempted to gather all the work that is going and in order to do that you quote prices sometimes which may not cover your out-of-pocket expenses. It is really a step in the process of amalgamation or rationalisation whatever you call it.

Mr. Roddick.—Yes.

President.—It is, all part of the capital expenditure?

Mr. Roddick.—Yes.

President.—During that period of transaction dangerous prices may be quoted for people out here.

Mr. Roddick.—Yes from abroad.

President.—At the same time you might find a case when there is a big order for fabricated steel work in this country, a man who quotes from abroad is a man who quotes not on this exceptionally low basis, but on a normal basis. You add the 50 per cent. duty on to that and you would get an exceedingly high price.

Mr. Roddick.—Yes.

President.—It would be against that, half a dozen engineering firms would be able to quote.

Mr. Roddick.—That is why I have said, let us have a specific duty which gets over that. If you put an *ad valorem* duty on to counteract that, that difficulty might arise.

President.—It would not make very much difference. I will tell you what I think. On the Nabada price the duty that you would require would be somewhere near Rs. 75 per ton.

Mr. Roddick.—Yes, but then you are bringing up a point that if you make an *ad valorem* duty equivalent to Rs. 75 a ton on this

President.—If we put an *ad valorem* duty, it would be worse.

Mr. Roddick.—It would be much worse.

President.—Even on a specific duty basis, it is pretty high.

Mr. Roddick.—Admittedly it is pretty high, but you have abnormal conditions.

President.—Specific duty is not so oppressive as an *ad valorem* duty, but a specific duty of Rs. 75 is pretty stiff.

Mr. Roddick.—Yes.

President.—Therefore when you are quoting against a normal order from abroad, you would be able to quote a price which would correspond to a duty of Rs. 75.

Mr. Roddick.—I see what you mean.

President.—You can go up to that.

Mr. Roddick.—The point that we were making is what is the future price that is going to be. Do we know that Rs. 202 is the lowest?

President.—We don't.

Mr. Roddick.—After all the works abroad are not re-organised. It may still go a little lower.

President.—It is perfectly true. That is one side of the question.

Mr. Roddick.—All that I am saying is if you are going to put a tariff wall to give any confidence to the industry, to operate, it must be a tariff that provides anyhow considerable safeguard against such dumping as this.

President.—That is from the point of view of the industry. From the point of view of the consumer supposing that is done, could we, as a Tariff Board, have sufficient assurance that the small group of engineering firms in this country would not quote prices which would be unfair to the consumer under the shelter of a tariff which implies a duty of Rs. 75 on fabricated steel?

Mr. Roddick.—All I would ask you is to look at the last three years.

President.—Last three years was an exceptional period.

Mr. Roddick.—I remember at the last Tariff Board's enquiry the same point was brought out and it was feared at the moment the duty was put on that the ring would be formed and there would be no healthy competition, but the actual practice doesn't prove that.

President.—The facts have been different because of the exceptional circumstances. In a period of falling prices, reduced market, you have to scramble for such a market as there is. Supposing from this time onwards the steel market is going to revive and you are going to have a demand for 100,000 tons, all of you would be comfortable. You need not quote against another. Orders would come your way without asking for it.

Mr. Roddick.—At the same time I don't quite agree with you, because everybody is greedy. You are apt to think that when you have got a 10,000-ton contract, why not have another 5,000-ton contract. It is not human nature to say "I have got a 10,000-ton contract, let the other fellows have the other 5,000-ton contract!"

President.—In my experience things have not worked out in that way. There is a very real danger.

Mr. Roddick.—Basing it on the actual facts—I am speaking of the structural industry—prices are quoted, in spite of dumping, showing very keen competition.

President.—If it is a kind of standardised product, we can provide against this danger, because we can say we consider that a price of so much per ton is the fair price and if anybody quotes above that, the purchaser has the right to quote the Tariff Board's Report against it. In regard to fabricated steel you cannot fix a price. The kinds of articles are so varied that it is quite impossible to suggest a standard price.

Mr. Roddick.—I quite admit.

President.—Which is the real element of danger in this case. If it is steel bars, we can say, Rs. 100 is the fair price, and if anybody quotes above that, he is quoting an unfair price.

Mr. Roddick.—You must take the profit into account. There is no doubt that if there are any big profits, there would be somebody willing to put in money to obtain some of that business. On sugar, for example, you have put a high tariff duty and you find people coming into it. In fact there are too many now.

President.—Of course the Sugar industry is scattered all over the country and there is a very large number of people in the industry, but the fabricated industry in the main is concentrated in Calcutta.

Mr. Roddick.—The only reason for that is the demand. The same principle applies. If there is profit, there is always people after it which will attract capital.

President.—I hope you are more right than I am, Mr. Roddick. About the end of para. 5, you make a statement which I don't profess to understand. You say "That the measure of protection afforded up-to-date has not fully achieved the results anticipated is, we believe, largely attributable to the fact that Government has at each stage failed to adopt a bold enough policy".

Mr. Roddick.—I still maintain that.

President.—Bold in what sense?

Mr. Roddick.—Bold in the sense of taking the risk of putting on a tariff which will attract capital.

President.—But a tariff of 200 per cent. would not have given you more work than you are having now.

Mr. Roddick.—It is a ridiculous period that we have been going through, I admit, but I am saying that this ridiculous period cannot go on.

President.—It is now ten years since the period of protection started. Do you think that if Government had levied higher rates of duty than those now in existence, things would have been different?

Mr. Roddick.—In the course of the ten years, the fabricated steel industry had not lost money, but only in the slump period it has lost.

President.—No amount of protection would have saved you from loss in the slump period?

Mr. Roddick.—Quite so.

President.—However, bold the Government's policy might have been, it would not have saved you in the exceptional circumstances of the last three years?

Mr. Roddick.—Admitted, but at the same time a bold policy over a period of years will save the situation.

President.—In the matter of tariffs I am not standing up for the Government of India and I don't pretend that the Government of India are particularly a lot of courageous people. Supposing in this matter they had adopted a bolder policy than they had done in the past, it would not have remedied the situation?

Mr. Roddick.—It would not have remedied the situation in the slump period, which must be limited. It is limited by the funds in the possession of any people or the industry as a whole.

President.—I think you would have to come down to this point that as far as tariffs are concerned in the case of the Indian engineering industry, its sole utility is in respect of preventing this kind of sporadic competition from abroad?

Mr. Roddick.—Yes.

President.—Its sole utility is that?

Mr. Roddick.—Admitted.

President.—There is nothing else in it.

Mr. Roddick.—I admit.

President.—That raid is only a temporary phase?

Mr. Roddick.—You mean this dumping price?

President.—Yes.

Mr. Roddick.—From abroad?

President.—It is a kind of transitional development when a great big industry is reorganising itself or undergoing rationalisation.

Mr. Roddick.—What I am saying is that it has got to go on. It would go on for another year.

President.—It is not unlikely.

Mr. Roddick.—The point I am making is this. There is no time to lose. You have got to stop it. If they go on doing it for another 18 months or so, all the industries that are existing will have to close down. You have always got this fear of a dumping price like this which has been quoted for everything we tender, because it is all blind.

President.—Can you tell us this: have you any information about the reorganisation that is going on in England? What stage has this rationalisation process reached? Has the amalgamation been completely effected?

Mr. Roddick.—My latest news from England by this mail is that in so far as it affects one particular concern, it has been postponed. It has not actually gone through.

President.—In any case, it would be a matter of only a few months before the whole question of amalgamation is finally settled?

Mr. Roddick.—Yes.

President.—Don't you think that this danger is likely to be limited to a period of few months?

Mr. Roddick.—I don't think so. When you get fabricators and steel producers from abroad delivering the whole at so low a figure, they can attack the Indian market for 3 or 4 years with prices like this.

Mr. Wiles.—Is not the reorganisation in England aimed not entirely at reducing prices but increasing the efficiency by reducing costs?

Mr. Roddick.—I admit that.

Mr. Wiles.—As English steel makers have been as badly hit by the slump in prices as you have, I presume their resources have been exhausted much more than your own. Is not your fear then probably exaggerated?

Mr. Roddick.—They can get a full price in their own country. They can get a full price where there is not such local competition, but in India there is definitely serious competition and they can dump in India for four years.

President.—Your point comes to this. After all even amalgamations must charge such prices as would in the long run enable them to cover all legitimate charges, conversion costs, depreciation and so on.

Mr. Roddick.—Admitted, but in the meanwhile if they keep it up for another 18 months, the fabricating industry in India will be knocked out entirely.

President.—Your point is where the exporting industry has a very large export market, they can regulate prices in different export markets in accordance with conditions of competition in each market.

Mr. Roddick.—Yes.

President.—They adjust the prices; in one market they cover their works cost, in another they get their works cost *plus* depreciation and a considerable amount of profit and in another only a small amount of profit. That is to say, they will arrange their prices in accordance with the local competition that is met with.

Mr. Roddick.—Yes.

President.—Such a thing might take place even when the reorganisation has been completely effected and conditions have gone back to normal?

Mr. Roddick.—Yes. May I refer to one point? You raised the question of prices under what you called a prohibitive duty. There is another aspect to it. Apart from the internal competition in the fabricated steel industry, there is a limit to what you can charge irrespective of what you can get by the question of substitutes—concrete for instance.

President.—I am coming to that. You have raised that question later on.

Mr. Roddick.—That has connection with the question of high prices which you have raised as far as the question of controlling prices in India is concerned.

President.—That is rather a remote factor.

Mr. Roddick.—I would not say so.

President.—Its impact on the engineering industry is not direct and immediate. It only works slowly and remotely.

Mr. Roddick.—That is one of the factors which are quite appreciable.

President.—There are exceptional reasons for that. I will come to that later.

Mr. Roddick.—Yes. If you are now going to leave the Nabada prices altogether, I want to read out to you certain figures which I have worked out about bridge prices. If you take what the Tariff Board considered previously as a fair conversion price to the British manufacturer, it is Rs. 80 a ton. Taking the basis price for material to be the Cartel price which is controlled, the British price is £7-7-6. Allowing for wastage, freight, etc., and conversion, it brings us to a c.i.f. price of Rs. 208-7 a ton. The duty at 21½ per cent. comes to Rs. 44-45 per ton.

President.—You get on your figures a c.i.f. of Rs. 208.

Mr. Roddick.—Yes, with the basis price for materials at £7-7-6 which is the price we have to pay. As regards the conversion cost, I have taken what the Board considered and accepted as a fair cost, *viz.*, Rs. 80. I get down to a c.i.f. price of Rs. 208-74. Adding the duty of Rs. 44-45 and a landing charge of Rs. 5, I have arrived at a fair selling price of Rs. 258-19. That would be what I consider a fair selling price. Then I have done it in three ways, in fact four ways. I start off again with the basis price of £7-7-6 and arrive at my final figure of Rs. 202-7. In this case, the British conversion figure has dropped from Rs. 80 to Rs. 35 and by making a low c.i.f. price they save on the duty because the duty comes to Rs. 34. That is one way. Another way in which I have done it is by taking a price, which I understand they are apt to get, of £6-2-6.

President.—How do they get that quotation? Is it under the ordinary rebate system?

Mr. Roddick.—Yes, under the rebate scheme, they would get it.

President.—A British manufacturer quoting for the export market will get that rate?

Mr. Roddick.—Yes. Taking that figure, *viz.*, £6-2-6 as the basis, I get a conversion figure of Rs. 54 and the duty again remains at Rs. 34. The next aspect is on the assumption that they keep the conversion figure at Rs. 80 and the duty at Rs. 34 but their basis price for material is £4-7-0.

President.—In order to get this price you have to work back.

Mr. Roddick.—I have kept the conversion figure at Rs. 80.

President.—You have assumed the ordinary conversion of Rs. 80?

Mr. Roddick.—Yes.

President.—You reach a basis price of £4-7-0.

Mr. Roddick.—Yes, that is on the assumption that the fabricator gets a fair conversion and the steel maker is taking the whole cut.

President.—The steel maker cannot quote £4-7-0 without being out of pocket?

Mr. Roddick.—Quite. Whichever way you take it, it is a dumping price of Rs. 50 to Rs. 55 per ton.

President.—Personally I am not concerned to establish that this particular transaction is what you call dumping. Whatever it is, recently prices have touched this level and the Indian industry, at any rate during a short period or during this particular period, may have to face low prices of this kind. Whether it is the result of dumping in this country, that is

to say selling below cost, or not, you have got the fact that these low prices are actually quoted.

Mr. Roddick.—And may be quoted at any time.

President.—And may be quoted at any rate for a period of time.

Mr. Roddick.—Yes.

President.—So that, whether it is dumping or not, supposing these two facts are established, it might be necessary for the Tariff Board to consider—assuming we are satisfied that the period during which this kind of danger is going to operate is going to be a fairly substantial period.

Mr. Roddick.—Yes. I may also suggest this. The fabricator cannot base his cost on 100 per cent. production. His cost must be based on a figure which is lower than 100 per cent. No fabricating steel works based on 100 per cent. capacity can possibly produce for any period of time.

President.—As far as that is concerned, we must take into account the best actual cost of conversion that we have seen recently.

Mr. Roddick.—How have you seen?

President.—From the figures submitted to us. We take the best cost of conversion which has been actually put before us.

Mr. Roddick.—That is perhaps based on 100 per cent. conversion. For instance, I can give you certain figures on 100 per cent. conversion.

President.—What I mean is costs actually incurred during the past year. No costs actually incurred by an engineering firm during the past year can represent 100 per cent. production.

Mr. Roddick.—Quite.

President.—If it is actual costs incurred during the past year that must represent costs of conversion on something less than cent per cent. production?

Mr. Roddick.—I accept that.

President.—If under present depressed conditions we took the best cost of conversion from the figures submitted to us, that would be fair.

Mr. Roddick.—I don't agree with you.

President.—There is nothing else that we can do. There is a statement which you make in Chapter III, paragraph 24: "The Indian fabricator, therefore, realises little protection beyond the amount required to compensate for the extra cost of steel due to protection". I take it when you make that statement you are thinking really of the prices that you refer to in paragraph 35.

Mr. Roddick.—It should be Rs. 245 instead of Rs. 240.

President.—Leaving out such a special case as Narbada, if you take the normal price of bridgework during the past few years at somewhere about Rs. 245 per ton duty paid, would you be able on that figure to establish that the fabricator realises little protection beyond the amount required to compensate for the extra cost of steel due to protection? I have tried to work it out and your proposition is not in the least substantiated.

Mr. Roddick.—I get about Rs. 8 to Rs. 10 per ton.

President.—You get more than that. When the Tariff Board proposed protection for the fabricating steel industry in 1926, after stating their case, they summed up the position—"We have now found that Rs. 36 per ton is required for protection for fabricated steel of which Rs. 21.2 is compensatory protection and Rs. 14.8 substantive protection". Now my calculation on present prices and duties leads me to the conclusion that the substantive protection which is what you are thinking of is more than Rs. 14.8 which is what we intended for you.

Mr. Roddick.—Basing on Rs. 245?

President.—Yes, I may be wrong. It is rather an important point.

Mr. Roddick.—I quite admit.

President.—I will tell you on what basis I have calculated. I took the figures you yourself supplied us last time. I worked on the basis of the figures given on page 325 of Volume IV of the 1926 report. I want you to do the arithmetic for me because I want to be quite sure of this. On the details that you give in respect of that bridge, the total weight is 24 tons, is it not?

Mr. Roddick.—Yes.

President.—That is 480 cwts. Sections come to 214 cwts., plates 226 cwts. and rivets 40 cwts. The duty on sections taking it at Rs. 23-12 per ton comes to Rs. 11-5 on 214 cwts. and the duty on plates at Rs. 25 per ton comes to Rs. 12-8 on 226 cwts. The total duty is Rs. 24-3. Taking wastage at one-twelfth, the duty on wastage is Rs. 2. The duty on rivets at Rs. 2-8 per cwt. will come to Rs. 4-1 which gives you a total duty of Rs. 30-4.

Mr. Roddick.—Yes.

President.—The duty paid price of imported bridgework is Rs. 245 per ton. The duty at 21½ per cent. on that is about Rs. 45.

Mr. Roddick.—That is the maximum duty that you have got.

President.—Leave out the Narbada Bridge. If you get the landed price of Rs. 245

Mr. Roddick.—The duty cannot be as high as Rs. 45.

President.—If the c.i.f. price plus landing is 100, the duty is 21½.

Mr. Roddick.—Actually it is not taken that way because we do not get the duty on landing.

President.—Of course you do. The Customs always make a provision for landing when they calculate the duty.

Mr. Roddick.—It would only make a difference of a rupee.

President.—Therefore if you want the duty free price, c.i.f. plus landing with duty, and eliminate the duty, it would be 100 divided by 121½. Putting it in another form, 21½ divided by 121½, is the duty. That on these figures is Rs. 45.

Mr. Roddick.—245 multiplied by 21½ divided by 121½ gives you the duty.

President.—That I take it on these figures is Rs. 45. If that is so 45—30 gives you 15-4 which is more than the substantive protection which we intended for you. It cannot be on any other basis. The duty is obviously 21½ divided by 121½; there is no other formula. Apply that to 245, what do you get? It is somewhere about 44.

Mr. Roddick.—What I have got here is 44-45 when the selling price landed in India is Rs. 258. Of course the difference would be a rupee only.

President.—On these figures on the present scale of prices assuming Rs. 245 as the price of bridgework including duty you get almost exactly the measure of substantive protection that the Tariff Board suggested in 1926. Therefore the scheme of protection has proved extremely well.

Mr. Roddick.—If you take the figure of Rs. 245.

President.—I quite admit that in regard to exceptional quotations like the Narbada Bridge the position has got to be dealt with differently but if we take normal prices then the scheme of protection has not broken down.

Mr. Roddick.—Normal price and full production.

President.—We find no indication in our report that we took full production costs in 1926. In paragraph 26 you mention the fact that no allowance has been made for protection of the Indian manufacturer. That of course is a correct statement. You are speaking of bolts and nuts. If it is merely a statement of fact and does not imply a spirit of complaint which I hope it is not I will say no more about it, but if there is

any complaint then I must say that no engineering firm asked for the protection of bolts and nuts.

Mr. Roddick.—I admit that.

President.—Your figures for conversion for bridgework are invariably higher than corresponding costs of structural work. Is that usually so?

Mr. Roddick.—It is very doubtful. The question is how one is situated in those two classes of work. If you get a lot of structural work and less of bridgework the figures come out like that. If you get it the other way round, it will be a bit different or just the reverse.

President.—The way I was looking at it was this: I gather that on the whole there is more scope for repetition work in bridgework than ordinary structural work.

Mr. Roddick.—Take things like sheds or some big warehouses for the Port Commissioners; you get a tremendous lot of repetition work on that.

President.—If you take the great bulk of structural work and the great bulk of bridgework, I should say on the whole standardisation is possible to a larger extent in bridgework than in structural work.

Mr. Roddick.—Yes, that may be.

President.—And if that is so, conversion cost of bridgework should on that account be lower than on structural work to the extent that repetition work reduces costs.

Mr. Roddick.—In theory, but in our case it has not worked out that way in our shops.

President.—In paragraph 37 you refer to a figure of Rs. 320. If the Tariff Board as a result of investigation decide to take any special measures with regard to prices like those quoted in connection with the Narbada Bridge, as I told you before, the rate of duty required would have to be calculated on a different basis.

Mr. Roddick.—This was arrived at simply for fluctuating prices of steel. I have merely taken Rs. 120 a ton for conversion.

President.—What you have done is simply to take the difference between 245 which is the import price of fabricated steel and Rs. 320 which is the price to which you want to raise it. The difference between that is entirely accounted for by the fact that you are taking conversion costs at one-third production.

Mr. Roddick.—Yes.

President.—I now come to where you make specific suggestions. The suggestion that you make in paragraph 46 refers to matters of policy with which the Tariff Board is not concerned.

Mr. Roddick.—I admit that. I was always trying to put before the Board our difficulties, apart from the prices at which we have to tender, and it is a very real difficulty.

President.—In paragraph 49 you make a suggestion about the rupee tender system. We have no means of enforcing our suggestions on the company-managed railways, but speaking for myself I agree with you that the policy of company-managed railways not to observe the rupee tender system is not fair to manufacturers in this country. I am prepared to make a suggestion to this effect if it becomes necessary, but we have no means of enforcing it, though I agree with you that the non-observance of the rupee tender system is unfair to Indian manufacturers. In paragraph 47 you raise a point of very considerable importance that is the adaptation of designs to the use of sections rolled in India. I am not competent to deal with this question because it is almost entirely a technical question, and I would leave it to Mr. Atha to discuss with you at a later stage.

Mr. Roddick.—Yes.

President.—With regard to the Indian Stores Department you raise a point which I do not quite follow. You say the Stores Department does not take sufficient account of the factor of goodwill.

Mr. Roddick.—No.

President.—What it amounts to in practice is this I suppose; take a firm of longstanding like yourselves. You have established a certain reputation in this kind of work extending over 100 years or 130 years and under the system adopted by the Indian Stores Department you have got to quote prices which are purely competitive, I mean competitive on the price factor.

Mr. Roddick.—Yes.

President.—And you cannot therefore depend on getting orders on the score of the past reputation that you have achieved in respect of the quality of your work, prompt delivery and important matters of that kind.

Mr. Roddick.—What I am getting at is that the Indian Stores Department first of all have to buy for their constituents and they get bullied if they don't buy at the lowest price. I find that the Stores Department expect people like ourselves and many others in this line of business to be on the spot to help them here there and everywhere with technical advice and so on; for that we get nothing whereas I find that anybody can come along and quote a price and get the order.

President.—Taking the Stores Department in the position which they hold in this country it would be difficult for them to make any invidious distinction of that kind. The only way they can put their case satisfactorily before the Government and the legislature in regard to their transactions is by showing that they have tried to obtain the best price for the Government and the public.

Mr. Roddick.—I don't quite agree with you. I know of instances where the Indian Stores Department have been very badly let down by placing order for articles with people who had no standing and who failed to execute the contract. All I am saying is that the Stores Department is far too wrong not to combine competitive prices with better service and take more care with the kind of people whom they allow to quote for the various classes of work.

President.—If we are going to give you a duty on fabricated steel which will make it impossible for foreign firms to dump steel into this country, then as I told you it is of the utmost importance that there should be sufficient scope for the free play of competition. From that point of view the longer the list the safer the position.

Mr. Roddick.—I don't agree with you. You make a long list like that and orders are placed with people of no standing, sooner or later it costs Government money.

Mr. Natesan.—I have had something to do in connection with the operations of the Indian Stores Department and numerous complaints were brought before us that the list was to some extent a close preserve and that people had to beg to have their names on the list, and I myself as Chairman of the committee received complaints, so that it seems just the other way. There is a case against you. If orders are only given to certain firms simply because they are of long standing, it seems conceivable that people who have newly started and who have the capital necessary, but who have not the ancient history behind them, only want the opportunity to do the work and compete with you.

Mr. Roddick.—I am not against those firms. I am only against people such as I referred to, the case of the American Manufacturer for instance who quoted for a certain thing to the Indian Stores Department. The thing was a complete failure and they had to go to somebody else.

President.—In matters of this kind it is really a question of balancing evils on both sides. If there is really a serious danger of the position

of the purchaser in this country being endangered by making the list too short then it seems to me that has got to be fully taken into account and it may be that the Indian Stores Department has had an opportunity of balancing the two sides of the question. You are for the time being looking at it exclusively from the point of view of the producer who has established a good will.

Mr. Roddick.—No I am not really. What I am suggesting is that they are badgered over the price question.

President.—If I look at your proposal in the light of the grounds I have made regarding the possibility of competition being restricted hereafter to the Indian industry then I am bound to take the view that anything that is likely to curtail the scope for competition is to be deprecated and your suggestion is likely to have that effect.

Mr. Roddick.—I may say that there is a limit to these things. As far as the Indian Stores Department calling for tenders is concerned if they want to get the best value and secure value they must have a wide list by all means but let them see that the people who are on it have capital and have the means of executing the work.

Mr. Natesan.—It is presumed that they have made the necessary enquiries. They do that but if there is an error that is an error common to all, there is error in my dealings or your dealings.

Mr. Roddick.—Our prices are so curtailed by the price bogey that they can't actually operate to the best interests of the country.

Mr. Natesan.—The Indian Stores Department expects to get the best price for the departments for which they want to make a purchase.

Mr. Roddick.—I admit that.

President.—In paragraph 59 you refer to the Army Department and the Public Works Department. We have had a good deal of reference during the past enquiries to the dealings of the Army Department with the Indian manufacturers and I have always had definitely the impression that the Army Department has been very very fair in its dealings with the Indian industry and unless you can produce definite evidence regarding this point I don't think I could accept your statement. The burden of proof is entirely on you. You say that these departments can be constrained to make all their purchases in India. The suggestion is that purchases that can be made in India are not made in India.

Mr. Roddick.—I can give you a case.

President.—I am speaking from my rather restricted experience that I have had here. Coming to these special cases that you mention in Chapter VII, what is the rate of duty that you suggest for transmission towers? Have you any specific proposals?

Mr. Roddick.—For transmission towers.

President.—Duty applicable to fabricated steel?

Mr. Roddick.—Absolutely. That is the simplest of them all. The others, I admit, are on a par with this other complication on structural work where foreign firm can import steel and discount it and make it into a fabricated steel which is exactly identical with this.

President.—I suppose with the exception of pressed steel tanks, all these articles that you have mentioned are at present classified for Customs purposes as machinery or parts of machinery?

Mr. Roddick.—Yes.

President.—Except pressed steel tanks?

Mr. Roddick.—Yes.

President.—Which bear a duty applicable to fabricated steel?

Mr. Roddick.—Yes.

President.—You don't think that the present duty on fabricated steel is sufficient protection in regard to pressed steel tanks.

Mr. Roddick.—It is classified as fabricated steel and therefore it wants protection that the fabricated steel is entitled to.

President.—Most of these pressed steel tanks come from Continent?

Mr. Roddick.—I cannot say most of them. The steel that is made use of in making pressed steel tanks comes frequently from the Continent.

President.—May I say the imported tanks against which you find it difficult to compete come from the Continent?

Mr. Roddick.—I would not say that. All I would say is that a lot of the tanks that are imported are made from Continental steel.

President.—And the low prices about which you speak are also quoted by British manufacturers using Continental materials.

Mr. Roddick.—That is what I have assumed.

President.—We have received more details in that connection from Messrs. Braithwaite and I will discuss it with them this afternoon. With regard to bolts, nuts and so on, what is your suggestion? If the present duties were continued, you would be sufficiently protected?

Mr. Roddick.—There again it is very largely a question of output. Of course if you keep up against the bolt makers on the Continent who dump these materials, nobody in this country could manufacture, because the Tata Iron and Steel Company expect to get a fair price for their steel, the conversion figure is reduced practically to nothing.

President.—We have a representation from Messrs. Henry Williams regarding the question of bolts and nuts and they have definitely refrained from asking for an increase in duties on bolts and nuts and in fact their application is almost entirely confined to the suggestion that the billets that they need for bolts should come from Tatas.

Mr. Roddick.—That is another way of putting it. It gives them a bigger conversion figure either one way or the other.

President.—The point is this: if you want increased work, it seems to me that much the more satisfactory way of setting about it is to try and have the raw material cost reduced.

Mr. Roddick.—Rather I am all in favour of that.

President.—And if there is any way of tackling the problem on these lines, it would be much more satisfactory.

Mr. Roddick.—I thoroughly agree with you, but what I am saying is that up to now Tatas have had certain duties which enabled them to charge certain prices for their steel. At those prices there is not enough left for conversion. We can't get the prices we want particularly on the machinery stuff.

President.—You don't give us any figures regarding your costs of bolts and nuts. We have now a fair idea of the conversion cost in regard to things like bridgework, but in regard to bolts and nuts I have no information about them except some figures given by Messrs. Henry Williams.

Mr. Roddick.—I will give you that if you like.

President.—My personal opinion is that it would be very unsatisfactory to raise duties on these things. I am all for giving the Indian manufacturer a position of tariff equality. I am all for that.

Mr. Roddick.—If you give it the other way round, I will much prefer. All that we are after is a figure for conversion, a reasonable figure for conversion.

President.—The demand for bolts and nuts and so on, that is closely connected with the demand for bridgework and for wagons.

Mr. Roddick.—Yes.

President.—Mainly, is it not?

Mr. Roddick.—I would not say mainly.

President.—For all kinds of fabricated steel.

Mr. Roddick.—There is a tremendous trade for all kinds of fabricated steel.

President.—With regard to railway wagons, if the present practice is continued, then you have no complaint.

Mr. Roddick.—Where they keep the work in the country.

President.—If all orders up to a limit of 5,000 tons are placed in the country, then you have no complaint?

Mr. Roddick.—That is what I say.

President.—With regard to machinery, I am rather perplexed as to what line we ought to take. It raises a very difficult question. In 1927 the duty on machinery was altogether removed. At that time Government's intention, I believe, was that if any Indian manufacturer established a claim either for tariff equality or for protection, then the case would be considered on its merits. What is apparently happening now is that the manufacturers of fabricated steel finding that the demand for things like bridgework and structural work and so on has been controlled, are trying to find new avenues of work and they are therefore increasingly turning their attention to at any rate structural parts of machinery, am I right?

Mr. Roddick.—Yes.

President.—In regard to your own case you have been trying to make certain specified classes of machinery.

Mr. Roddick.—Yes we made machinery for years, but owing to being able to redesign, as I showed you, a great deal more structural material can be used.

President.—Take your sugar machines. You have not attempted anything of that kind before.

Mr. Roddick.—Not the big ones, because the demand was not there. If there had been a demand before, we should have been making sugar machines.

President.—What exactly is your proposal? Take a thing like the sugar machinery. Sugar industry is going ahead and it is a protected industry and there is probably likely to be a fairly considerable demand for machinery in connection with the sugar industry. Supposing Indian manufacturers like your firm propose to take up the question of manufacturing sugar machinery, in what way do you want us to deal with the question of tariffs on sugar machinery?

Mr. Roddick.—The point is this that sugar machinery is like all machinery. What we try to do is, as I showed you, to use such steel for cast iron and cast steel wherever possible in our sugar plants which we are building now. In whatever we have built we have almost eliminated cast iron from it, but on the steel we use we have to pay a duty.

President.—The position therefore in regard to sugar machinery, as far as you are concerned, is that you don't have even tariff equality.

Mr. Roddick.—Certainly not, far from it.

President.—Because you get a duty only of 10 per cent. on the imported machinery.

Mr. Roddick.—Yes.

President.—And you have to pay protective duty on rolled steel.

Mr. Roddick.—Yes or on the plates whatever it may be. The foreign manufacturer making a sugar machine on our design would get all that steel that we have used duty free.

President.—Would you be satisfied if we dealt with this question on the basis of restoring tariff equality to the Indian manufacturer?

Mr. Roddick.—Yes so long as we can get enough work and there is no dumping.

President.—I cannot help thinking that the Indian manufacturer is at present on an unfair position.

Mr. Roddick.—Definitely on machinery of all kinds.

President.—Because the total amount that he pays in the way of duties to Government is considerably higher than the duty paid by the importer of machinery.

Mr. Roddick.—Considerably higher.

President.—I come to this question of alternative materials. What I want to suggest to you is this: this problem will solve itself in the ordinary course of things in this way if we reduced the protective duties on steel as the result of this enquiry, the prices of steel in this country would come down. As the general economic depression goes, the prices of other materials go up.

Mr. Roddick.—The prices of what?

President.—The prices of things like cement, aluminium.

Mr. Roddick.—Yes, I see what you mean.

President.—As the result of reducing protection, the prices of steel go down.

Mr. Roddick.—Yes.

President.—Can't we leave the thing to work itself out by the process of natural adjustment?

Mr. Roddick.—What I would point out is that these are dangers that are apparent if you put on a high duty. That is why I am against it.

President.—You make concrete proposals in paragraph 89 which almost takes my breath away.

Mr. Roddick.—You mean the duties on rails, fishplates, etc.

President.—Tatas want protection to the extent of crores of rupees. Now you want us to put duties on rails and fishplates. Coming from an experienced applicant for protection like you, I am rather shocked.

Mr. Roddick.—I do not know whether it is sound.

Mr. Natesan.—You are laying stress in your concluding paragraph.

President.—The only alternative is to put protective duties on aluminium, earthenware, cement and so on and put those prices up which are equally impossible.

Mr. Roddick.—Behind this is also the question: If we could get the steel duty on things which are not competitive and not used in machinery, it would simplify the issue very considerably. That is really the point of this.

President.—If that is to be done, it can be done in a very restricted sort of way, not by a general lowering of duties on those classes of steel. I think we ought to consider whether provision cannot be made for something on the way of a remission or rebate.

Mr. Roddick.—Yes.

President.—That would be a much more satisfactory way.

Mr. Roddick.—That is another way of doing the same thing really.

President.—We must not pile it on things like rails, fishplates which I am afraid from the public point of view is likely to look very attractive. You go on to raise the question of railway freight, because it has been definitely ruled by Government that question of railway rates are outside the scope of the Tariff Board and I therefore do not wish to discuss this question at all. I think the proper authority for considering this question is the Railway Rates Advisory Committee.

Mr. Roddick.—The only reason I have brought this up is because in the Tariff Board Report, 1926, they have definitely taken the net figure. That is taking into consideration the railway rates. If you are going to base your protection on what Tatas have suggested, you will take into consideration the internal freights.

President.—If we give you compensatory protection, that compensatory protection will cover any freight disadvantages we may take into account in respect of rolled steel. The whole of that would be allowed for in your compensatory protection, so that it would be automatically adjusted.

Mr. Roddick.—It might be. As against that, take the case of myself being a re-roller. I want to ship rolled steel north. What is going to happen then?

President.—We had better raise that question with the re-rollers, but as a matter of fact it is not a matter on which we are in a position to make proposals. All that we can do is try and understand the subject.

Mr. Roddick.—I am saying that you have already taken it into account in 1926.

President.—We took the existing rates into account and we didn't make any suggestions about the revision of rates. When you say that certain classes of materials should be shipped altogether at home material rate, you are asking for a revision.

Mr. Roddick.—That is a different point.

President.—There is only one other point that I want to raise and that is this question of penalty which is given in paragraph 103 of your memorandum. We raised this question with the Tata Iron and Steel Company and they drew our attention to a provision contained in their terms of business. They rather therefore think that the position is met already.

Mr. Roddick.—This is all right if they accept that, but the point that arises is this: for instance we might ask for certain steel that we are going to tender for. They will give you 6 to 8 weeks delivery. We base our tender on that and we have to sign a contract which involves a penalty. If we receive the contract, we go to Tatas and say "we have signed the contract. According to your letter you have promised us delivery on such and such a date; it is now two months; what about the steel".

President.—When you make a contract for the purchase of steel, I expect that contract is based on their part on these terms of business.

Mr. Roddick.—The point there is that the difficulty arises over the fact that we have to base our price on some assurance and I see Tatas' difficulty quite as well. We can't give them this assurance at once that we are going to get the order. We may get it six weeks afterwards and then we say we want the material.

Mr. Natesan.—You may not get it all.

Mr. Roddick.—They might say "if you had given us the orders six weeks ago, we could have given you the steel, but now you come to us".

President.—The only way in which it can be met is either to get another steel works installed in the country or some provision of this sort.

Mr. Roddick.—A provision of this sort doesn't amount to anything at all, because they can get straightaway out of it. We can't fulfil the conditions in this clause which is: "The customers shall before entering into the contract with the Company give to the Company full details of their liability or proposed liability to the third party. . .". They know perfectly well that we have to quote under penalties. We can't give them any assurance. It is quite impossible. We do not know when we are going to get the order. We have to take the penalty on the assumption that we are going to get steel in six or eight weeks, whatever it may be.

President.—That may cause difficulties.

Mr. Roddick.—You cannot operate on that because they say provided such indemnity shall in no case exceed Rs. 5.

President.—What kind of penalty you incur?

Mr. Roddick.—Up to a limit of 10 per cent. of the value of the contract. Steel is about 4 per cent. When you have only one steel making unit in the country, you get 90 tons out of 100 and the whole thing is held up for want of 10 tons and you are no better off.

President.—That is one of the inevitable difficulties of the present position, I quite admit.

Mr. Roddick.—I quite see the Tata's point of view. It is very difficult for them to quote a firm delivery.

President.—We have in the development of the Steel industry reached a stage when difficulties of this kind are being felt almost increasingly. What I mean is this. Now that imports are almost entirely eliminated and the Indian industry consisting entirely of one unit is in the position of having to supply much the greater part of the steel requirements of the country, difficulties of this kind are almost inevitable and the Tariff Board I may say is very much interested in considering whether suitable proposals cannot be made which will enable the users of steel to tide over these difficulties. It is a very difficult question.

Mr. Roddick.—But I think what would help the issue very considerably would be if Tata's could by any chance have their rolling programme over a longer period and keep a bigger margin than they do at present. Suppose we enquire for 200 tons of steel and there is a doubt of their being able to supply that quantity. They will quote for 100 tons of steel and we will know that we have to import 100 tons of steel and then we will be able to get the contract executed.

President.—In any case you have to get about 10 or 15 per cent.

Mr. Roddick.—On the big bridgework.

President.—You cannot get it locally.

Mr. Roddick.—No.

President.—In addition to that, where you find that deliveries cannot be had in time, you have to get a further proportion of it from elsewhere.

Mr. Roddick.—We might have to, but I must say that the whole thing would be obliterated if the Government of India in their stores purchase rules eased up the penalty situation. After all, I think it is still very largely unnecessary; in fact for years we have had to face double penalty of what the British manufacturers have had to pay. I don't think that the British manufacturer has been penalised even where he has been late.

President.—If we had in this country a demand for railway materials like rails for example on the scale of say five or six years ago, then of course since Government purchases would account for a considerable part of Tata's output they could map out the rolling programme.

Mr. Roddick.—I know their difficulties.

President.—Since you are selling against bazar requirements you are in a difficult position.

Mr. Roddick.—We are put in a very difficult position.

President.—Your position is difficult and I recognise that.

Mr. Roddick.—We have to give our delivery on some sort of assumption and if we are let down in that assumption we are penalised.

President.—We are up against one of the inevitable difficulties of tariff policy in this matter and we have to make the best of the situation and make such proposals as will meet the situation. That is all I can say at present. It is very difficult for us to make any suggestion at this stage. We are anxiously considering this position.

Mr. Roddick.—Thank you.

Mr. Wiles.—I gather that you are a little handicapped sometimes in having to deal with only one steel making firm.

Mr. Roddick.—That is inevitable because it is impossible for the Steel Company to draw up a rolling programme which will be suitable to all their buyers.

Mr. Wiles.—You say in your representation that it will never be possible for one works to roll all the sections required.

Mr. Roddick.—I think so.

Mr. Wiles.—Are your demands on such a scale that the question of re-rolling mills does not affect you?

Mr. Roddick.—I don't quite follow that.

Mr. Wiles.—Would re-rolling mills be able to supply you with any part of the demand?

Mr. Roddick.—They certainly could do that. As far as they are concerned, we should be in a better wicket from our delivery point of view.

Mr. Wiles.—That would depend on the size of the re-rolling mills.

Mr. Roddick.—It would depend on the range which they would cover.

Mr. Wiles.—Have you any views on the question of the possibility of a large rolling mill being started in addition to Tata's?

Mr. Roddick.—My own view is—I do not know whether many people will agree with that—as far as steel is concerned India is going to be the steel centre of the world within say 50 or 60 years.

Mr. Wiles.—Do you envisage a great increase in the demand for steel?

Mr. Roddick.—Not only internally but also in respect of export.

Mr. Wiles.—You would not like to state the period?

Mr. Roddick.—That would depend very much on the confidence.

Mr. Wiles.—Tariffs can create confidence?

Mr. Roddick.—Yes, as far as attracting capital for steel making is concerned.

Mr. Wiles.—I suppose you think then that the present output of fabricated steel is very small for India?

Mr. Roddick.—Not necessarily for India. I say take care of the peak loads for the next ten years.

Mr. Wiles.—100,000 tons has been given as the peak.

Mr. Roddick.—There is no reason why the fabricator should not export fabricated steel to the Far East.

Mr. Wiles.—Put that point aside for the moment. Do you think that there is any prospect in the next ten years of a very large increase in the demand for fabricated steel?

Mr. Roddick.—It does not look to me that there is going to be a great increase. Anyway it must be more than it is now. I cannot visualise that the demand is going to be bigger than what it was in the last ten years.

Mr. Wiles.—I was going to ask you a question about the proposal to put a duty on plates. I understand that you get all your materials for machinery from Tata's.

Mr. Roddick.—We do.

Mr. Wiles.—Is that influenced by the present protective duty?

Mr. Roddick.—We have been trying to redesign the machinery in order to make use of the Tata materials. We have succeeded to a large extent, but those materials do, under the protective scheme, carry a duty. If they made use of such materials for machinery of the same design and imported from abroad, they would be getting their steel duty free. There we get back to the question of tariff on the finished article being lower than the tariff on steel.

Mr. Wiles.—It has been suggested in several representations that the duty should be subject to a periodical enquiry and raised or lowered according to the prices of imported steel. What effect would that have on your business?

Mr. Roddick.—What we want is some continuity to know how we stand.

Mr. Wiles.—Can you explain that a little? Do you regard that as a bad proposal?

Mr. Roddick.—You ought to have it for a period of not less than seven years—better to have it for ten years.

Mr. Wiles.—You would deprecate constant enquiries into import prices with a view to raising or lowering the duty on imported steel?

Mr. Roddick.—Yes, but I am hoping on the basis of past experience that the Tariff Board's recommendations will be such that they will take care of a limited amount of fluctuations.

President.—My colleague's suggestion as far as I understand is this. We fix protection for a period of seven years. We fix the rate of duties on a comparison between the present costs and import prices. Then you find that although the period of protection is 7 years, at the end of two or three years from now there is a sudden drop in c.i.f. prices and the machinery which is usually provided in the Protection Act is what is known as off-setting duties. Without any enquiry by the Tariff Board, if there is a drop in c.i.f. prices, Government have the right by executive action to raise the duties. Although under a system of that kind there may be variations in duties, the prices fixed in this country would remain steady. It is an attempt to vary one factor in order to keep the more important factor constant.

Mr. Roddick.—It is really an attempt to base the duty on present prices without discounting anything for fluctuations.

President.—Supposing I give you a fair selling price of Rs. 250, these variations of duties, whilst altering the amount of the duty, would keep your fair price at Rs. 250. It gives you stability in that sense.

Mr. Roddick.—Yes.

Mr. Wiles.—Since you use Indian steel, is it the fact that variation in the duty would not affect you.

Mr. Roddick.—It would upset us considerably. If by any chance Tata's could not supply us with all the steel that we would require from them and we had to buy at a ring price from abroad, then we should be very badly hit.

Mr. Wiles.—It is lower prices that Tata's are afraid of and not higher prices.

Mr. Roddick.—They will ring the price against us. Suppose we want to build a bridge. Everybody knows what we want for that bridge. Tata's are only supplying a certain proportion and for the rest they will ring the price against us.

President.—It is very unlikely.

Mr. Roddick.—It has been done.

Mr. Wiles.—It has been done under different circumstances.

Mr. Roddick.—There Tata's could not supply the steel.

President.—Normally that position could arise only in respect of very small quantities. What I am suggesting is this. When we fix these duties, import prices plus the duties would correspond to Tata's prices.

Mr. Roddick.—I know they do.

President.—Supposing Tata's during the period of protection charged higher prices and import prices were lower?

Mr. Roddick.—I don't say that. What I am saying is this. The manufacturer abroad by an enquiry that is sent home being a fabricator spots at once that Tata's must be full up and that they cannot supply all the steel required for this bridge. He will then be on much safer ground because he will know that we have to pay a full price for the imported steel and will quote that price.

Mr. Wiles.—What is the remedy for that?

Mr. Roddick.—The remedy is a very knotty point—how we are going to get over it. The same remedy must apply as to the man who imports steel and issues it to the fabricating works at a discount.

Mr. Wiles.—I should like to ask you one or two questions about Chapter X. You say that it is anomalous that the commercial policy of a railway should be fettered by protectionist considerations. We have not seen any evidence of that. Suppose there is no railway concession that has ever been given otherwise than on commercial consideration, that is to say, no concession as far as we can understand has been given to Tata's because they are a steel industry. They have been given concessions always from the point of view of railways' own advantage.

Mr. Roddick.—That may be so, but when I raised this point, it was only to point out this. I am not a re-roller. Suppose all the re-rollers were to be in Calcutta, how would they ship their materials up-country. You have in the past taken into consideration the freight disadvantage and advantage when fixing the duty and apparently from Tata's representation I find they have also taken the freight disadvantages particularly on the East Indian Railway into account. I was wondering how the re-roller in India was going to ship his materials up-country.

Mr. Wiles.—Assuming that his output is on a sufficiently large scale, is there any reason why as far as you know the re-roller should not obtain the same terms for his own goods?

Mr. Roddick.—No, I cannot say.

Mr. Wiles.—We have been told, as far as we know, that the railways in their dealings with Tata's have consulted their own interests and said if given a big enough traffic they are willing to reduce their rates.

Mr. Roddick.—I quite see the point.

Mr. Wiles.—You are not suggesting that Tata's have any concessions beyond that, which would not be applicable to other industries or concerns?

Mr. Roddick.—At the moment, they have.

Mr. Wiles.—Because they are the only concern big enough to obtain the concession?

Mr. Roddick.—The point is this. Would a re-roller with a comparatively small output be able to put before the railways such a proposition as the Tata Company have done with their huge output?

Mr. Wiles.—If he cannot, what is your implication? Supposing he cannot, you are not going to say, are you, that the railway shall be fettered by protectionist consideration? You demand that the commercial policy of a railway shall not be fettered by protectionist considerations. They should consult their own interests. In this case they will consult their own interests.

Mr. Roddick.—I am not sure they are doing so on the East Indian Railway.

Mr. Wiles.—That is what I want to get at. Will you give us any information that you have.

Mr. Roddick.—As far as I can see, there has been no valid reason for the fact that their freight rate from Gomoh north is so much better than the freight from Calcutta.

Mr. Wiles.—On the same railway?

Mr. Roddick.—Yes. I can see no reason for it.

Mr. Wiles.—You mean that the rates start from Gomoh.

Mr. Roddick.—I am not raising the Bengal Nagpur Railway concession at all because that it is definitely an asset to the Bengal Nagpur Railway. It is only the question of rates from Gomoh that I am raising.

President.—You are questioning the whole policy underlying the station to station rates because you cannot say in the case of a special station to station rate this is unfair and yet the railway has got to do it. I quite

admit in some cases the complaint of unfairness may be well founded but you cannot help it under this system.

Mr. Roddick.—I admit that.

President.—It is a very difficult question.

Mr. Roddick.—For some unknown reason the freight from Gomoh north and from Calcutta north was approximately the same.

President.—If the railway feel that by giving a special station to station rate to the Tata Company they make a better profit on the whole, they will do so apart from all sentimental considerations.

Mr. Roddick.—It may be that. If that was the foundation I would agree, but I don't believe that that is the foundation.

Mr. Wiles.—Do these rates apply to small loads as well as to wagon loads?

Mr. Roddick.—Yes.

Mr. Wiles.—You say that "The Tata Iron and Steel Company would be freed from the necessity of having to despatch direct to every little station in order to make the best advantage of their freight rates". Is not that rather a picturesque exaggeration! As I understand it these railway rates do not apply to every station but to a very big lead.

Mr. Roddick.—I am just talking of the normal rate, for example the Delhi rate.

Mr. Wiles.—I understand that Tata's are station to station rates; they get concession to Delhi but they do not get concession to small stations on the line.

Mr. Roddick.—They get concession rates to a large number of stations. The main thing is that from Calcutta to Delhi or to any one of these stations to which Tatas can ship the rate is nearly double.

Mr. Wiles.—Even for the same bulk of material?

Mr. Roddick.—Yes.

Mr. Natesan.—I have read with very great interest your representation. I notice that in trying to make out a case for a protective duty on fabricated steel products you have more or less identified yourselves with the interest of the Indian Steel industry, and thereby I presume the general interest of India and that rouses my curiosity to ask whether there are any Indian shareholders in your company.

Mr. Roddick.—No. But we are only too willing to take them.

Mr. Natesan.—Do you employ many Indian engineers also?

Mr. Roddick.—All we can.

Mr. Natesan.—Have you a large contingent of Indian labour?

Mr. Roddick.—All Indian labour.

Mr. Natesan.—Do you house your labour?

Mr. Roddick.—We are fortunate in this way that we went to Dum Dum a few years ago and there is any amount of the old factory buildings vacant which we were able to hire and occupy.

Mr. Natesan.—Therefore I presume that you have got facilities and you give certain amenities to your labour?

Mr. Roddick.—Certainly we do.

Mr. Natesan.—I am a layman and I am not very much acquainted with the cost of conversion but from enquiries that we have made evidently your conversion costs are not the same as the cost of conversion of other firms not only in Calcutta but in other parts of India.

Mr. Roddick.—It must be the same I think.

Mr. Natesan.—The information that we had rather leads me to this conclusion. Could it be that the cost of conversion would perhaps include a considerable amount of overhead charges? You have got a large number of highly paid officers; I don't know what your directors get and what

your engineers get: if some of them are paid very high salaries the cost of conversion will depend to some extent on the overhead charges.

Mr. Roddick.—As far as the cost of conversion is concerned it is presumed that we have had our ups and downs for the last 100 years: it fluctuates, and as I can show you, during the last two years all our overhead charges show remarkable reduction: everything has been cut down.

Mr. Natesan.—In para. 15 you make a statement that “the amount of protection deemed necessary has been worked out with mathematical precision”. What is the alternative method that you would suggest?

Mr. Roddick.—I say it is far too close; there is no figure for contingency.

Mr. Natesan.—Would you like such unforeseen factors as dumping, fall in exchange, strikes and so on to be taken into consideration when the Board fixes a duty?

Mr. Roddick.—Yes. That is ordinary working of the business.

Mr. Natesan.—Do you pay the Tata Iron and Steel Company the fair selling price that the Tariff Board fixed?

Mr. Roddick.—We pay the Tata Iron and Steel Company a fair price for bridgework. Tatas have never received any fair selling price that the Board expected them to receive for that class of material.

Mr. Natesan.—In all cases you don't pay Tata's a fair selling price. What is the amount of difference between Tata's quotation to you and the cost of British tested steel in India?

Mr. Roddick.—It varies tremendously; sometimes when they are in a good frame of mind they give us Rs. 10; at other times Rs. 5.

Mr. Natesan.—That does happen in every contract?

Mr. Roddick.—Whether we are trying to get an order for bridgework for India I still maintain that any price that we paid to Tatas has given them a profit.

President.—Your suggestion is that when a specially low price has to be quoted by Indian engineering firms the extent to which conversion costs are reduced is greater than the extent to which rolled steel prices have been reduced?

Mr. Roddick.—Yes.

Mr. Natesan.—In para. 59 you repeat the complaint against the Public Works Department and the Army Department. I may say, speaking from my own experience that even the Indian Stores Department had complaints that the Army Department did not help them: perhaps you had instances?

Mr. Roddick.—It is not up to me to run down the Army Department. I have put down as an instance the question of the rupee tender system which has been adopted by every buyer in the country.

Mr. Natesan.—It naturally affects the Indian producer and the Indian consumer. So there are cases where the Army Department will not give you that encouragement which you think you ought to get not only on your behalf but on behalf of the Indian consumer?

Mr. Roddick.—I don't say for a moment that they have not done a lot, but more could be done.

Mr. Natesan.—That is exactly the tale which I heard when I was examining the operations of the Indian Stores Department. With regard to freight, I suppose as a big engineering firm when you have to send goods out to some other parts of India, you apply to the railways for special concessions and they give you that, don't they?

Mr. Roddick.—Never.

Mr. Natesan.—Am I to take it that when a big producer like you wish to send to some other part of India, say 6 wagon loads to Bombay, the

Mr. Roddick.—Absolutely; only wagon load rates, nothing more; for sugar plants that we sent out of Calcutta we applied to the railways for concession rates but with the same result.

Mr. Natesan.—Do you enter into formal agreement, with the Tata Iron and Steel Company?

Mr. Roddick.—We don't; we can't enter into a formal agreement in this way: we ask them for a price when we have to tender and they give us the best they can and basing on that we put in our tender.

Mr. Natesan.—When you get an order you give an order to Tatas there certainly you clearly define your relations with each other?

Mr. Roddick.—Absolutely. But even if we are subject to a penalty Tatas will say we are not bound by that.

Mr. Natesan.—When you enter into transaction with the firm you do so with the full realisation of the consequences?

Mr. Roddick.—We do. We are tied hand and foot because we have already based our tender on the price that we have received six weeks ago.

Mr. Natesan.—Do they stipulate in their terms that you should give them a certain time limit when you place an order?

Mr. Roddick.—Whenever we place an order they accept it on a certain delivery date; it is frequently beyond their control to execute the contract within those delivery dates.

Mr. Natesan.—Have you actually suffered any penalties for delay in delivery on the part of the Tata Iron and Steel Company?

Mr. Roddick.—Yes.

Mr. Natesan.—With regard to conversion cost from the Tata Iron and Steel Company we had a good deal of information but from you and other firms we only got certain figures without details.

Mr. Roddick.—We thought the Board was well acquainted with that because we gave such a tremendous lot of figures in the last enquiry.

Mr. Natesan.—You know figures do change as circumstances change. So we cannot presume on the figures of the last enquiry.

Mr. Roddick.—We gave you some figures in the last enquiry which we have to finish up.

President.—The difficulty with regard to engineering firm's costs from our point of view is that the on-costs play so big a part in the cost of engineering products. You have got to base it on a basis of allocation: it is not like rolled steel.

Mr. Roddick.—And also further more it is entirely upset by the output.

President.—Of course the kind of cost that you have for one kind of fabricated steel is entirely different from another kind of fabricated steel.

Mr. Roddick.—Yes, it varies.

Mr. Natesan.—At the commencement of your memorandum you say "continued protection is essential to the industry and the only question is the amount of protection to be accorded". Have you any definite idea as to the period?

Mr. Roddick.—I should say it should not be less than 7 to 10 years.

Mr. Natesan.—You say "The measure of protection afforded up-to-date has not fully achieved the results anticipated and is, we believe, largely attributable to the fact that Government has at each stage failed to adopt a bold enough policy". What do you mean by this?

Mr. Roddick.—On your figures you worked up to narrow limits without leaving anything for contingencies. Since the 1923 tariff recommendations when at that time you recommended a duty of 25 per cent., the exchange has gone from 1s. 4d. to 1s. 6d. and we had another enquiry within a year. I think you ought to allow a margin.

Mr. Natesan.—You say Government has failed at each stage to adopt a bold policy.

Mr. Roddick.—If you had a bold enough policy we should not have all this enquiry; we should have carried a bigger margin for contingencies.

Mr. Natesan.—Suppose you were asked to give definite ideas what would you say with regard to the period of protection?

Mr. Roddick.—Seven years.

President.—If we calculated that the fair selling price of fabricated steel was Rs. 250 on a mathematical basis would you have it raised to Rs. 500?

Mr. Roddick.—I would not say that; I say I want a margin for contingencies.

Mr. Atha.—In your letter of 3rd November in para. 5 you say “Modifications to the Consulting Engineers’ designs could conveniently be made:”. I take it in bridge designs and structural designs in general occasions do arise when two alternative sections can be used, one quite as good as the other for the job, but generally the designer I imagine would defend his selections by some argument that the one section was preferable to the other section.

Mr. Roddick.—Yes. The variation is so small that if he has in his mind the idea of seeing Tatas steel being used he could adopt Tata’s sections.

Mr. Atha.—Occasions do arise when there are two alternative sections that are equally efficient and make no difference and it is wrong from Tatas point of view not to allow of substitution of the one by the other.

Mr. Roddick.—Yes. If these modifications are not carried out we could never dream of putting in anything of Tatas.

Mr. Atha.—Their range is quite sufficient?

Mr. Roddick.—Practically yes.

Mr. Atha.—You may get a design for a bridge or structure that has been prepared by a consulting engineer abroad and sections are fixed and you are bound by it?

Mr. Roddick.—Yes. It is very seldom that we get sanction to change a fixed design for a bridge.

Mr. Atha.—You wouldn’t suggest, would you, that it should be definitely specified that all sections used should be Tata sections.

Mr. Roddick.—I wouldn’t say that; that cannot be done. All I say is that there have been many occasions on which we have dealt with a good deal of business and we have always been able to adopt Tata sections.

Mr. Atha.—Some latitude must be given but too much latitude is taken by engineers?

Mr. Roddick.—Yes.

Mr. Atha.—Are there definite sections that are frequently bought from abroad which Tatas might roll but for which they have not prepared rolls?

Mr. Roddick.—Yes.

Mr. Atha.—Are there certain sections which Tatas can roll but which are not rolled regularly which you have to buy from abroad?

Mr. Roddick.—I say if we are allowed an alternative we could get it from Tatas; they would always be prepared to meet the demand. They do meet us.

Mr. Atha.—That is if a section is likely to be a popular section for bridges.

Mr. Roddick.—To increase their range you mean.

Mr. Atha.—Yes.

Mr. Roddick.—They have done so on numerous occasions. If we tell them “there is a certain angle for quite a big tonnage that is likely to go abroad, would you like to roll it”, they have done it on more than one occasion.

Mr. Atha.—The position is continually improving and the only thing is to keep up the pressure.

Mr. Roddick.—Yes.

**MESSRS. HENRY WILLIAMS AND COMPANY (INDIA), 1931,
LIMITED.**

**Evidence of Messrs. OWEN WILLIAMS and A. H. BISHOP,
recorded at Calcutta on Wednesday, the 29th November, 1933.**

President.—Mr. Williams, you represent Messrs. Henry Williams, India, Limited?

Mr. Williams.—I am the Managing Director. Mr. Bishop has come with me. I am the Chief Spokesman. If necessary Mr. Bishop will answer questions.

President.—Mr. Bishop is the General Manager resident in India?

Mr. Williams.—Yes.

President.—The first question which I want to raise in connection with your representation Mr. Williams, is what precisely are your proposals regarding assistance to your industry. That is to say there are two matters involved in this. There is the question of duties on the finished materials which you make and there is secondly the question of the duty on the semi-finished materials that you use for your finished materials.

Mr. Williams.—Yes.

President.—I will take the first question of the duties required on the finished materials that you produce. You remember two or three years ago the Tariff Board went into the question of the duties required on the sort of railway materials which you make, on nuts and bolts, dogspikes, rivets and so on and we fixed a scale of duties then on the basis of what we call tariff equality.

Mr. Williams.—Yes.

President.—That is to say we thought it unfair that a manufacturer in India should be asked to pay on his raw materials duties higher than those which are payable on the imported finished materials against which he has got to compete. It was on that basis we dealt with your question and the present scale of duties on nuts and bolts, dogspikes, rivets and so on are based on that principle.

Mr. Williams.—Yes.

President.—Since you have made no reference in your representation to the question of altering the duties on these materials, I presume your position is that the present duties may continue on articles like nuts and bolts, fishplates, dogspikes, rivets and so on.

Mr. Williams.—May I put it this way: when you fixed the duties, you fixed equalising duties corresponding to the duties on the amount of steel being used, but it happens since then have been increased proportionately, but not proportionately according to the greater quantity of raw material used in the finished article and it is a fact to-day that the duty on one ton of bolts and nuts does not cover the duty on the quantity of steel required to make one ton of bolts and nuts.

President.—Your point is that when the duties on steel were increased in 1931 in connection with the Government's emergency measures, the corresponding increase which took place then in the duties on your finished products does not give you equality in respect of the amount of wastage involved.

Mr. Williams.—Not quite.

President.—That is the position.

Mr. Williams.—I have worked out figures which I can submit to you.

President.—I should like to have a statement.

Mr. Williams.—The duty on one ton of steel bars is Rs. 46-4 to-day. The duty on 26 cwts. of steel bars which would be required to make one ton of bolts is therefore Rs. 60-2. The duty on one ton of bolts and nuts is Rs. 56-4.

President.—That is a difference of about Rs. 4.

Mr. Williams.—Yes.

President.—You pay on the materials that you use a total amount which exceeds the duty on the finished materials by about Rs. 4.

Mr. Williams.—Yes.

President.—That is on commercial bolts and nuts?

Mr. Williams.—Yes. Most of the bolts and nuts are the same. Though we have put down in our representation in the case of fishbolts 26 cwts. per ton of finished bolts we have gone most carefully into it and we find that it comes to 28 cwts., because in fishbolts there is a bigger proportion of wastage.

President.—28 cwts. against 26 cwts. on commercial bolts?

Mr. Williams.—Yes.

President.—If we proceed on the basis of 28 cwts. on fishbolts, then what is the relative position of the duties?

Mr. Williams.—About Rs. 65 paid on the steel used.

President.—On the whole steel used and the duty is Rs. 56-4.

Mr. Williams.—Yes.

President.—That makes a difference of Rs. 12-8.

Mr. Williams.—Yes. The Indian industry would be better served by a reduction in the duty on the semis-billet.

President.—I am coming to that later on. I want to get this question out of the way first. The position with regard to rivets, looking at it entirely from the point of view of duties on finished materials, is more or less the same as commercial bolts and nuts?

Mr. Williams.—It would be more or less the same. Instead of being Rs. 4, it would probably be Rs. 2. There is certainly no protection on the fabrication.

President.—The important point in connection with that is this: suppose, as the result of this enquiry, we recommend to Government that duties on steel section should be reduced, then of course the position of your finished products will be very different from the point of view of tariff inequality, won't it?

Mr. Williams.—It would be important if we are buying the finished bars.

President.—Assuming that the manufacturer in this country is using bars instead of billets, then his position would improve to the extent that duties on steel sections are reduced.

Mr. Williams.—It would improve.

President.—Your case in this application is based not on the use of steel sections, but on the use of billets.

Mr. Williams.—For the reason that one cannot to-day buy finished bars in India and manufacture bolts for the bazaar market from them. The price of the bars is too high.

President.—And the proposal that you make in connection with billets is that the whole of the duty should be removed.

Mr. Williams.—Yes.

President.—There are two questions there. There is at present an imported duty on billets which since the Ottawa Act is rated at 10 per cent. on British billets and 20 per cent. on Continental billets. In addition to that, the Tata Iron and Steel Company have proposed that a protective duty should be levied on billets.

Mr. Williams.—Yes.

President.—It has been discussed before us and is now under discussion. I should like to know precisely what your proposal is. You want even the present revenue duty to be removed.

Mr. Williams.—If the industry is to establish itself for the manufacture of bolts and nuts in order to compete in the bazaar trade, it would require billet at a price corresponding to to-day's import price without revenue duty as well as protective duty, so that the industry should be developed in India without imposing heavy duties on the finished bolts and nuts.

President.—You make certain proposals in that connection at page 7 of your letter which you sent us on the 3rd of November. You say: "the supply of billets to us by the Tata Iron and Steel Company, Limited, should be made (a) at exactly the same price as it is supplied to other consumers in this country".

Mr. Williams.—To put it on an equal basis.

President.—I presume that these 4 proposals are in the nature of alternative proposals.

Mr. Williams.—No.

President.—Because (a) and (b) are entirely different.

Mr. Williams.—Yes.

President.—Your first proposal is that the billet should be sold to you at exactly the same price as it is supplied to other consumers in this country. You take for example the Tinplate Company who take sheet bars from Tatas. At present they are paying a price of over Rs. 80, but I presume if the duties on steel are reduced next year, their prices would be regulated on a different basis. It would be calculated with reference to the f.o.b. price of tinplate at Swansea. I estimate on that basis the price of sheet bar hereafter supplied to the Tinplate Company would be about Rs. 68 at Tatanagar.

Mr. Williams.—Yes.

President.—If we accept your first proposal, then Rs. 68 would be your price.

Mr. Williams.—That comes appreciably near the figure I have put. We may take Rs. 68 as the basis (limit) price at which these industries, bolts and nuts and others—might be developed.

President.—Rs. 68 f.o.r. Tatanagar. Therefore at Shalimar the corresponding price would be, say, about Rs. 72 or Rs. 73.

Mr. Williams.—Yes.

President.—Is that agreeable to you?

Mr. Williams.—It is a little high for the manufacture of bolts and nuts. The rate is £4-1-3.

President.—That would be almost exactly Rs. 72 delivered at Shalimar.

Mr. Williams.—Yes.

President.—That would be the effect of accepting your first proposal. You would get your billets delivered at Shalimar at Rs. 72. Now I come on to your 4th proposal (d) which perhaps is based on the cost of production of the billet and the relative proportion of all costs. Now the Tata Iron and Steel Company had estimated that a fair selling price for their billets at Tatanagar would be Rs. 70.

Mr. Williams.—I have heard that.

President.—If we accept a price of Rs. 70 it is not yet certain that we will: the figure is under consideration by the Board and later on we may fix a different fair selling price—taking for argument's sake the figure that they have suggested, on that basis, your price at Shalimar would be Rs. 74.

Mr. Williams.—That is too high for us to capture the commercial bolt and nut and much of the railway bolt and nut markets unless there was an increased duty on bolts and nuts.

Mr. Natesan.—Too high on the cost of production given by you?

Mr. Williams.—That is so: not on the cost of fabrication of bolts and nuts but the cost of rolling of steel from billets.

President.—I should like to examine that question with reference to your reply to Question 10 (a), that is where you give the figures regarding commercial bolts and nuts. These costs have been estimated on the basis of Rs. 85 per ton of billets delivered at your works.

Mr. Williams.—Yes.

President.—I should like to adjust the costs on the basis of Rs. 74.

Mr. Williams.—I have them adjusted here on the basis of Rs. 70.

President.—Since they have given Rs. 70 as their fair selling price, on that basis the cost of billets at your works would be Rs. 74 and I should like to work out the figures on that basis. It is not a complicated calculation. I take it that the saving per ton would be Rs. 11 as compared with the costs which you give here?

Mr. Williams.—That is right.

President.—The wastage at 10 per cent. would be another rupee?

Mr. Williams.—Yes.

President.—The saving on bars would be Rs. 12.

Mr. Williams.—Yes.

President.—The wastage of bolts and nuts may be taken at $\frac{4}{5}$ of 12—that would be Rs. 3 $\frac{1}{5}$. I am trying to see what your total saving in metal cost would be if you got your billets at Rs. 74 instead of at Rs. 85 per ton?

Mr. Williams.—That is quite right.

President.—If you add Rs. 3-8 to Rs. 12, you save on the whole Rs. 15 $\frac{1}{2}$ as compared with the costs given in this statement?

Mr. Williams.—Yes.

President.—Your total cost as given here is Rs. 229-14. You deduct Rs. 15 $\frac{1}{2}$ from that.

Mr. Williams.—Yes, it comes to Rs. 214-6.

President.—Against a landed price of commercial bolts and nuts of Rs. 225 a ton?

Mr. Williams.—Yes, that is the present price. But the prices have gone up. In the first part of the year it was Rs. 220 or a little under. Now all prices are going up.

President.—If you take the current price, it leaves you with a surplus over your works cost of Rs. 11.

Mr. Williams.—But we want something for the commercial cost—commercial expenses.

President.—This Rs. 11 is the surplus that you get over your bare works cost?

Mr. Williams.—Yes.

President.—You have got to meet your depreciation and interest on capital out of this Rs. 11.

Mr. Williams.—No, we have already taken depreciation in, but we have to meet the head office commercial charges.

President.—Per ton of bolts at what figure would you estimate that?

Mr. Williams.—I think for commercial charges 7 $\frac{1}{2}$ per cent. to cover everything concerned would be reasonable.

President.—7 $\frac{1}{2}$ per cent. of the selling price?

Mr. Williams.—Yes. We want about Rs. 16 or 17 to cover commercial charges.

President.—These commercial charges include the head office expenses, sales expenses and what else?

Mr. Williams.—Book-keeping, typing, travelling and advertising.

President.—That does not include interest on capital?

Mr. Williams.—This 7½ per cent. does not include. The interest on capital is not taken into account in any place.

President.—That would have to be taken separately into account?

Mr. Williams.—Yes.

President.—So that the surplus of Rs. 11 that you would get if your billets could be had at Rs. 74 would not be sufficient to cover the commercial charges on your figures?

Mr. Williams.—No.

President.—And it would leave nothing for interest on capital.

Mr. Williams.—That is so. I take it that the interest on capital is an alternative to profit.

President.—Yes.

Mr. Williams.—It would leave nothing. We being a private concern do not consider the interest on capital because the capital is our own. We consider only profit. We do not charge anything for interest on capital.

President.—In calculating a fair price for purpose we have to assume a certain rate of interest on the capital invested in the industry—say 5 per cent. We may take that 5 per cent. as interest on capital but it is quite another question what exactly is the amount of interest on capital which can be properly allocated to any one particular product?

Mr. Williams.—That is right. We would take it this way as an easier method of getting at it. When we arrive at our works cost including the commercial expenses, we add a margin of 10 per cent. A margin of 10 per cent. is not large. A margin below 7½ per cent. is certainly small.

President.—10 per cent. again on the price?

Mr. Williams.—On the cost price plus commercial expenses. It is a reasonable engineering working margin. It is not large. If you get below 7½ per cent. you are getting very near a point when any mistakes would soon run you into a loss.

President.—On the figures of costs here 10 per cent. would mean roughly Rs. 20?

Mr. Williams.—Yes, that would be a reasonable margin.

President.—If we allow Rs. 20 per ton, what is the normal output of your works in tonnage?

Mr. Williams.—We have worked that out very very carefully. I shall put a conservative figure. First of all, if everything was going for the whole year we would do about 10,000 tons in the bolt and nut works.

President.—I want your total tonnage of all products. What was your total tonnage last year taking all your products?

Mr. Williams.—I don't think we have that figure here. Last year was a very low year but we could manufacture about 600 tons of bolts and nuts a month—say 10,000 tons a year for all products in that works.

President.—Taking your total capital expenditure which is somewhere about Rs. 27 lakhs, if we calculate the interest on that at 5 per cent., it is about Rs. 1,35,000.

Mr. Williams.—Yes.

President.—That Rs. 1,35,000 should be distributed among the total output of your works and then we get for working purposes a normal figure.

Mr. Williams.—The total tonnage rolled would be about 20,000 tons.

President.—That would mean somewhere about Rs. 6 to Rs. 6½ per ton if you are taking a flat rate for the whole of your output?

Mr. Williams.—Yes.

President.—Rs. 6 to Rs. 6½ would give you a profit of 5 per cent. on your capital?

Mr. Williams.—20,000 tons is the tonnage rolled. It would not all be fabricated. When it comes to fabrication, the wastage would be more than the figure you have mentioned.

President.—If you allowed a margin of 10 per cent. between the rolled material and the fabricated material, that would give you a fabricated output of how much?

Mr. Williams.—We take the fabricated output as a little over three-fourths of the rolled output.

President.—In some cases the wastage is considerably higher.

Mr. Williams.—Yes. We suggest the whole wastage on our rolling should be taken into account.

President.—If we take your total fabricated output at 15,000 tons, it would be more or less right.

Mr. Williams.—Yes.

President.—On that basis, it would be just Rs. 9.

Mr. Williams.—Yes. That is a small margin—a possible margin.

President.—Therefore on the basis of Rs. 74, taking your present costs and present c.i.f. prices you would cover depreciation but would not cover either commercial charges or profit?

Mr. Williams.—Quite. Our works are all kept separate. We know the capital cost of each of the works and we also know the depreciation charges. We do not charge any interest on capital. Depreciation is covered in the figure.

President.—I suppose the same conclusion would apply to the other typical classes of products which you have mentioned in 10 (b) and 10 (c), viz., fishbolts and nuts.

Mr. Williams.—Yes.

President.—I suppose you would require a different kind of billet for it.

Mr. Williams.—We require high tensile steel specification, tensile 38/42.

President.—I don't pretend to be an expert on specifications. Tell me generally so that I can understand what approximately is the difference. Is it composition?

Mr. Williams.—There is more carbon in it.

President.—Is it high carbon steel?

Mr. Williams.—Not high carbon, but medium carbon.

President.—It is a little more than mild steel?

Mr. Williams.—Yes.

President.—The price of billets that you want for your fishbolts would be slightly higher than the mild steel billets that you use for commercial bolts and nuts?

Mr. Williams.—Yes.

President.—The way in which I look at the question is this. I start with the landed price of imported fishbolts. At present it is Rs. 215-4. Your cost of manufacture is Rs. 46-12. That leaves you with a balance of Rs. 168-8 which is the cost of the bar used.

Mr. Williams.—Yes.

President.—The wastage being 6 cwts. for every ton, Rs. 168-8 $\times \frac{3}{4}$ gives you the cost per ton of bar?

Mr. Williams.—You are taking the selling price there.

President.—What I am trying to do is to work back from the import price to see what is the price which you can afford to pay for your billets?

Mr. Williams.—Won't you allow first of all commercial charges and some interest on capital before you go to the billets?

President.—If I can understand the position on your bare cost, then later on I can make the adjustments.

Mr. Williams.—Yes.

President.—Rs. 168-6 is for $\frac{3}{4}$ tons of bars.

Mr. Williams.—In the case of fishbolts, it is a bigger figure, say $\frac{3}{10}$.

President.—That is Rs. 120

Mr. Williams.—Yes.

President.—Your rolling cost is Rs. 35.

Mr. Williams.—Plus a little wastage. Some percentage of wastage must be added.

President.—That is on the whole negligible.

Mr. Williams.—5 per cent. or 8 per cent.—something like that.

President.—This Rs. 35 includes the wastage—that is your total cost of rolling.

Mr. Williams.—In 10 (a) in the very first line we have referred to the wastage consumed in the furnace, scale and things like that as 8 per cent.

President.—I am coming to that. Let us now deduct the rolling cost and you get a balance of Rs. 85 which represents $1\frac{1}{10}$ tons of billets.

Mr. Williams.—That is right.

President.—Therefore $\frac{1}{10}$ of Rs. 85 is what you can afford to pay per ton of billets.

Mr. Williams.—That is correct.

President.—That will give you about Rs. 77?

Mr. Williams.—Yes.

President.—If you can get your billets at Shalimar, I mean billets of B. Class, at Rs. 77 you can manufacture fishbolts in such a way as to avoid losses.

Mr. Williams.—I agree.

President.—You will cover your depreciation, but you won't cover commercial charges, you will not cover interest on working capital.

Mr. Williams.—That is so.

President.—The corresponding figure that we get for mild steel billets is Rs. 74.

Mr. Williams.—That is the figure given by the Tata Iron and Steel Company.

President.—If you paid Rs. 74 for mild steel billets your position with regard to commercial bolts would be the same, that is to say you will cover your costs, you will cover your depreciation but you won't get anything for commercial charges and profit. This Rs. 77 that we have got now for B class billets corresponds to Rs. 74 for mild steel billets. On these figures your position will be exactly the same, in commercial billets and fish bolts and nuts.

Mr. Williams.—The cost of conversion in commercial bolts and nuts is Rs. 63-6; I don't think we can work back to Rs. 74.

President.—I adopted a different method. What I tried to do was, taking the costs as you give them I tried to see what difference a price for billets of Rs. 74 would make to your costs. Having analysed from that point of view we reached the conclusion that you would be able to cover your costs but not the commercial charges, nor interest. This is precisely the same position as is the case with regard to fish bolts and nuts at Rs. 74.

Mr. Williams.—That is correct.

President.—As far as I can make out, the position of rivets would be a little worse. What kind of billets would you use for rivets?

Mr. Williams.—Mild steel billets 25 to 30 tons tensile.

President.—Calculating on the same basis I find taking the landed price at Rs. 180 what you can afford to pay for your billets at works is Rs. 71 on rivets. That is to say if we aim at simply giving you a price corresponding to your works expenditure and nothing more, then it would be Rs. 71 for rivets, Rs. 74 for commercial bolts and nuts and Rs. 77 for fish bolts. That is roughly the position?

Mr. Williams.—That is the position.

President.—Supposing we reduced the price of billets for you from this figure of Rs. 74, then it would mean that the steel industry here would not get a price for their billets which would cover what they regard as reasonable charges on billets.

Mr. Williams.—Yes. They require Rs. 70 at Tatanagar and we get it at Rs. 74 here which permits us in fabricating no allowance for commercial charges.

President.—We as a Board have not considered what is a fair selling price for his billets; the matter has got to be examined by us and we shall not be able to reach a conclusion for a considerable time yet. But assuming for the moment that Rs. 70 is the fair selling price for billets we feel that it would not be fair to ask the Tata Iron and Steel Company to quote a price which is lower than the fair selling price for billets. But at that fair selling price if you use billets in your works you won't cover all legitimate charges on your products.

Mr. Williams.—That is so.

President.—Therefore, if that ultimately were the position after due examination by the Board then my suggestion would be this: We presume that you get your billets at a price f.o.r. Tatanagar which corresponds to Tata's fair selling price and if at that you are unable to cover all your reasonable charges, then the question of adjusting the duty on your finished products would have to be considered, because if the steel industry is to be protected then it must get a price which covers all reasonable charges for their purpose. If at the same time your industry is unable to cover your reasonable charges on their price of billets, then the only way in which the situation can be met is by an adjustment on your finished products. I don't know whether you have considered this aspect of the case sufficiently. If you are using Indian billets as your material then you see you will be an industry using indigenous material and there is sufficient market for your products in the country.

Mr. Williams.—We have based our price on the expectation that we use only indigenous material. We do not visualise using imported billets at all; we are so much in Tata's economical geographical area.

President.—When you made your application you looked at the question entirely from the point of view of reduced prices for your materials?

Mr. Williams.—In order to capture the market for material presently imported.

President.—That is to say you wanted to improve your position in comparison with the imported railway material by having the price of your material reduced. It may be possible for us to have the price of your raw material reduced but there is a limit beyond which we cannot go because it may adversely affect the Indian steel industry. Therefore the only way in which we can restore the position in regard to imported railway materials is by adjusting the duty on the finished products. The question would then arise whether you yourselves as an industry satisfy the conditions laid down by the Fiscal Commission with regard to the grant of protection. Since you are using indigenous materials solely and have got a sufficient home market, speaking quite tentatively I should say that it might be possible for us to adjust the duty on your finished products in accordance with the conditions laid down by the Fiscal Commission. Supposing there was a limit below which we could go and that left you with some of your legitimate charges uncovered, I should like you to reconsider the position

and let us have a statement as to what adjustment in the duties on the finished products would be required. I think it would enable us to look at the question comprehensively if we had both the positions.

Mr. Williams.—May I say a word as regards our purchase of billets from Tatas? At present a large quantity of special sections is imported from abroad and to undertake that kind of work we have erected our mill suitable to manufacture these sections here: Tata's billets would be used entirely. I have brought specimen sections. Example—these are railway sleeper keys (explains). The total number of cast iron sleepers required per year is approximately Rs. 5 lakhs; that means 20 lakhs of keys equal to 1,500 tons of steel which is presently imported. We are laying our mill to roll all this for which we should use indigenous material.

President.—The installation of a rolling mill enables you to use Indian material exclusively?

Mr. Williams.—Yes.

President.—The way in which I should like you to prepare the statement is this: I should like you first to give us your costs for typical class of products you manufacture assuming billets at Rs. 74 Shalimar.

Mr. Williams.—That is mild steel billets.

President.—Yes. What I was thinking of is this: suppose we take commercial bolts and nuts and rivets as typical class of products, arrive at a duty on a comparison of costs and the import prices of these two classes of articles and then we apply that to all other articles, would that be more or less right?

Mr. Williams.—I think it very likely, but I should like to examine the point.

President.—I want your costs to be calculated on the basis that mild steel billets are delivered at Shalimar at Rs. 74—when I say costs I mean costs including commercial charges and reasonable interest on capital. Then give us in comparison with current c.i.f. prices both for British and Continental imports what would be the duty required in each case. Then there is another point also which I should like you to work out in this connection. If the duties that you arrive at on these products mean an increase on the present duty on these materials, I should like you to work out the extent to which the increase in duty will mean additional burden on things like bridgework or wagons. Have you got any data on which you can work that?

Mr. Williams.—We may ask some of the bridge builders what is the proportion of rivets and so on.

President.—My own idea is that it would be inconsiderable. If you take bolts at 1/12th or 1/15th on a bridgework, suppose we raise the duty on bolts and rivets by say Rs. 10, taking the total extent to which these things enter into a piece of bridge work, that is 1/15th, it is only 12 annas per ton of bridgework. In that way I want you to work it out. What I want to know is the extent to which the increase in the duty is likely to increase the burden on the users of railway material.

Mr. Williams.—We will consider the question. May I submit to you the latest price we have received for billets?

President.—That is a point that has been causing some difficulty.

Mr. Williams.—In the first paragraph of a cable we received on the 6th February you will find that the price of 2" billets in Europe is generally 1s. 6d. dearer than 2½" billets. Very often Tatas put these at the same price. In February the c.i.f. price was £4; that is, the landed cost free on rail at the jetty at Calcutta is Rs. 57-3-4. That includes landing clearing and supervision charges of one rupee. If you employ someone it would be Re. 1-4 but if we do it ourselves it costs us something and we put a rupee for that. Port dues which is shown at Rs. 2-14 is actually Rs. 2-13-9, that is a very close round figure, making the cost in Calcutta Rs. 57-3-4. You

have mentioned Tatas figure of Rs. 57; they have not got that one rupee, so actually our price is slightly lower than what was theirs at that time. Take the last figure; that is from a cable received just now and the cost to-day of untested billets 2" to 4" landed at the jetty is Rs. 66-10-8 (cables handed in).

President.—How do you account for this rise in the price of Continental billets?

Mr. Williams.—The price in the earlier part of the year is extremely low; it must be a price of £3 f.o.r. Antwerp. This is a very very low price. Prices have risen considerably since then.

President.—I was looking at the quotations in the Iron and Coal Trade Review; the particular number is dated 6th October. That gives a lower price than this (your cable). That is the average of billets and sheet bars. We took the f.o.b. price and then we took about 18s. 6d. for freight and Rs. 2-12 for landing charges and we got a figure of somewhere in the order of Rs. 55 landed in India without duty.

Mr. Williams.—So low as that? The price there must be £4 at least.

President.—I want to get to the bottom of this question of billet prices, because a good deal depends on that.

Mr. Williams.—Our 6th February price not only confirms, but it is a price which we were accepting.

President.—I always thought that prices quoted in the Iron and Coal Trades Review represent so to speak the outside limit. Generally you find in actual transactions all prices are lower than this quotation.

Mr. Williams.—What price did you find there?

President.—Billets f.o.b. Antwerp—2½" to 4" is £3-0-6; sheet bars £2-19. If you average that, it would be £2-19-9.

Mr. Williams.—We can't buy it at such prices.

President.—How is that? They don't say it is a nominal quotation. In some cases they say it is a nominal quotation. I remember two weeks ago they gave quotations and said they were nominal quotations. Here apparently they don't say that. I have hardly ever come across a case where actual prices have been higher than the Iron and Coal Trades Review's prices. That is what troubles me about your prices. This figure corresponds more closely to the Tata Iron and Steel Company's price than yours.

Mr. Williams.—Except this that Tatas prices correspond to what they give for January—June dearer than our cable price in February. We simply can't buy at these prices. We found a rise of 13s. 6d. a ton.

President.—I don't understand it. I presume, as an experienced manufacturer, Mr. Williams, you make your purchases wisely.

Mr. Williams.—These are what my firm expects me to buy at £4-13-6 is not a quoted price, but they believe that that offer would be considered.

Mr. Atha.—These are mild steel bars.

Mr. Williams.—Untested mild steel billets.

Mr. Atha.—Are they Continental billets?

Mr. Williams.—Yes. The price of billets to specification (tested) is £5-7-6. When you come to a specification the price is quite different. We find an increase of 15 shillings in the price of such billets.

President.—Personally I expected, when Tatas gave a price of Rs. 57 for January—June, in accordance with a general rise in the price of Continental billets since the re-formation of the cartel, there might be an increase in the price of billets.

Mr. Williams.—That is what I feel too.

President.—But these figures do not show it. There is one point that we have got to remember which occurred to me the other day. Prices quoted here f.o.b. Antwerp is for shipment to England. It may be this is a special price with a view to avoiding the import duty.

Mr. Williams.—I think you are right; it is not an Indian price.

President.—That may explain it.

Mr. Williams.—What I have given you is genuine Indian price. In February—I should like you to compare the prices: Messrs. Tatas can give you the figures which they have got—when they gave Rs. 57, it will be £4-1. We could buy at that then. Now we cannot buy at that rate. Our cable says that if we offer £4-13-6, it will be considered. It is not a firm price.

President.—Would you kindly examine this question further in the light of our discussion and see if further verification of your figures could be obtained? I am anxious that the Board should be able to get as accurate a figure as possible in regard to the price of imported billets.

Mr. Williams.—Yes.

President.—There is one other point that I want to discuss with you. As I have told you the Tata Iron and Steel Company have asked for a protective duty on billets. We have reached no conclusion whatsoever on that question. It is a very very important question of taxation of raw materials and we are giving anxious consideration to that question. Pending our final settlement of that question we were discussing with the Tata Iron and Steel Company this matter. We asked them, supposing we decided to recommend a duty of that kind on billets, to what extent and in what manner they could safeguard the interests of re-rolling mills in the country, and when we put forward the proposal to the Tata Iron and Steel Company, their suggestion was this: they said that in the case of a re-rolling mill which rolled products which didn't come into competition with their own products, they would supply their billets not at the market price including duty, but at whatever is estimated by the Tariff Board as a fair selling price for them. They would supply billets for the special materials that you roll, not ordinary materials at their fair selling price and then they went on to suggest that if in the course of manufacturing these special railway materials which are your most important products, you find it necessary occasionally to manufacture and to market ordinary sections, then the billets required for those sections would be supplied by Tatas not at a fair selling price, but at whatever is the ordinary market price including duty provided you said the ordinary sections are put on the market at ordinary market prices and not at cut prices. There are two aspects to this question which I want to have cleared up. The first is if we accepted a proposal of this kind, what would be its effect on the financial position of re-rolling mills. We want to get at that first. Then the next question is, is a proposal of that kind workable. These are the two questions that we want to discuss. We have discussed the question of the supply of billets at a fair selling price for your railway materials and what the effect would be on your products. Therefore I will go to the second part of your proposal. The billets required for ordinary sections which you may market would be supplied at the ordinary market price which includes the duty.

Mr. Williams.—Yes.

President.—I should like you to work out figures with me.

Mr. Williams.—Might I reply to this, this way: first of all if you, Gentlemen, fix the fair price at which billets for railway requirements and special sections should be supplied, that I fully expect would be a fair price to us. If that price is not to be fixed for this material, Tatas would be able to quote any price they like up to one rupee lower than the total duty. That would mean that the industry could commence and many other industries would commence. At any time Messrs. Tatas would have the power of taking the cream of the profit of that industry reducing it to a point at which it would make no profit and it could finally take over the industry at a fraction of the capital involved. If it is in your hands, it is all right. If it is not in your hands, you would be putting them in a position of monopolist of all the other trades built up on the supply of billet.

President.—Your point is really this: Supposing Tatas agreed with reference to an enquiry from the Tariff Board that they would sell billets against the production of railway materials at, say, Rs. 70 f.o.r. Tatanagar—assuming that is their fair selling price, is there any sort of sanction behind that proposal of theirs, that is to say can we enforce it? That is really your question?

Mr. Williams.—Yes.

President.—If they agreed to sell at that price in the year of grace 1933, would they do so in 1936 when the Tariff Board would be defunct and when there is no other body to enquire into the position?

Mr. Williams.—What is the safeguard for any alteration in prices?

President.—In the first place if we could get a definite statement by the Tata Iron and Steel Company to that effect, we would see to it that their statement on this point is as clear, definite and unmistakeable as possible. The Indian Steel Industry is composed entirely of one unit. It is a fairly easy matter if that particular unit does not abide by the agreements into which it has entered to bring their sin home to them. If there are 5 units in the industry and one of them misbehaves, we cannot remove the duty for the sake of the one offender but if there is only one offender it is possible to make your threat fairly effective.

Mr. Williams.—You will understand that we feel nervous about it. We feel that there should be a safeguard. If we are to have any duty on billets, then there must be some undertaking given by the Tata Iron and Steel Company, otherwise it would put them in the position of being able to dictate to us their price all along.

President.—I will come to that question later, because it really concerns the workability of the arrangement.

Mr. Williams.—As regards the proportion of bars which we should have for ourselves (that is excluding railway requirements) taking the Statesman's Report, they said they would require 90 per cent. of their supply to be for our railway requirements.

President.—90 per cent. was an illustrative figure.

Mr. Williams.—And 10 per cent. for our commercial requirements. We could not be content with 1/10th.

President.—What proportion do you suggest?

Mr. Williams.—25 or 30 per cent. When we are rolling rounds for bolts, 10 per cent. will not help us. We have to keep the mill going and I think 1/3rd is reasonable. These sections would not be saleable, if the price for them was based on the import price of billets *plus* full duty and we should not be able to roll at all.

President.—That is really the point I want to consider.

Mr. Williams.—It really permits no overhead charges if sales are to be effected.

President.—Let us take for the present the import price that Tatas have given for billets which is lower than yours.

Mr. Williams.—Yes.

President.—For the sake of calculation I took that figure of Rs. 57. The duty that they have proposed is Rs. 25. That gives you a duty paid price of Rs. 82. You add for wastage Rs. 8. That gives you a figure of Rs. 90.

Mr. Williams.—Yes.

President.—If your rolling cost is Rs. 35, it comes to Rs. 125.

Mr. Williams.—Yes.

President.—Which are your cash expenses on that basis.

Mr. Williams.—That is beyond the sale price of bars.

President.—The sale price hereafter when we alter the duty would be different. Tatas' proposals with regard to the selling price of sections and

bars are given on page 38 of their representation. They calculate, if they are to get the necessary assistance, structural sections would have to be sold in the market at port at Rs. 108.2. Supposing the duty on structural sections were fixed at a level which made the price of sections at port at Rs. 108.2 then at that price you would not be able to cover your cash expenses.

Mr. Williams.—That is what we said.

President.—Your cash expenses would be Rs. 17 in excess of the price that you would get.

Mr. Williams.—Yes.

President.—The position would not be so had in regard to bars where the selling price as such is Rs. 113. Even there you would be short.

Mr. Williams.—We would be short by Rs. 12. We must make some of these ordinary bars, otherwise we would simply have the mills standing.

President.—I gathered from the discussion that what the representatives of the Tata Iron and Steel Company thought at the time was that if you were supplied with billets at a market price, that is to say price including duty, it would be possible for you to recover at least your cash expenses, but it seems to me on these figures it would not be possible.

Mr. Williams.—It is quite impossible. There is a third item published in the papers and that is this: Messrs. Tata Iron and Steel Company have put a condition that we should not sell at a lower price. First of all I take it that you, Gentlemen, would greatly object to two manufacturers in the district making terms to sell at one price. It certainly defeats the expansion of the industry. I don't say that we would sell it at a lower or higher price. I don't think we should be forced into any convention. It is obvious that we should not be able to sell at a lower price. I don't think I have mentioned that before. We certainly estimate that the cost of rolling by re-rollers must be higher than the cost of Messrs. Tatas' rolling. We start on 4' and 6' lengths of billet and roll short bars and that is why we want special sections. Messrs. Tatas commence on 30' length. They roll 6, 7 or 8 times the weight in one bar. But in doing that, they don't take so much more time. Their profit, provided they get an order of sufficient quantity, is bound to be greater than ours. We confess that we cannot say anything else. On the other hand if the demand is for 10 or 20 tons, it is not worth changing their rolls. If they were to change their rolls for small orders, they would lose. When we come down to actually competing for any serious quantity of material, the re-rolling mills cannot compete with the Steel Company.

President.—That sounds reasonable.

Mr. Williams.—They ought not to be nervous that we can defeat them in price. We don't see any hope of doing it. We don't want to do it. At the same time we think that it would be unwise that a price agreement should be made. I think that it would take place in effect without any agreement.

President.—If the probability is in every case that your costs would be higher and therefore your prices would have to be at least as high as other people's, a provision of this kind in the agreement would not hit you.

Mr. Williams.—No.

President.—From your side there would be no objection to a provision of this kind.

Mr. Williams.—Except that we don't think that it would be wise to have an agreement. We don't think that it would be supporting the Indian industry generally and there may be people who will not like the idea of our entering into a price agreement especially in view of the fact that there are only two rollers in Bengal.

President.—If there is a price agreement in regard to finished products, the justification for that from their point of view is the price agreement with regard to billets. The one is the consequence of the other.

Mr. Williams.—It is.

President.—So that if you look at it as so to speak a compound of two price agreements, there is a certain reasonableness about it. What do you think? “We give you our billets at a price which is considerably less than the market price, in return for which we ask you in regard to your finished products to quote a price which is not lower than ours in the market”, supposing they say that?

Mr. Williams.—We should be agreeable except for the public opinion which might not know the first part and would know the second. It is purely that. I don't see ourselves in a position to beat them in price.

President.—It is perfectly obvious to me that unless you want to give away your billets at a definite loss, you cannot afford to sell at a lower price.

Mr. Williams.—I agree.

President.—That to my mind is perfectly obvious.

Mr. Williams.—I think that public opinion might be considered in this connection and it is an unwise thing to do.

President.—It is a point that did not occur to us at the time when we were examining the Tata Iron and Steel Company last week. When the suggestion was made that on an ordinary duty paid price for billets, it would be possible for you to recover a price for your ordinary sections which at least would cover your works expenses, it did not occur to me then that the figures in these statements did not lend support to that view. It was only last night when I was trying to work up your case that I went into the figures in detail and I found that the figures did not bear out their contention. I feel on these figures the position has to be reconsidered.

Mr. Williams.—Yes. May I ask you to accept that the present position of Messrs. Tata's would regard re-rollers and ourselves in particular as competitors?

President.—With regard to the bulk of your products, viz., railway materials, it seems to me perfectly obvious that you are a complementary industry and not a rival industry. That to me is perfectly obvious.

Mr. Williams.—That is my opinion too.

President.—But then with regard to ordinary sections, I suppose to some extent it is a natural fear on the part of a manufacturing concern like Tata's who, I know, are not in a good position at present. If they fear that small quantities of low priced sections of the kinds that they roll coming into the market may have the effect, irrespective of the quantities involved, of rather depressing the prices and disorganising the market, that is a perfectly natural fear.

Mr. Williams.—They have got control over us because our position is dependent upon the price at which they will sell billets to us.

President.—At a price of Rs. 82 for billets, if you sold at Rs. 112, I think you would have to wind up your business.

Mr. Williams.—Yes. As I have said, they don't need to be as nervous as we are.

President.—We will carefully reconsider the position. Is there any other point with regard to that matter which you want to raise?

Mr. Williams.—May I make this remark? I think, Mr. Wiles asked various questions about the position of re-rollers being able to carry on in the future. We have examined this question in this way. We think that in the future the re-rollers would be able to carry on not competing with Tata sections but in sections which are suitable to them for the following reason. The price of coal is not higher than in Europe; it is lower in some places. I think it is equal in fairly favourable districts. We don't suffer any disadvantage under coal. The cost of labour per man is very much lower here. At present we are using more men of course but as years go on, that

labour will be trained and we should have also a lower costs. There are certainly signs that the rolling costs should be much lower in India than I believe even in Belgium or Germany.

President.—That is taking a very long view.

Mr. Williams.—I don't think that it would take more than a few years. We find that many of our men are intelligent and they can be trained up. Then we should have only as few imported top men.

President.—Some tentative calculations that we made rather lead us to the conclusion that even allowing for the fact that a larger quantity of labour is employed in India, taking into account the lower rates of wages, on the whole probably the position now is that labour costs per ton of steel, if anything, are slightly lower here than in England.

Mr. Williams.—That is what I am working on.

President.—With regard to the Tata Iron and Steel Company, I think that position has been reached. It would not be safe to say that it is lower, but it certainly would be lower.

Mr. Williams.—There is a third point. Supervision is just now high, but as the labour is trained, the supervision comes down and we also visualise a position in which supervision should not be more. We see a future where the re-rolling trade can stand on its own legs and face competition from abroad if it has the raw material at an equal price to its competitors.

President.—That is a point which I should like you to develop in connection with your statement for a protective duty on finished materials if that becomes necessary.

Mr. Williams.—May I mention this. When you, Gentlemen, saw our works, we appreciated the fact that you did so. That shows the earnest desire on your part to know what is happening and what we are doing to create an industry. The rate of rolling that you saw was a heat of 60 bars in fifty minutes, that is 6 bars in five minutes. These bars are about 30 odd feet long. The rate at which they go is a heat of 60 bars in fifty minutes within this short period. It so happened our Inspectors from England were inspecting these very bars in the Sheffield Forge where they rolled 6 bars in 4½ minutes or 60 bars in 45 minutes, so that our rate of rolling at these mills is almost the same as the European rate. I think you will see that we have made an earnest endeavour to put down a modern plant, as modern as we can get for the purpose of re-rolling. Our electric drives are even ahead of the electric practice of two or three years ago. They represent the latest. Our handling devices would never be the same as those of the steel works. We don't expect them either. Our materials being light, we don't require them. We will never get the capital return if we go in for such devices. But our equipment corresponds to the re-rolling trade in other places. We can be as mechanically equipped as any other re-rollers either in England or on the Continent. We make every endeavour on lines practicable to be near the Continental or British practice. I say that we visualise the re-rolling trade is not something which will need help all the time, if it is efficient and it ought to be efficient. If re-rolling is made a success we shall not be the only ones, though we are the first. Others are bound to follow. We don't visualise that we are going to be the only re-rollers.

President.—I think there is quite enough room in the country for—I don't say, many more but certainly a few more re-rolling mills than we have.

Mr. Williams.—Messrs. Tata's have given in the statement in reference to surplus billets some 60,000 or 90,000 tons. We estimate that it could be absorbed in industries in Bengal, Bihar and Orissa, in the United Provinces and in the districts geographically served by the Tata's works.

President.—There is at present, according to their calculations, a surplus capacity on their billet mill of somewhere about 70,000 tons. That is their figure. That includes sheet bar that they are supplying to the Tinplate

Company and the billets that they are under contract to supply the Indian Steel Wire Products at Jamshedpur.

Mr. Williams.—Yes.

President.—So that 70,000 tons of billets is the amount from which the re-rolling mills in the country would have to be fed. You take about 20,000 tons out of it.

Mr. Williams.—We may.

President.—Supposing your whole output was attained, that would mean about 20,000 tons.

Mr. Williams.—We put it this way. At the present moment there is that amount of surplus billets. The rolling capacity of steel works is several hundred thousand tons. The amount of re-rolling is nothing at present in India. The country is developing and there should obviously be a certain proportion of re-rollers before the country is in a position to have more of the large steel works rolling.

President.—My feeling about it is this. There is no doubt whatsoever that there is a very considerable scope in the country for re-rolling mills which manufacture several materials of the kind that you are making?

Mr. Williams.—Yes.

President.—There is a very considerable scope in the country for that. The only aspect of the problem which presents itself to my mind is this. Suppose you had a large number of re-rolling mills using imported billets for rolling in the main precisely the kinds of sections that Tata's are equipped to roll, would that be an economical development?

Mr. Williams.—It would not. I say that if re-rolling is done from imported billets it is harmful to the country. If those sections are rolled from indigenous billets, then it would be to the advantage of the country.

President.—If what you said a little while ago is correct, the conversion costs of a re-rolling mill would be higher than those of mills with a large output. If that is so, the production of these ordinary sections on the re-rolling mills would be somewhat uneconomical.

Mr. Williams.—I don't think that it would develop to more than 10 to 20 per cent. of the large steel works. If there is 400,000 tons produced by Tata's, in sections and bars it would not be more than 40,000 tons. As this will comprise many sections required in small quantities, it will not be profitable to have them rolled by Tata's because it will involve changes of rolls.

President.—You are coming back to the original point. Where the re-rolling mill confines itself to rolling small and special sections, then it is all right, but where the ordinary bazar sections are rolled by a re-rolling mill which makes it its main business, the position would be different. Suppose I started a re-rolling mill at Karachi; suppose I imported billets from Belgium and produced yearly 30,000 tons of sections precisely of the kinds that Tata's are making. Would you consider that a sound development?

Mr. Williams.—Yes. May I put it this way. In Karachi just now bars are imported. Karachi is not one of Tata's economical markets.

President.—From Karachi they would go to considerable distances to the Punjab and parts of the United Provinces.

Mr. Williams.—There is a freight advantage to Lahore. We have the question all the time for sleepers, but re-rollers at Karachi would not be able to bring the war into the geographical area of Messrs. Tata's. They could go to a certain distance but they could really only supply the areas which Messrs. Tata's have not got at present.

President.—Really in the last resort the question would be this. Tata's estimate of their future output of bars, taking the average of the next three years, as far as they can calculate, is about 80,000 tons a year. Suppose we find in this country the demand for ordinary steel bars is say 40,000 or 50,000 tons in addition to this 80,000 tons which Tata's can roll, then it

would be legitimate for us to provide for re-rolling mills in order to supply the rest of the market in the country. But supposing you have a development of re-rolling mills which means on the re-rolling mills alone an output of 70,000 or 80,000 tons, then you see the market gets disorganised. You never know where you are. That difficulty would not arise if the steel industry in this country were not a protected industry. We could say let internal competition do its worst and the consumer benefit. Since the Central Legislature and the Government have undertaken a responsibility with regard to the Steel industry we have got to see to it that the market is not unduly disorganised by unfair competition. It is all a very difficult and complicated question, to which the Tariff Board will of course give such attention as it can.

Mr. Williams.—I have made some notes about the freight disadvantage. The Rs. 25 duty represents Rs. 13 protective duty and Rs. 12 freight disadvantage.

President.—That is a point we are considering.

Mr. Williams.—The markets which Messrs. Tata's have not got are, I suppose, Madras, Bombay and Karachi. The mills in those areas would be able possibly to import billets and roll. They would then secure the trade which Messrs. Tata's cannot get. But if the quantities are large, they would have to encroach upon Tata's areas and they cannot carry the war into the area here or anywhere in which Messrs. Tata's have either freight equality or slight freight disadvantage.

President.—That is a point that we are considering. There is only one other matter I want to raise in connection with your representation. There is a reference in your representation to a contract with the Tata Iron and Steel Company and we had a little discussion with the Tata Iron and Steel Company last week about it. I should like to know precisely what the position was.

Mr. Williams.—I have brought documents with me. Last Spring we asked Messrs. Tata's for a price of 1,500 tons of billets and they quoted Rs. 80. We then sent a cable home and received a cable in reply which worked up to Rs. 71-9 delivered at our works and Messrs. Tata's accepted that order for 1,500 tons at Rs. 71, delivery up to 30th September. In the middle of September we specified the balance of that order when they turned round and said that they had written a letter.

President.—Let me see. The agreement was made in March?

Mr. Williams.—Yes.

President.—The supply was to begin from the 1st of April and to be completed by the 30th of September?

Mr. Williams.—Yes. I have no control over their delivery. I maintain that technically we were within the period of the contract.

President.—Before September how much did you take?

Mr. Williams.—220 tons.

President.—When was that taken?

Mr. Williams.—In April and May.

President.—Then you did nothing with regard to the agreement till September?

Mr. Williams.—It was intended for the rolling mill and the rolling mill did not progress as we had expected. We had a contract for 1,500 tons and we placed an order for the balance

President.—On September 15th, that is a couple of weeks before the expiry of the completion of the contract?

Mr. Williams.—Yes. When we did this they wrote and said that they considered the contract cancelled and there was various correspondence and I said that this was a contract between two parties and they must comply with the conditions and we must have the supply. Then they reinstated

the contract and they gave as reason that because of some internal matter in their own departments that this work could not be done within that period.

President.—Under the terms of the agreement Tata's were justified because I understand that under the terms of the agreement you had to give notice of four to six weeks.

Mr. Williams.—No. They made a statement that they expected to deliver on 4 to 6 weeks notice. There are no terms to that effect that specification must be made 4 to 6 weeks before September 30th in the agreement at all.

President.—They did make a statement to the effect that they required a notice of 4 to 6 weeks to which no reply was made either in the affirmative or negative?

Mr. Williams.—That does not govern the accepted conditions of the contract.

President.—If the person who accepts the offer says in the letter embodying his acceptance that he would require a certain period of notice I take it that that is a part of the document of acceptance. Technically it is possible to raise a fairly strong plea for Tatas on that ground. After all when you have got an enormous quantity of steel it is but natural that you should expect a sufficient notice because your rolling programme might be mapped out. When you wrote about the 15th September asking for the fulfilment of the contract they asked you to enter into a fresh agreement, did they?

Mr. Williams.—Yes but they said on terms to be discussed not the existing terms.

President.—What is the present position?

Mr. Williams.—They have put in a contract which is satisfactory to us on the same terms. If they had only said that they would enter into a fresh contract on the same terms instead of saying on terms to be discussed, there would have been no trouble.

President.—When you enter into an agreement for the supply to begin on the 1st of April and the completion of delivery to take place by the end of September, when you wait for this whole period till the 15th September without giving them the slightest indication as to your attitude in the matter, it seems to me that there is a good deal of justification for the position that Tatas took up; it seems to me right. However, the matter has now been satisfactorily settled?

Mr. Williams.—Yes. The reason why we could not give them previous notice was because certain contracts for keys were very much delayed and we had no indication of the actual sizes we had to roll. That made our position very difficult.

President.—I don't for a moment deny that there was sufficient justification for you: circumstances made it necessary for you to wait a little longer than you had originally intended. But that does not necessarily implicate the Tata Iron and Steel Company.

Mr. Williams.—If they had said instead of "terms to be discussed" "we are willing to renew and reconsider the contract" there would be no difficulty whatever. May I say something on the subject of sleepers? There was a request for a duty on sleepers at Rs. 60 a ton. Can I put in the plea that there should be differential duty on sleeper sections and sleeper bars otherwise it would mean that Tatas would be in a position to charge us who are the largest and oldest sleeper manufacturers in the country a price for the bar which will cover not only profit on the bar

President.—I should like you in respect of that to put in a written statement stating the position. I am glad you have raised it. It is a point which has presented some difficulty. Tatas are suggesting that sleeper bars should be included in the item relating to sleepers and should be chargeable to the same rate of duty. I should like to know what your position is with regard to that in detail.

Mr. Williams.—We will consider the point. We should like to see some differentiation, so that the sleeper manufacturer had some chance to manufacture them from Tata's Steel. We used 30,000 tons of Tata's Steel within six months.

Mr. Wiles.—I would like to ask you about your paragraph 6 in which you state that State-aided concerns should not be permitted to sell raw materials in the shape of billets to competitive countries at a lower price than they are agreeable to sell to consumers in India. Putting aside the State-aid factor is it commonplace in large manufacturing industries that they do sell abroad?

Mr. Williams.—We have brought with us some letters showing that Messrs. Tata's billet is sold in England at £5 per ton.

Mr. Wiles.—£5 per ton f.o.b. England?

Mr. Williams.—That is c.i.f. England.

Mr. Wiles.—That is about Rs. 66.6 c.i.f. England?

Mr. Williams.—Yes.

Mr. Wiles.—What is the freight?

Mr. Bishop.—22s. 6d. Then there is port dues.

Mr. Williams.—Tatas would have realised on it about Rs. 46 at their works?

Mr. Bishop.—That is about it; Rs. 51 at port and Rs. 46 at their works.

Mr. Wiles.—It must have put them to a loss, if there was such a transaction.

Mr. Bishop.—There are one or two such transactions.

Mr. Wiles.—How does £5 per ton compare with the English price?

Mr. Bishop.—It is lower than the English price.

Mr. Wiles.—To what extent?

Mr. Williams.—I believe the agreed price for billets in England is £5-17-6.

Mr. Atha.—The present price is £4-10 or £4-15.

Mr. Williams.—I should fancy that the price of £5 is a few shillings favourable against the British manufacturer.

Mr. Wiles.—On page 8 of your representation there is a figure which I am not able to reconcile with the figures given in Tata's statement. You say 87,000 tons of mild steel bars were imported. Tatas give a figure of the total consumption of bars in India of 129,000 tons of which they claim to provide 77 per cent. which is equivalent to 51,000 tons.

Mr. Bishop.—In this figure of 87,000 there may be many classes of bars not only rounds and sections. These are as far as I know Customs figures. It is very difficult to get these figures sorted out into various categories.

Mr. Williams.—Mr. Bishop took the figures from the Customs table.

Mr. Bishop.—1930-31—87,370; 1931-32—72,534; 1932-33—69,168; 1st April to 31st August—22,294.

Mr. Wiles.—They all seem considerably larger than the figures given by Tatas. What sort of depreciation do you allow in your works costs?

Mr. Williams.—It rather depends on the machines.

Mr. Wiles.—Your average rate you have put down at Rs. 10 per ton?

Mr. Bishop.—We are allowed 7½ per cent. by the Income-tax department. But we allow in our accounts a bit more than that, 10 per cent. on the average. It depends on the machine.

Mr. Wiles.—Does that cover your whole block including buildings?

Mr. Bishop.—Not buildings; buildings are very much lower.

Mr. Wiles.—What is the depreciation put there?

Mr. Bishop.—It is 5 per cent.

President.—In buildings the income-tax rate is 2½ per cent.

Mr. Wiles.—You have taken only machinery?

Mr. Williams.—It includes depreciation on all block account but not at one figure. It would be 5 per cent. on buildings and 10 per cent. on machinery.

Mr. Natesan.—What are your sources of information about the prices which you have given in your representation for commercial bolts and nuts and so on?

Mr. Williams.—They are from bazar merchants.

Mr. Natesan.—Are there any other sources from which you have taken these figures?

Mr. Bishop.—Fishbolts and nuts are an accepted contract by the East Indian Railway.

Mr. Bishop.—Rs. 215-4 is the import price for the recent tender to the East Indian Railway.

Mr. Natesan.—Then for the rivets?

Mr. Bishop.—It is the approximate price at which these big contracts like the Narabada contract are placed as far as we know.

Mr. Natesan.—Mr. Wiles has put a few questions about depreciation and I will take you to page 3 of your representation. You have given an item—Miscellaneous, Rent Rates, etc., Rs. 10. It is over 40 per cent. Does not that sound a little high? I am unable to understand how you have arrived at this cost. Would you kindly give us details of the calculation?

Mr. Bishop.—In the case of rolling it is an estimate. In the case of bolts and nuts it is an actual.

Mr. Natesan.—Let us take one after the other. For commercial bolts and nuts of standard sizes, you have put in Rs. 10 under Miscellaneous, rents rates, depreciation, etc. You have given Rs. 35 as the rolling cost estimated which seems to me a little too much. On page 4 you have given the cost of fish bolts and nuts as Rs. 46-12. You have put inasmuch as Rs. 12. May I say that it is over 25 per cent. Then again on page 5 you have given under Miscellaneous, Rent rates, depreciation, etc., Rs. 8 out of Rs. 33-4. That again is over 25 per cent. As a layman it seems to me to be too much.

President.—8 per cent. of the cost above material.

Mr. Natesan.—Please do give us details for all these three items, because if, for instance, the costs are less, that will materially affect your case and probably the President's case will be strengthened. You have now said that the rates which he proposed will not suit you. If on all these three items, you give us the details as to how you have worked, it will materially help us in making our calculations.

Mr. Bishop.—You will appreciate that it is necessary to take some definite figure. It is all variable; it depends on output.

Mr. Natesan.—You must have taken something into your calculation.

Mr. Williams.—Yes.

Mr. Natesan.—In your representation you say 'we should agree to no protective duty on billets'. Another firm says 'we object to revenue duty,' am I right?

Mr. Williams.—Yes.

Mr. Natesan.—You recommend the abolition of duties on billets, am I right? At any rate your representation shows that. If you have changed your views since, that is a different matter.

Mr. Williams.—Under the existing duty for the finished material we say that if you can give us billets without any duty, the industry of the country can be greatly increased.

Mr. Natesan.—The main point in your recommendation is the total abolition of the existing duty on billets from abroad.

Mr. Williams.—We are advocating that.

Mr. Natesan.—The duty on billets now is Rs. 8.47 on British and Rs. 12.63 on Continental, 10 per cent. *ad valorem* on British and 20 per cent. *ad valorem* on Continental.

Mr. Williams.—Yes.

Mr. Natesan.—The products that you wish to make out of billets, namely, bolts, nuts, etc., now pay a duty of Rs. 56-4 per ton. If the duty on billets is removed, have you any objection to the duty on bolts and nuts being reduced correspondingly?

Mr. Williams.—I should like to work that out.

Mr. Natesan.—I presume a firm of your standing must have thought over it when you said at the outset that no duty on billets should be levied. You say you don't want any protective duty on billets. Is it also your suggestion that the duty on bolts and nuts should be reduced correspondingly.

Mr. Williams.—I shall work that out. My impression is that it could be reduced.

Mr. Natesan.—As years go on, do you expect reduction in your conversion cost?

Mr. Williams.—Yes we do.

Mr. Natesan.—You say you have already got everything efficient and as efficiency improves naturally I take it your conversion cost will be less.

Mr. Williams.—Certainly in the re-rolling mill.

Mr. Natesan.—What could be the average reduction per ton during the next seven years?

Mr. Williams.—I had better go into that.

Mr. Natesan.—If the cost of conversion decreases, then it naturally follows there should be a corresponding reduction in the duty.

Mr. Williams.—Yes that follows.

Mr. Natesan.—I should like to state at once as the President has already indicated, not only myself but also my other colleagues feel the difficulties with regard to the re-rolling mills, but at the same time there is also the larger question of protecting Tatas and we should like to solve this problem satisfactorily. Let me premise these observations by that. Supposing billets are imported free of duty, what guarantee is there that there will not be duplication of production and a scramble for the market which ultimately will be ruinous to the industry? I speak from a very small experience. Take the case of rice mills: we had plenty of them at one time and everything went to the dogs afterwards and many people got ruined. If I take a different instance altogether, as a City Corporator in Madras, I know that one or two people began running buses and everybody began to start buses. I very much regret to tell you that some young fellows having property went on buying buses and most of them got ruined. There is also this difficulty—it is an economic difficulty—which we realised everyday.

Mr. Williams.—It would tend to overproduction.

Mr. Natesan.—If the duty on billets was removed, and if a number of re-rolling mills were started—the result may prove disastrous. I do not know if I am warranted to use the word 'disastrous'. It has been disastrous in some cases. Of course it is really a point to be considered very seriously by you. If I may put it in familiar *parlance*, you must not kill the goose for the sake of the eggs.

Mr. Williams.—That is quite right.

Mr. Natesan.—I must ask you to consider seriously whether your proposal to abolish the duty on billets does not defeat the object of granting protection to the Steel industry. All these things that you refer to come out of the rolled steel.

Mr. Williams.—I don't think it does. Within an economic geographical area my belief is that Messrs. Tatas can supply all the billets at a reasonable margin of profit.

Mr. Natesan.—What I am trying to tell you is this: Possibly your view and mine are different. You are perhaps looking at it from the point of view of how it affects your business. I understand it is quite legitimate. I am trying to view it from a different standpoint. Here is the Steel industry which has been protected and the State has deliberately done it from various points of view and from the important national considerations including consideration of national defence also. Therefore if you advocate a thing, you must stand by it. You are a British citizen and I am also one. Both of us have to look at it from a larger standpoint and it seems to me looking at this question from a very broad and patriotic standpoint, and from the point of view of the British citizen and an Indian citizen who is also a British citizen, for practical purposes, you should think twice before saying on no account we should put a duty on billet. I have not made up my mind yet and as the President has said we have not formed any definite views so far, but we are trying to understand this question from every possible point of view and I feel that these points should be clearly thrashed out before we make a definite proposal—whether you make a definite proposal or whether we agree to a definite proposal. If you read the literature, the report of the Fiscal Commission and other reports, you will find that the chief consideration amongst others which has induced the Government and the Legislature to agree to protection is that this industry is also useful for defence. We had the great war not long ago and you cannot say that there is no prospect of war. So, as a Britisher you must also consider that it endangers your safety and also ours.

Mr. Williams.—The representation we make there is, we believe, that this reduction of duty on billets will increase the industry first—all the industries which depend on billets will increase the total quantity of billets not imported but made in this country, which will bring greater demand at an earlier date upon the Steel works than if you put up the price of billets and thereby render the chances of the subsidiary industries more difficult.

Mr. Natesan.—I am sorry I am unable to follow. Let me state it again as a natural conclusion from your statements and the evidence that you have given, that if billets are to be imported free, I have told you what would be the consequence. There would be duplication and all sorts of rolling mills will be started. Apart from the ruin which may attend some of them, you are attacking the very vital basic principle of protection granted to steel. I must tell you that the Act itself says 'protection to the industry'.

Mr. Williams.—Do you think we are attacking the basic principle of it?

Mr. Natesan.—Yes, unless I have misunderstood very seriously the general purport of the Report of the Fiscal Commission and the Government and the Legislature which passed these acts. This is what I am asking you to consider. I can understand your suggesting that billets produced in this country by Tatas should be given to you at a reasonable price which will enable the industry and the products to be kept in the country, but if you ask for a free importation of billets, you are cutting at the very root of the case. May I also remind you, unless my information is wrong, in England itself imported billets are subjected to a duty of 33½ per cent. I read papers pretty carefully and I have not heard anywhere in England any complaint that the cheap raw material is being taxed and things like that. Is this statement of mine correct? In the United Kingdom imported billets are subject to a duty of 33½ per cent. They must have done it for some patriotic reason.

Mr. Williams.—You have competition from 20 billet makers, not just one maker.

Mr. Natesan.—How does that affect this question?

Mr. Williams.—In India you have one producer; in England you have 20 billet makers.

Mr. Natesan.—You think that is the only reason on which it is justified and it has let people sit quiet over this.

Mr. Williams.—They have internal competition. The internal works can supply all the market requirements. They cannot put on an unreasonable price, because the moment it is raised beyond a reasonable margin, somebody else will be there to offer at a lower price.

Mr. Natesan.—The duty on billets should be abolished completely. You want also to abolish the revenue duty, but another Company says that it has no objection to the revenue duty. You see our difficulties are getting more and more complicated. Evidently the re-rolling mills are not of one mind and each one is looking at it from the point of view of its own business, and naturally that makes our position all the more difficult.

Mr. Williams.—I am looking at it from the point of view of the re-rolling mill and as a manufacturer of many finished products from billets including all these railway materials and bolts and nuts. I have gone beyond the re-rolling position, but I am quite willing to submit as the President has asked us to this ideal that billets be supplied to us at a protective price giving what Messrs. Tatas have asked as their reasonable manufacturing and selling price.

Mr. Natesan.—You are quite willing to do that, because you feel it is a more reasonable way of looking at it.

Mr. Williams.—We have been looking at it chiefly from the market beyond the rolling manufacturers trade in India which would develop stronger if the prices were lower if they were high.

Mr. Natesan.—It seems to me all this difficulty is due to this. While it is natural that you should look at it from the narrow standpoint as to how it affects your business, I am trying to look at the whole of your representation and various other points that have been put to us from a larger standpoint. Government have given protection to the Steel industry and at the same time nothing should be done to hinder the growth of other industries and therefore some measure should be devised to give you fair terms, but adopt this suggestion that there should be no duty on billets and that even revenue duty should be removed. That puts my position in a nutshell. Would you consider these points and let us have a note later on?

Mr. Williams.—Yes.

President.—I have not expressed any opinion about the proposal you have made about the abolition of the revenue duty. Supposing on the prices of imported billets we find that Tatas would be able to get a price for their billets which covers all reasonable charges—prices of billets are pretty high—then from our point of view the case for retaining the duty goes. Do you see my point?

Mr. Williams.—Yes.

President.—If on an examination of all the figures we find that some duty is necessary—what I ask you to do is, take the price that it would be necessary for Tatas to get as a fair price; calculate what your costs would be, and what the duties on your finished product would be and we take all that into consideration simply on a provisional basis—supposing we find that we can abolish or reduce the import duty, then of course we make corresponding adjustments. Personally I agree with you much the more satisfactory way of dealing with this question is to make the materials as cheap as possible.

Mr. Williams.—That would be to the maximum benefit of the country.

President.—If, before us, there is no other solution, then of course we have got to consider it.

Mr. Williams.—May I say, particularly agree with the idea that Messrs. Tatas' billets should be used and must be used in the interests of the country and also because they are good billets.

President.—They are very good billets.

Mr. Williams.—The quality is in every way satisfactory. I have always put that forward very strongly.

Mr. Natesan.—I forgot to ask you one point. Supposing we agree to your suggestion that there should be no duty on foreign billets, in time of war billets won't come in and from the point of view of your individual interest, you would be in a disastrous condition which is one of the considerations to be taken into account.

Mr. Williams.—We should get them from Messrs. Tatas.

Mr. Natesan.—If, as you say, there should be no duty on billets, in times of war you would not get your billets at all and naturally there would be difficulty. It would not only affect your business, but also the interests of the State.

Mr. Williams.—May I put it this way: if there is no duty on billets, we still expect to use Messrs. Tatas' billets.

Mr. Natesan.—You must answer the question as I put it. If, as you say, there should be no duty on billets, when there is hostility, you cannot get the foreign billets at all which is a very reasonable inference. Then your own business will suffer, not to speak of the effects on the State.

Mr. Williams.—I don't think so. We don't visualise using foreign billets. We visualise using Tatas' billets. When there is a war, they would still be there.

Mr. Natesan.—Having all along used foreign billets, you cannot go to Tatas, because the supply of foreign billets is stopped.

Mr. Williams.—I don't want to use foreign billets.

Mr. Natesan.—If, as you say, the revenue duty goes, what would be its effect on Government, is also a point to be considered. These are all natural questions that arise.

President.—Compared with the present position, the difference to the revenue position would be very little, because the total amount of billets is so inconsiderable that Government do not get any revenue at all.

Mr. Natesan.—All is well that ends well and I am glad that your little difference has been settled. Having contracted to take as many as 1500 tons you delayed virtually the whole order till the 13th September and even then you said that the quantities of different sizes were still rather tentative.

Mr. Williams.—Not on that date.

Mr. Natesan.—In your letter, you have said that.

Mr. Bishop.—That should never have been put in.

Tinplate.

TINPLATE COMPANY OF INDIA, LIMITED.

**Evidence of Messrs. H. D. TOWNEND, JOHN LEYSHON and
J. P. AINSCOUGH, recorded at Calcutta on the
13th December, 1933.**

President.—Mr. Townend, you represent the Tinplate Company of India, Limited?

Mr. Townend.—Yes.

President.—The first thing that I propose to do this morning is to trace and outline the progress which has been made by your Company since the question of protection was last considered by the Board. I propose to do it under six or seven different heads. First taking the question of the capacity of your works, we estimated in 1926 that your works were capable of an output of 36,000 tons. Actually in 1932 including the small production of galvanised sheets, your total output was over 46,000 tons. The maximum output leaving out the question of galvanised sheets for our purpose now may be fixed at 45,000 tons, that is to say the quantity of tinplate corresponding to the maximum quantity of sheet bar which the Tata Iron and Steel Company will supply to you under the agreement. This large increase in output over our estimate of 1926 has been made possible largely by the use of wider rolls in your mills.

Mr. Townend.—Yes.

President.—That is the first marked improvement in the works since we last reported.

Mr. Townend.—Yes.

President.—Secondly taking the question of imported covenanted hands, it was 56 in 1922, 35 in 1927 and at present 11, is that so?

Mr. Townend.—Yes.

President.—Which again is a marked improvement.

Mr. Townend.—Yes.

President.—The third point is that you are producing a much greater variety of sizes and gauges than we considered possible in 1926 or you considered possible in 1926.

Mr. Townend.—Yes.

President.—Then I come to the rather difficult question of the cost above metal. I do not know if you have any figure. The Tariff Board didn't give any specific figure in the Report regarding what they estimated as the cost above metal that you would reach at the end of the protective period, but calculating from the figures given in the Report I arrived at a figure of Rs. 117 as the figure that the Tariff Board estimated for your cost above metal at the end of the protective period. If you look at the Chapter "on Works Costs" your 1926 works cost was Rs. 312·7. Out of that the cost of tinbar and tin was Rs. 174·4, is that correct?

Mr. Townend.—Yes.

President.—That gave you in 1926 the net cost above metal of Rs. 138·3 and the Tariff Board estimated various possible economies. The total economies that they estimated you will find on page 116. The first three of those items relate to metal cost. The last three are the costs above metal. That gives you a total of Rs. 21, that is right?

Mr. Townend.—Yes.

President.—Therefore the Board's estimate of your cost above metal at the end of the protective period was Rs. 117.

Mr. Townend.—Yes.

President.—Against that, your actual cost above metal a year after the protection was renewed was Rs. 108. That I got from your Statement A.

Mr. Townend.—Yes.

President.—In 1932 it came down to Rs. 83.

Mr. Townend.—Yes.

President.—Against an estimated cost above metal of Rs. 117 at the end of the protective period, your cost above metal is now Rs. 83.

Mr. Townend.—Yes.

President.—Which again is a very striking improvement.

Mr. Townend.—Yes.

President.—Now I come to the consumption of tin. We estimated in 1926 that your consumption of tin practically throughout the period would stand at about 40 lbs. per ton of tinplate. Your actual consumption in 1927 was 34.5 lbs. In 1932 there was a slight increase which went up to 36 lbs. You explained the increase since 1927 on the ground that a larger output of thinner gauges would mean a slightly bigger consumption of tin.

Mr. Townend.—A larger number of gauges in general.

President.—That is to say you require the same amount of tin whatever the gauge.

Mr. Townend.—Not entirely. Heavy gauges would in general take a thicker coating.

President.—Thinner gauges would take thinner coating.

Mr. Townend.—Probably not proportionately. We should use more tin by reason of having to change from one gauge to another instead of having an uninterrupted run on one gauge.

President.—How does your present consumption of 36 lbs. per ton of tinplate compare with the consumption in other countries?

Mr. Townend.—Very fairly favourably.

President.—Taking typical Works producing more or less the sizes and gauges you make, a figure of 36 lbs. per ton of tinplate would be considered a reasonable figure.

Mr. Townend.—Taking everything into account, yes, we have probably used less than 36 lbs. on the surface of the plate, but taking into account all losses, including the tin strips which we cut off and sell as scrap, our figure of 36 lbs. probably compares favourably with other countries.

President.—In any case it represents quite a considerable reduction from the figure that we considered possible in 1926.

Mr. Townend.—Yes.

President.—Coming to the consumption of steel per ton of tinplate, your consumption of sheet bar in 1924 was 1.32. In 1926 it went up to 1.4 and this increase was before us when we enquired in 1926 and we understood at the time that the increase in consumption was due to a rapid expansion of output.

Mr. Townend.—Yes.

President.—But we decided for the period of protection to take a figure of 1.32. Against that your actual consumption in 1927 was 1.41 and even in 1932 it was 1.33, slightly above the figure we assumed. 1.33 I understand is the normal consumption figure if you take the Works in other countries, is that correct? Approximately you calculate on $1\frac{1}{4}$ tons of sheet bar for a ton of tinplate.

Mr. Townend.—I think that is about correct.

President.—What is the weight of tin in a ton of tinplate?

Mr. Townend.—We have here the weight per ton—36 lbs.

President.—That is the total consumption. What is the actual weight of tin in the tinplate? Your 36 lbs. is the total consumption.

Mr. Townend.—We would say roughly 1½ lbs. per box of tinplate, so that it would be a little under 1½ per cent.—1½ per cent. on 2,240 lbs. will be 33·6 lbs. We have here the gross consumption of 36 lbs.

President.—Is it possible to reduce the steel consumption to what we assumed in 1926? 1·32 we assumed as the standard figure you ought to work up to.

Mr. Townend.—You have the range of consumption over these six years. We have never actually shown a consumption of 1·32 over a period.

President.—But you did manage to arrive at 1·32 the year you started.

Mr. Townend.—We had 56 Europeans in the hot mills. We had practically a European crew.

President.—Allowing for the fact that your output at present is very considerably in excess of the output when you started—a much larger output would mean, I suppose a slightly greater difficulty in regulating the consumption of sheet bar.

Mr. Townend.—Yes.

President.—If you took the output of 1924 and considered 1·32 as the reasonable figure then on your present output of over 42,000 tons, a figure of 1·33 making allowance for this factor is really an improvement.

Mr. Townend.—I think it may be called an improvement.

President.—There is one point on which I am not able to get any information from your statement. What is your proportion of wasters? You give a combined figure for wasters and unassorted. Have you got the figures for wasters only?

Mr. Townend.—I can give you the figures, if you care to turn to Statement B, for the percentage of wasters in each column. I will give you the figures to the nearest per cent.

| | Percentage of wasters on 30 gauge. |
|----------------|---------------------------------------|
| 1927 | 16 |
| 1928 | 14 |
| 1929 | 14 |
| 1930 | 15 |
| 1931 | 13 |
| 1932 | 17 |

President.—That, I should say, is very satisfactory. I think we assumed a figure of 20 per cent.

Mr. Townend.—You cut it down to 18 per cent.

President.—We didn't cut it down to 18 per cent. We reduced the loss on wasters to Rs. 18 per ton.

Mr. Townend.—That is right.

President.—We thought that your figure of 20 per cent. was not an excessive figure considering that at that time the information we had regarding the United States was a figure of 22. The proportion of wasters was 22 and in Welsh Tinplate works it was supposed to be 15, so that your average during the period, I should say, is quite satisfactory.

Mr. Townend.—Yes.

President.—Now I come to the question of your financial position during the period. The first important thing that happened during the period since 1926 is a substantial capital reconstruction. That, as you know, is a point to which the Government of India drew our attention at the time the enquiry was referred to the Tariff Board. Your debentures which stood in 1926 at Rs. 124·9 lakhs have been reduced to Rs. 100 lakhs in 1927, is that correct?

Mr. Townend.—Yes.

President.—And the share capital which stood at Rs. 75 lakhs was written down to Rs. 32·5 lakhs.

Mr. Townend.—Yes.

President.—And the arrears of interest on debentures cancelled to the extent of Rs. 37·7 lakhs and the amount due by the Tata Company under the old arrangement cancelled by Rs. 40·9 lakhs. Those are the main features of the reconstruction which took place.

Mr. Townend.—Yes.

President.—And the total block value of your property was written down from Rs. 161·59 to Rs. 120 lakhs.

Mr. Townend.—Yes.

President.—I have been trying to work out your total gross profit during the period of six years, that is to say your profit over manufacturing expenses approximately, over this six-year period, amounted to Rs. 94 lakhs.

Mr. Townend.—I cannot answer that exactly. I haven't got that figure. I have a figure here of Rs. 92·96 lakhs excluding payment to the Provident Fund.

President.—This includes the Provident Fund.

Mr. Townend.—I expect your figure is quite correct.

President.—What I want to do here is this. We estimated a surplus for you over your working expenses and I want to see how, over the six-year period, the surplus you have actually earned, compared with our estimated cost.

Mr. Townend.—Yes.

President.—Including the figure allotted to Provident Fund it was about Rs. 94 lakhs over the six-year period. The surplus that we estimated for each year was Rs. 14·36 lakhs.

Mr. Townend.—Yes.

President.—Multiplied by 6, it gives you Rs. 86·16 lakhs against an actual gross profit of Rs. 94 lakhs.

Mr. Townend.—Yes.

President.—That is apparently an excess of Rs. 8 lakhs over our estimated surplus, but then during the first quarter of 1927, the duty stood at Rs. 85 and since September, 1931 the duty has been at Rs. 60 instead of at Rs. 48.

Mr. Townend.—Yes.

President.—As far as I can calculate, the surplus over the duty of Rs. 48 that we recommended which you enjoyed in the first three months of 1927, that gave you about Rs. 3·8 lakhs in excess of what you have got on a duty of Rs. 48.

Mr. Townend.—We make it Rs. 3·74 lakhs.

President.—I took this duty of Rs. 85 and multiplied that by one-fourth of your total sales in 1926. That might not give you an exact figure.

Mr. Townend.—Our figure is not very different.

President.—The surplus that you get as the result of the duty being Rs. 12 in excess of our estimate since September, 1931 is about Rs. 6 lakhs.

Mr. Townend.—We make it Rs. 6·88 lakhs.

President.—For how many months in 1931 did you have the higher duty?

Mr. Townend.—In our Statement D we have given the figures for the import duty in the various years. In 1927, it was Rs. 57. In 1931, it was Rs. 53 and in 1932 Rs. 60. So, we assumed in 1931 an excess of Rs. 5 over the statutory figure of Rs. 48 and in 1932 of Rs. 12. We multiplied Rs. 5 by the total sales in 1931 and Rs. 12 by the total sales in 1932.

President.—It is slightly on the high side—this figure of Rs. 53 for 1931.

Mr. Townend.—It was based on whatever the proportion was.

President.—Your total sales in 1931 were 37,147 tons.

Mr. Townend.—Yes, we multiplied that by Rs. 5.

President.—You divided it by 4 and multiplied the resultant figure by 5 seeing that you had the benefit of the higher duty for three months.

Mr. Townend.—We had the benefit of the higher duty for about 3½ to 3¾ months, I think.

President.—I forget the exact date when the duties came into force. It was probably more than three months.

Mr. Townend.—It was probably 46/60—just over 9/12ths.

President.—On the whole we may say that as a result of the duties being higher at different periods than what we estimated, you reached a surplus of about Rs. 10 lakhs.

Mr. Townend.—We make it Rs. 10½ lakhs.

President.—If you added Rs. 10½ lakhs to our estimated surplus over the six-year period, you ought to get a little over Rs. 96 lakhs. Against that, you got actually Rs. 94 lakhs.

Mr. Townend.—Yes.

President.—It was worked on the whole very well.

Mr. Townend.—Yes.

President.—We take no credit for that. It has been due to the wonderful reductions which you have been able to achieve. On the whole the results have tallied rather remarkably.

Mr. Townend.—Yes. From our point of view, as you can understand, we must attribute this greatly to the 25 per cent. surcharge. As we have said in the first paragraph of our representation, the imposition by Government of a 25 per cent. surcharge on Customs duties in September, 1931 came at a most opportune moment, as far as this Company was concerned.

President.—But then if your cost above metal had not come down from Rs. 117 which was the figure on which we based our surplus of Rs. 86 lakhs, the result would have been very different.

Mr. Townend.—I quite agree.

President.—This total surplus that you earned during this period of Rs. 94 lakhs, I take it, was mainly utilised for these purposes. The interest on debentures consumed about Rs. 28½ lakhs.

Mr. Townend.—Yes.

President.—The repayment of the debenture loan took away a little over Rs. 55 lakhs.

Mr. Townend.—Yes.

President.—You incurred a capital expenditure to the extent of about Rs. 10 lakhs.

Mr. Townend.—Yes.

President.—That gives you a total of somewhere about Rs. 94 lakhs. Does it correctly represent the position?

Mr. Townend.—Yes.

President.—Taking the figures in your balance sheets, the ordinary depreciation, that is to say, depreciation on plant, machinery and buildings which you have set aside during the six-year period is Rs. 35.2 lakhs. That is making allowance for the retrospective reduction during the first two years of the period.

Mr. Townend.—Yes.

President.—That is the actual ordinary depreciation set aside.

Mr. Townend.—You mean since the beginning of 1927.

President.—From 1927 to 1932.

Mr. Townend.—It is just over Rs. 7 lakhs a year. It must therefore be over Rs. 42 lakhs,

Mr. Wiles.—You set aside nothing in 1927. That was the year in which you re-adjusted your depreciation.

Mr. Townend.—The adjustment included that.

Mr. Wiles.—That is not shown in your balance sheets. Your depreciation fund came down from Rs. 32 lakhs to Rs. 30 lakhs. The balance sheet of 1927 does not show anything set aside in that year.

Mr. Townend.—We have explained that in our Statement M. We mentioned that as ordinary depreciation had in the meantime been charged on the higher valuation, the appropriate adjustment under this heading became Rs. 32 lakhs. I think you may take it that depreciation for 1927 was charged but that excess depreciation had been previously charged, so that in the accounts for 1927 there was little, if any, addition made.

Mr. Wiles.—What is this "appropriate adjustment of Rs. 32 lakhs"? What is the meaning of that?

Mr. Townend.—You will see from Statement M that the block value should have been reduced by the special depreciation of Rs. 41,59,000. We could not put Rs. 41,59,000 into our accounts without an adjustment of any other figure because prior to that we had already reserved more depreciation than necessary to be consistent with that figure and consequently the actual adjustment instead of being Rs. 41,59,000 was Rs. 32,75,000.

Mr. Wiles.—As special depreciation?

Mr. Townend.—That meets your point because we had already reserved more depreciation than was provided for in the scheme of reconstruction.

Mr. Wiles.—The depreciation in your 1927 budget was Rs. 37 lakhs instead of Rs. 32 lakhs.

Mr. Townend.—You have omitted depreciation on the Town. The total is Rs. 41,59,000. That figure is retained all the way through our accounts.

Mr. Wiles.—That is my mistake.

Mr. Townend.—You may take it that the figures have actually been correctly adjusted according to the scheme of capital revision. In fact we have set aside just over Rs. 7 lakhs per year. May I give you the figures of depreciation for each of the years?

| | Rs. lakhs. |
|----------------|-------------------|
| 1927 | 7-20 |
| 1928 | 7-25 |
| 1929 | 7-28 |
| 1930 | 7-48 |
| 1931 | 7-68 |
| 1932 | 7-72 |
| | <hr/> 44-61 <hr/> |

President.—Against a total depreciation of about Rs. 32 lakhs over the six-year period that we estimated? You have worked it on a higher capitalisation figure than we did.

Mr. Townend.—Yes.

President.—We estimated that you would set aside Rs. 32 lakhs over six years.

Mr. Townend.—May I add that you should in your calculations have provided for depreciation at your rate on the additions we made to our Block?

President.—That is for the future.

Mr. Townend.—In respect of these six years also.

President.—What I am suggesting is this. Taking simply the figure that we took for the protective period, it was Rs. 32 lakhs. Against that you have set aside depreciation during the six-year period to the extent of Rs. 44 lakhs.

Mr. Townend.—Our figure includes depreciation on additions. You really ought to add Rs. 2·32 lakhs to your figure.

President.—Would it be so much as that?

Mr. Townend.—In 1932 at your rate of 6½ per cent. on additions of Rs. 9,86,000, it would be Rs. 62 lakhs. The total for the six years would be Rs. 2·32 lakhs.

President.—That does not substantially alter the position.

Mr. Townend.—According to my calculation it ought to be Rs. 34 lakhs which you should have put aside as compared with Rs. 44 lakhs which we have put aside.

Mr. Wiles.—That is depreciation on your gross Block and not on your reduced Block.

Mr. Townend.—Yes, on the gross Block.

President.—That is as far as the progress of the Company during the protective period is concerned. Now I come to the question of the future. The main question is what is the measure of protection required for the industry hereafter. What I propose to do is this. The latest year for which we have figures regarding costs and import prices is 1932. It is a complete year as far as that is concerned and I propose to base my calculations on the figures of 1932. The works costs in 1932 were Rs. 227·5.

Mr. Townend.—Yes.

President.—To that I add Rs. 1·6 for head office and Rs. 2·4 for provident fund which gives you a total cost of Rs. 231·5.

Mr. Townend.—Yes.

President.—I have reduced the price of the sheet bar from your works costs, taking the reduction to be Rs. 15, so that you get a total cost of Rs. 211·5.

Mr. Townend.—Yes.

President.—Taking depreciation and interest and profit on an output of 42,000 tons at the figures that we took in 1926 the average per ton of tinplate would be Rs. 34.

Mr. Townend.—Yes.

President.—That gives you a total fair selling price of Rs. 245·5.

Mr. Townend.—Yes.

President.—Now what we did in 1926 was to compare your fair selling price with the import c.i.f. price. I feel on the whole that a better way of doing it is to compare your fair selling price with your actual realised price because there are various kinds of adjustments we have to make on the prices that you realised. On the whole it would be safer to compare your fair selling price with the actual realisations. The realised price in 1932 was Rs. 280. That is for the whole of your sales. Deduct duty from that of Rs. 60 and you get a duty-free price of Rs. 220. On the figures of 1932 the duty that you require is Rs. 25·5. Speaking for the time being of the plates imported from the United Kingdom, that would mean a duty of about 12 per cent., that is to say something less than the current revenue duty must suffice on the figures of 1932 as the duty on tinplates imported from the United Kingdom. Is that right?

Mr. Townend.—Yes.

President.—Actually you suggest a duty of Rs. 43 because you have taken 50 per cent. extra on the cost of tin.

Mr. Townend.—Yes.

President.—Which is Rs. 17 and accounts precisely for the difference?

Mr. Townend.—Yes.

President.—My difficulty with regard to that is this. We can proceed only on actual figures. If the price of tin goes up I presume the price of tinplate also goes up.

Mr. Townend.—That has been the tendency.

President.—As far as sheet bar is concerned, since your prices are fixed under a contract, if there is a fall in the price of sheet bar in a completing country, there would not be a corresponding fall in your costs because your price of sheet bar is fixed. But as regards tin, since both of you buy in the open market, if there is a rise in the price of tin, there should also be a rise in the price of tinplates.

Mr. Townend.—Yes.

President.—Therefore I am justified in saying that the duty that we arrive at on the basis of actual figures of 1932 is the correct duty to apply, that is to say, Rs. 25½ instead of Rs. 43 which you suggest.

Mr. Townend.—On your assumptions, that is correct. We, however, are afraid that the price of tin may go up and stay up and that the price of tinplates may not, in proportion.

President.—The only factor which can bring about a discrepancy of that sort is variation in the cost of sheet bar. That is the only factor in which you would be under a disability. If there is a fall in the price of Welsh tinplate as a result of a reduction in the cost of sheet bar, you would not be able to get the same reduction here because your price of sheet bar is fixed up by an agreement. That is the only factor which can place you in a disadvantage.

Mr. Townend.—We feel that manufacturing costs in Wales, taking Wales as being our standard of import prices, may come down, outside of tin and steel.

President.—There is really no reason why your costs should not come down.

Mr. Townend.—We have brought our costs down, as you know, very largely indeed. We believe that we have now come to a point where these costs are either going to stay stationary or may even go up.

President.—The difficulty is this: on what kind of basis am I to assume the probable margin by which the price of Welsh tinplate may fall hereafter? Have you any data on which you would like the Tariff Board to frame an estimate of the probable fall in prices? We can proceed only on the basis of prices. As far as contingencies of that kind are concerned the only thing we can do is to provide a suitable machinery in the scheme of protection. Supposing there is a fall in the price of Welsh tinplate to a level lower than we have estimated, the only course open to us is to provide in the scheme of protection a provision for off-setting duties to be applied equally to Welsh tinplates and other classes of tinplates; but in estimating the duty which is to be embodied in the scheme of protection we must proceed on actuals.

Mr. Townend.—I must point out, that in doing that in 1926 the Board very largely overestimated the probable future prices of Welsh tinplate. Naturally we are not concerned if the Board makes an under-estimate; that is to our advantage and we are not likely to complain. All we are afraid of is that there may be a repetition of what happened in 1926 when within three years of the Board's report prices fell to pieces.

President.—I understand your point of view but the only way in which I can meet your point of view in a practical manner is deliberately to set myself to make a forecast which I can't. I am obviously not in a position to do that.

Mr. Townend.—I have here a Statement following on what we said in our representation which I should like to place before the Board. In August the price of Welsh tinplate was 17s. 3d. and tin was £215 a ton. We say

"on current tin and sheet bar costs the price of tinplates might be expected to be 1s. per box higher than in 1932, or 16s. 11d., but not appreciably more". In September, with tin still at £217 a ton, the price of Welsh tinplate had fallen to 16s. 9d.

President.—What was the price quoted in September?

Mr. Townend.—16s. 9d.

President.—What is the October price?

Mr. Townend.—17s. Tin was £227 but there was a considerable rise in the price of steel. The point I am emphasising is that with tin remaining stationary between August and September the price of Welsh tinplate fell from 17s. 3d. to 16s. 9d.

President.—Will you give me the difference between 17s. 3d. and 16s. 9d. What is that per ton of tinplate?

Mr. Townend.—That is about Rs. 6 or 7 per ton. We thought that there was a margin up the Welsh Manufacturers' sleeve so we took out a statement where we tried to work out the cost per box of Welsh tinplate by the known cost of tin and the known cost of steel based on the figures that we have given in our representation. The interest to us in this statement lies in the last column where we show the cost above metal including profit in the price charged by the Welsh manufacturers. We made a remark in our representation that the Welsh manufacturers' costs do not appear to have decreased since 1927. The justification for that remark lies in the last column where we show in 1927 the cost above metal was 7s. 11½d.; in 1932 it was precisely the same figure. That means to say that between 1927 and 1932, when our costs were coming down enormously, partly due to the decreased cost of raw materials and stores. Welsh costs varied not at all or only by one farthing at the outside. We feel that, excluding tin and steel, there must be some reserve which the Welsh manufacturers have up their sleeve which may lead to a further reduction in prices. If you look at 1931, you will see that they had 4d. at any rate up their sleeve. In 1931 their cost above metal was 7s. 6½d. compared with 7s. 11½d. in 1932. That 4d. came into operation again the other day when in September the price of tinplate fell to 16s. 9d. and the cost above metal including profit fell to 7s. 7½d.; in October it was 7s. 6½d., as in 1931.

President.—As an old established industry I expect the margin of reduction in the cost above metal in Wales must be relatively smaller.

Townend.—The reductions in the prices of stores have been enormous. You have our figures in front of you. But the Welsh people have not shown any reduction.

President.—Assuming for argument's sake that there is a margin, let us say, of about Rs. 7 representing possible reduction in the cost of Welsh tinplate works, we are proceeding on the actual figures of 1932. In 1932 your total output of tinplate was about or slightly less than 42,000 tons; your total capacity is about 45,000 tons. We have taken depreciation and overheads and profit on an output of 42,000 tons. The moment your output goes up to 45,000 tons you save about Rs. 3 or Rs. 4.

Mr. Townend.—In overheads.

President.—Yes. There is a reserve for you if we proceed on the basis of 1932?

Mr. Townend.—But you must remember that to keep on getting the maximum production year in and year out is impossible.

President.—45,000 tons is less than the 46,000 tons you actually worked up to?

Mr. Townend.—That was our peak year. I admit that our Works is capable of that production but to take the maximum production as anything like a probability over a range of years is a very big assumption.

President.—There is another factor also. If you look at your Statement D, the import price of prime tinplates in 1932 adding freight, landing charges and so on was Rs. 312; actually you realised only Rs. 280.

Mr. Townend.—Yes.

President.—Which leaves a lag of Rs. 32. If you are proceeding on the basis of 1932 actuals you get the benefit of this whole lag of Rs. 32 between the import price and the realised price?

Mr. Townend.—We need that. You will see from here that we need that every year on the average.

President.—In recent years it has never been so high as Rs. 32. The way I look at it is this; in 1926 when we looked into this matter of the adjustment required we allowed for three factors—for your freight disadvantage, loss on wasters and for the adjustment of packing in your agreement with the Burmah Oil Company. As far as that packing item is concerned it is unnecessary to make an allowance this time because we are proceeding on realised prices. There are now two factors, freight disadvantage and loss on wasters. You take your actuals of 1932. In 1932 your freight disadvantage was under Rs. 17 on an average.

Mr. Townend.—It was more on Primes.

President.—I am taking the whole sales. Your freight disadvantage for the whole sales was under Rs. 17, and your loss on wasters and unassorted was somewhere about Rs. 8.

Mr. Townend.—Yes.

President.—That is to say the two items in respect of which the Tariff Board was prepared to make allowance in 1926 represent a lag of only Rs. 25 against Rs. 32 which we are allowing on the 1932 actuals?

Mr. Townend.—If you are calculating on that basis you must allow us more. Statement D gives you the trade paper price of tinplate and in practice nobody has to pay the trade paper price; consequently the price at which tinplates come into this country is less.

President.—By, how much? Take the actual B.O.C. price for 1932.

Mr. Townend.—The difference for 1932 is only Rs. 5 a ton but they paid on the average Rs. 6 a ton less than the trade paper price. You must allow us that—Rs. 25 plus Rs. 6.

President.—Assuming we allowed you on an average Rs. 5 on that account you would still have a surplus of Rs. 2-8. We are giving you an allowance of Rs. 32 as the proper normal lag between the import price and the realised price. Assuming the import price in actual transactions is lower than the paper quotations, the lag comes down from Rs. 32 to Rs. 27. Actually your freight disadvantage and loss on wasters amount to Rs. 25 which gives you again a reserve of Rs. 2 and you have a reserve of Rs. 4 if your output goes up to 45,000 tons and, mark you, in taking Rs. 32 we are giving you interest on working capital at 7½ per cent. Interest rates are lower now so that on the whole if the Welsh people have a reserve of Rs. 7 you also have a reserve of Rs. 7.

Mr. Townend.—I would point out that that reserve of Rs. 7 has already been effective; they still have a reserve which may be utilised to our detriment. You have been good enough to concede our point

President.—For argument's sake and subject to further consideration.

Mr. Townend.—I still feel that they have another Rs. 7 up their sleeve. That is to say that the one is an exposed card and there may be still another card up their sleeve of an extra Rs. 7. Supposing they came down 6d. a box, their cost above metal on my Statement R here would be 7s. as compared with 7/11½ in 1927. With all the reductions in costs of palm oil, sulphuric acid, probably coal, probably power and a reduction in the cost of consumable stores, a drop of 6d. a box would not be impossible. Since 1927 they are showing only this paltry 4d. or 5d.

President.—Apart from the question of the various small reserves that my calculations still leave you, don't you think that provision for offsetting duties in our scheme of protection would meet the difficulty you are raising?

Mr. Townend.—No, Sir. We beg you to fix the specific duty sufficiently high to meet what one might call probable eventualities.

President.—It is the most difficult thing in the world for a Tariff Board sitting here in Calcutta to fix the probable margin within which costs and prices may come down in Wales. We tried to make a forecast last time and burnt our fingers.

Mr. Townend.—When you made that forecast you took the then ruling prices; you did not give us the benefit of any possible reduction in Wales.

President.—What I am inclined to do is this—I am of course speaking quite personally—since this enquiry is unfortunately being held at a time when economic conditions are desperately uncertain, we are in a worse position than in 1927 as regards forecasts and the only way in which the Government of India can meet contingencies of this kind is not merely by having provision for offsetting duties in the scheme of protection but by being in right earnest about putting them into force. There is no other way of meeting it.

Mr. Townend.—We want to emphasise the necessity for those offsetting duties to meet eventualities—we are on the verge of certain eventualities now—but in respect of Welsh prices we are eager for a reasonably high duty to be fixed.

President.—We take in our Report a certain c.i.f. price for Welsh tin-plates imported into this country. If at the end of a year or a couple of years the prices of Welsh plates are considerably lower than the prices assumed by the Tariff Board, it is obviously a clear case for enforcing the provision for offsetting duties.

Mr. Townend.—We would of course welcome that, but, as you know, the administrative machinery of Government works very slowly.

President.—It has worked very slowly in the past unfortunately. If protection is to be really effective, and speaking quite provisionally I should be prepared to make a specially strong recommendation to Government in that regard.

Mr. Townend.—We would welcome that. May I for one minute sketch the calculation as it stands to-day?

President.—Yes.

Mr. Townend.—You have based your calculation on our 1932 costs. We cannot of course complain; at the same time 1932 is an absolutely optimum year.

President.—Optimum in what sense?

Mr. Townend.—In costs. In our representation we have urged that for estimating purposes, 1931 and 1932 should be averaged.

President.—That won't be fair obviously, because 1931 production was on the whole a very low production and I think we ought to take the cost above metal on the figures relating to an output of 42,000 tons which is quite a normal output for your works. 1931 would give you a much higher cost above metal than would be justified on your normal production.

Mr. Townend.—All I have to say about that is that in 1932 we were certainly enjoying low prices for commodities such as I think quite likely will not recur. Take rolls. We were buying rolls cheaper by a very big percentage than we have ever bought them before. Palm oil prices came down by 37 per cent. The whole trend in every country in the world to-day is to raise the prices of commodities.

President.—My feeling about any increase in costs due to an increase in the price of materials is that you and your competitors would be more or less on the same footing. Most of these materials that you use in your works are materials that enter into the world trade and have more or less world parity prices. I am inclined to think that it is very difficult on the figures before us to suggest a duty higher than we can arrive at on the basis of the actuals for the latest year for which you have given us figures. I will leave it at that for the present. We will certainly take into consideration the suggestions that you have made.

Mr. Townend.—May I ask your indulgence for one minute on the calculation I have got here—to-day's calculation, 11th December. Comparing with our figures on page 5, to-day's quotation may be taken at 17s. 3d. for a box of sides corresponding to Rs. 224 per ton f.o.b. or Rs. 271 landed. Along with that the price of sheet bar that we should pay to Tata's would be Rs. 74. Taking $1\frac{1}{2}$ tons for a ton of tinsplate, we have $1\frac{1}{2}$ multiplied by 83 minus 74. That is a saving of only Rs. 12 instead of Rs. 20.

President.—That of course is a snag. I quite admit that. The price of sheet bar from next year would not be a fixed figure, but would depend on the price of tinsplate f.o.b.

Mr. Townend.—Yes.

President.—That of course is a point which we have got to take up with the Tata Iron and Steel Company. When the price of tin goes up, your costs as regards tin go up, but as far as that is concerned you are compensated by a corresponding increase in the price of tinsplates.

Mr. Townend.—Yes.

President.—But when the price of tin goes up and when the price of tinsplate also goes up, there is an increase in your cost of sheet bar.

Mr. Townend.—Yes.

President.—That of course places you under a rather exceptional handicap.

Mr. Townend.—Yes.

President.—I quite admit that. We will take that into consideration.

Mr. Townend.—There seems to be another Rs. 8 there.

Mr. Wiles.—On the other hand if your Welsh tinsplate goes down as you suggest is likely, then you get a corresponding benefit.

Mr. Townend.—Yes.

Mr. Wiles.—In Statement R, the last column is headed "Cost above metal including profit". The use of the term "cost" in that connection is a little misleading. Is it really surplus?

Mr. Townend.—Yes.

Mr. Wiles.—Shall we substitute the word "surplus" for "cost"?

President.—Surplus in the sense that it includes all manufacturing charges. It includes also allowance for profit.

Mr. Townend.—Yes. Would you like to call it "surplus above metal"?

Mr. Wiles.—Yes. It was difficult to follow your argument.

Mr. Townend.—While on that Statement it is clear, I trust, to the Board that we have taken in this calculation precisely the same data which we have taken for our own calculations, for the consumption of steel per ton of tinsplate and of tin per ton of tinsplate, except that, in view of the suggestion at the last enquiry that we were not as efficient as Wales, and to avoid any criticism that might possibly be levelled against our figures, we have taken the Welsh consumption of steel at $1\frac{1}{2}$ tons per ton of tinsplate instead of at our figure of $1\frac{1}{2}$ tons. I may say that the comparison would work out more or less the same if you took $1\frac{1}{2}$ tons.

President.—You tell us that apart from the United Kingdom the likely sources of competition are Japan, U.S.A., and the Continent of Europe. You have not been able to get any evidence as regards Japanese price.

Mr. Townend.—I don't think they export.

President.—But they are exporting galvanised sheets.

Mr. Townend.—But not tinplates.

President.—Even in regard to galvanised sheets we have not been able to get any definite quotations regarding Japanese imports. We had a statement about a month ago from the Collector of Customs, Bombay, I think for the last fortnight of October, in which the Japanese price of galvanised sheets is given as Rs. 166 without duty. I do not know what gauges they are. The figure didn't suggest that the prices were exceptionally low. As far as Japan is concerned, if there has been no actual import of tinplates, we can proceed only on the basis of the fall in prices represented by imports of galvanised sheets to the extent that it can be regarded as an indication.

Mr. Townend.—As for any other commodity.

President.—The reflection in the exchange factor in the prices of different commodities varies so enormously that it is very difficult to apply a sort of mathematical formula. With regard to American tinplates the point that you make here is that on the actual offers of June this year, there would be no case for a differential duty.

Mr. Townend.—No.

President.—But then you go on to say that the American tinplates can be bought to-day at c.i.f. prices which represent a difference of Rs. 33. What is the sort of evidence on which you make this statement?

Mr. Townend.—The evidence of the June price was definite information from one of our customers. He was offered American tinplates at those prices.

President.—Was it in Bombay?

Mr. Townend.—In Calcutta. He was offered delivery anywhere in India. The c.i.f. charges are very nearly the same for all the principal ports.

President.—I was wondering whether the shipment was intended for the Bombay market.

Mr. Townend.—It was actually for one of the big Oil Companies.

President.—What is the evidence regarding the second statement?

Mr. Townend.—We added to the June quotation the increase in internal prices taken from the "Metal Bulletin" of October 31st, as compared with that of June 2nd.

President.—That is to say they are American export prices.

Mr. Townend.—They are the internal prices, but we have used them as a basis for ascertaining the export price.

President.—You have taken the level of internal prices of tinplate in America in June, ascertained the increase in dollar prices and then you have taken the increased dollar price at the current exchange rate and worked out the c.i.f. rate on that basis.

Mr. Townend.—Yes, we have applied the differential that we obtained from the Metal Bulletin to these actual quotations received in June.

President.—What sort of figures do you have in the Metal Bulletin? Do they give the actual current prices or do they give you simply the proportion in which prices have increased since June?

Mr. Townend.—They give current prices. In June the current price was \$4.25, in November it was \$4.65.

President.—4.65?

Mr. Townend.—It is a rise in price of 40 cents.

President.—I see what you mean. It is a rise of 40 cents on the internal price.

Mr. Townend.—Yes.

President.—You have applied that to the export price.

Mr. Townend.—Yes. It would have made our case better if we had simply taken the June price and converted it at the November rate of exchange, but there is an evident rise in American internal prices and we assume that this would apply also to the export price, although we are told that for export purposes under the National Recovery Act they can sell tinplates at one dollar a box less than for internal consumption.

President.—Under normal conditions what is the difference between the internal price and the f.o.b. price in the States?

Mr. Townend.—As far as I know there is no difference. We have no information on that subject.

President.—There is generally a small difference between the internal price and the f.o.b.

Mr. Townend.—Not for Welsh tinplate.

President.—Isn't there in Wales?

Mr. Townend.—No. There may be a difference between free on trucks and free on board. The Welsh people do not subsidise their export trade as far as I know.

President.—The main assumption that you have made is that the extent to which internal prices have gone up is also the extent to which export prices have gone up.

Mr. Townend.—Yes.

President.—That is the assumption.

Mr. Townend.—Yes. Were we not trying to be scrupulously fair, we might assume that export prices had not gone up in the same proportion.

President.—I know that it would be a fair assumption.

Mr. Townend.—In that case the difference would be more than Rs. 33. We have a quotation here from the Ironmonger of November 18th. "Some apprehension is felt in the trade at the development of American competition on the depreciation of the dollar exchange. It is reported that orders have been lost to American makers in Scandinavia, South America and the Far East. In some cases business has been taken at as much as 3 shillings below the British price". That would be about Rs. 40 a ton.

President.—The next source of competition that you refer to is Germany. Your quotation for German tinplate for August of this year is an actual transaction?

Mr. Townend.—Yes. I will show you. I would ask you not to put it actually in our representation. It was given to us confidentially. (Handed in an invoice.) For the one quoted here, I can't give you any actual invoice, but I will tell you where we got the information from. We got it from an oil company in Bombay. They bought in August at 19 shillings a box. We lost the order in consequence, because we had quoted on the basis of Welsh prices. They placed their order at this price difference with a German firm.

President.—That was in August?

Mr. Townend.—Yes.

President.—The next statement you make is practically the suggestion made to us by the Welsh Tinplate Association, that is to say take the difference between the price of sheet bar for export from Germany and the actual cost of sheet bar in your Works here, which gives you a difference of somewhere about Rs. 25 or Rs. 26. The position is that on the evidence you have given in this memorandum the only actual quotation is this German quotation which gives you a differential of somewhere about Rs. 21 and as far as America is concerned, it is a calculation which you consider really a conservative calculation because it implies that export prices rise in the same proportion as internal prices.

Mr. Townend.—Yes.

President.—Now I was looking at the trade returns for the last six months. I suppose it would be very unsafe to proceed on average values

as given in trade returns because you do not know whether the imports from the different countries represent comparable sizes and gauges and so on.

Mr. Townend.—We do not know.

President.—Such as they are, according to the figures for April to September 1933 the average value per ton of U. K. tinplate is Rs. 307·2. There have been no imports during April to September from the United States, but all other countries represent an average value of Rs. 276·5 which gives a difference, between U. K. and other countries on these average values, of Rs. 30·7. I am rather reluctant to proceed on the basis of average values because you do not know how far the averages are comparable.

Mr. Townend.—Quite so.

President.—Probably it would be better in regard to this matter to proceed on the basis of actual quotations for comparable classes of tinplates which is what you have done.

Mr. Townend.—We have tried to do that.

President.—With regard to this export price of Continental sheet bar of £2/8 what is the franc sterling exchange you took to work it out to £3-13-9?

Mr. Townend.—We have taken the ratio of gold to sterling as 1·54 to 1.

President.—You would get correct results if you took the franc sterling exchange.

Mr. Townend.—We took the mark sterling exchange. To-day it is 13·26 as compared with 20·43 gold.

President.—Working on the franc sterling exchange I got a difference slightly higher.

Mr. Townend.—We gave you an approximate figure.

President.—That is all I have to ask you on this representation. But before I conclude I should like, if I may, to congratulate the Tinplate Company on the excellent progress it has made since we last enquired into the industry. In fact, I do not know if, since we started granting protection ten years ago, any industry has made more excellent use of the opportunities under protection than the Tinplate Company.

Mr. Townend.—Thank you. I very much appreciate that on behalf of the Company and I should like to add that if it had not been for our General Manager here, Mr. Leyshon, I very much doubt whether those results would have been achieved in that degree.

Mr. Wiles.—I think that we have covered most of the ground. There are one or two questions I want to ask you. You will excuse me if I jump about. Can you tell us who hold the bulk of your shares and debentures?

Mr. Townend.—The Burmah Oil Company hold roughly two-thirds of the shares and the Tata Iron and Steel Company one-third. The Burmah Oil Company hold all the debentures.

Mr. Wiles.—When you expressed your intention in 1926 of writing down shares and debentures to “a figure which in your opinion represented the present day value of the works”, you actually wrote down your shares and debentures to about Rs. 1,32 lakhs.

Mr. Townend.—Yes.

Mr. Wiles.—The block value of your plant was about Rs. 1,20 lakhs.

Mr. Townend.—We put it at that.

Mr. Wiles.—You had in hand a depreciation fund of about Rs. 30 lakhs at that time.

Mr. Townend.—Yes.

Mr. Wiles.—So that the reduced value of your block was about Rs. 90 lakhs in 1927.

Mr. Townend.—Rs. 95·34 lakhs without additions.

Mr. Wiles.—What is the total amount of the additional capital you have added to your block account?

Mr. Townend.—Rs. 9·87 lakhs.

Mr. Wiles.—Is that on account of the items which you have given in your representation?

Mr. Townend.—Yes. We have mentioned most of the important items under "Other equipment" in our representation. We bought a sulphuric acid plant, for example, at a cost of Rs. 3 lakhs.

Mr. Wiles.—Other equipment would go on to capital account. The items mentioned in the paragraph above that—rolls and so on—would not go.

Mr. Townend.—No, those are all in revenue costs.

Mr. Wiles.—Your depreciation allotment during these years has amounted to Rs. 44 lakhs you say.

Mr. Townend.—Yes.

Mr. Wiles.—Of which you have spent on capital something under Rs. 10 lakhs.

Mr. Townend.—Yes.

Mr. Wiles.—Then the balance of your depreciation fund has been utilised for finance, that is to say, chiefly for the repayment of your debentures.

Mr. Townend.—Yes, instead of keeping it in the Company's books to provide against any future necessities, we had to pay off debentures.

Mr. Wiles.—Are you satisfied that you have been able to spend in the maintenance of your plant enough to maintain it at the maximum efficiency?

Mr. Townend.—Yes, but of course the time is now about to come when probably a large expenditure will be needed for modernising the plant or keeping it up to date if indeed we do not have to go in for an entirely different equipment. The whole method of rolling sheets and tinplates is now under review. In America there are immense developments in prospect. You have seen in the Steel Company's works one example of that, I mean their wonderful new Sheet Mill. A similar type of thing is being experimented with—more than experimented with, it is being developed—in regard to tinplates, and it may be that we shall find that we shall soon have to spend on such equipment a very large sum of money, running into many lakhs of rupees which we have frankly speaking not got in the till.

Mr. Wiles.—How do you propose to finance it?

Mr. Townend.—We hope as soon as the debentures have been repaid to put our money largely aside and to keep it in cash reserves, or it might be necessary to raise fresh capital.

Mr. Wiles.—I notice that to-day with your share capital at about Rs. 32 lakhs and your debentures now standing at about Rs. 44 lakhs, your total outstanding capital liabilities are already considerably under the block value of your plant.

Mr. Townend.—Yes.

Mr. Wiles.—And in a few years' time when you have paid off the debentures you will presumably have a block value of your plant which we assess at Rs. 85 lakhs plus say Rs. 10 lakhs making a total of Rs. 95 lakhs with a share capital of Rs. 32 lakhs only.

Mr. Townend.—Yes.

Mr. Wiles.—You will be getting top heavy. Can you put that as "under capitalisation"?

Mr. Townend.—You are quite right.

Mr. Wiles.—Might I suggest that in these circumstances your paying off at the very heavy rate of Rs. 12½ lakhs a year your debentures is excessive?

Mr. Townend.—In that we are bound by the debenture trust.

Mr. Wiles.—Is there any possibility of altering that in your circumstances?

Mr. Townend.—No possibility has ever been mooted.

Mr. Wiles.—The Board has allowed you rather a liberal amount of depreciation in your fair selling price but it looks as if in another three or four years' time the whole of that will have been utilised in repaying your debentures, so that it would be some four years before you would be able to start saving anything towards your recapitalisation.

Mr. Townend.—That is true.

Mr. Wiles.—I notice that you still ask for interest at the high rate of 7½ per cent. on your working capital. Don't you think that it is high under to-day's circumstances?

Mr. Townend.—You know we pay 6 per cent. interest on our debentures and you can decide what dividend would be fair.

Mr. Wiles.—I am not talking of what is called the manufacturer's profit at the moment but the interest on your working capital.

Mr. Townend.—We have simply taken the Board's figure of the overhead that they were prepared to allow on an output of 36,000 tons as being quite frankly a minimum figure for an output of 42,000 tons. The exact composition of it we have not investigated. What we feel is that that appropriation was always too small. For example we have always put aside far more by way of depreciation than the Board was prepared to allow us. Our Accountants tell us that we must put aside over Rs. 7 lakhs a year according to their methods of assessing depreciation. One may presume that these have been found to be correct over a period of years in other activities. We have thus charged ourselves up with a good deal more depreciation than the Board was prepared to allow us, and we have paid no dividends so that the question of that percentage has never arisen. We have frankly not investigated the three figures very much on this occasion.

Mr. Wiles.—Your interest is only in the total figure.

Mr. Townend.—Yes.

Mr. Wiles.—It is quite conceivable that further enquiry might alter the distribution.

Mr. Townend.—Yes.

Mr. Wiles.—It is conceivable that your depreciation is perhaps low but in the case of the Tata Iron and Steel Company it is proposed to reduce the 7½ per cent. to 6 per cent. at their own suggestion. You think that the total figure for overhead which is allowed is the minimum to which you are entitled.

Mr. Townend.—Yes.

Mr. Wiles.—Can you give me an analysis of your block account separating your buildings, roads and so on, on which depreciation would be quite low and putting in machinery on which a higher depreciation would be valid.

Mr. Townend.—We will give you a statement.

President.—There is just one point which I missed. Supposing we accepted your suggestion of levying differential duties say at the rates proposed by you, in the case of tinplate from U.S.A., we should take your figure of Rs. 43 for the Welsh tinplate and add Rs. 33. The duty would be Rs. 76 on tinplates imported from countries other than the United Kingdom. What would be the effect of that on your agreement with the Tata Iron and Steel Company as regards the price of sheet bar?

Mr. Townend.—It would not have any effect. Our agreement is on the basis of Welsh price.

President.—We were looking at your agreement with the Steel Company and we are not quite sure what the reaction of that would be. The point I am raising is not the actual price that you pay under the revised agreement but the continuance of Rs. 83. The period for which the figure of Rs. 83 is to stand is till the withdrawal or reduction of the existing rate of duty.

Mr. Townend.—Yes.

President.—Supposing we reduced the duty on U. K. tinplates from Rs. 48 to something less than Rs. 48 but we raised in the meantime the duty on plates imported from elsewhere from Rs. 48 to say a figure of Rs. 76, what is the sort of price that you would be expected to pay till 1936 for your sheet bar?

Mr. Townend.—We have not studied that point.

President.—The agreement simply speaks of withdrawal or reduction of protection.

Mr. Townend.—That is so.

President.—You might conceivably have to pay Rs. 83 till the end of 1936.

Mr. Townend.—You mean if you give us the benefit of a differential system of duties.

President.—Suppose we reduced the duty on Welsh tinplates from Rs. 48 to Rs. 26 as I suggested and at the same time raised the duty on other classes of imports to something above Rs. 48, the assistance that you might get in the shape of differential duties might be more than off-set by the increased price that you would have to pay for your sheet bar.

Mr. Wiles.—Your agreement does not cover that.

Mr. Townend.—May we consider that?

President.—Yes, and send us a considered note on that.

Mr. Wiles.—Yes.

Mr. Natesan.—In pleading for a higher rate of protective duty, you have said more than once that you are desperately afraid of certain eventualities. That refers to competition from the Continent and America besides Wales. Have you anything else in view?

Mr. Townend.—We have not anything else in view.

Mr. Natesan.—Except these two?

Mr. Townend.—We have said that if Japan starts to export tinplates she is likely to be able to land them in India at prices lower than anything we have been accustomed to. But I would like you to take these two principally. Perhaps I ought to explain that the whole of our representation has been framed, statement by statement, to give a true picture of the situation as it has presented itself over the last six years. We have not taken possibilities or probabilities into account; we have endeavoured to set out the case without making any allowance for eventualities like the one I have mentioned above.

President.—We recognise that.

Mr. Townend.—In going through the various years' costs to assess costs for the future, we have deliberately omitted from our calculations the year 1929, when we had that very disastrous strike, but I do want to remind the Board that these things are quite possible in the future and Mr. Leysdon is very disturbed at the thought that you insist on 45,000 tons as being a reasonably probable output year in and year out. He would be the first to agree that it is a normal output in one sense of the word, but it depends on everything going extremely well. But in reply to your query there is nothing more in our minds than what we have said in Statement Q.

Mr. Natesan.—With regard to this Welsh competition could you not mitigate it to some extent by friendly co-operation?

Mr. Townend.—I don't think so. They export their plates at what we believe to be a perfectly reasonable price; it is, if anything, the buyer who will not give us the full measure of the imported price. His inclination will always be to try to beat our prices down by a certain percentage and we necessarily have to assume that we should take a slightly lower price than that for imported plates, but we have no grievance against the Welsh manufacturers in any way.

Mr. Natesan.—If American competition and Continental competition do not worry you at all, would you make the same statement?

Mr. Townend.—We suggest to the Board not to be too sure that the existing level of prices will continue. We ask that the possibility of a reduction in prices should be guarded against.

Mr. Natesan.—You have very rightly pointed out that you have reduced the number of Europeans from 56 to 11. What exactly has been the policy that has guided you in regard to this matter?

Mr. Townend.—Whenever we have seen that the Indian staff can carry on by themselves or with less supervision, we have taken the opportunity as agreements have run out not to renew them.

Mr. Natesan.—Is it due to any policy of Indianisation?

Mr. Townend.—Certainly. Of course there has been more a reduction of Europeans than Indianisation in this sense, for example, that for many years past we have had Indian rollers in the Mills working on their own, but whereas in 1926 we had 35 supervisors to-day we have only 11: I would like to add, 11 men on three shifts. That means to say in the mills we have a superintendent, with three foremen roughly on each shift. To-day, with some on leave, we have only two foremen per shift and consequently the Indian Roller is to-day working on his own in a very real sense. It goes the whole way through the organisation. In Statement K if you run your eye up from the bottom—Town, Medical, Watch and Ward, General, Acid Plant, Traffic, Stores, Machine Shop, there is no European. We have two Accountants in the office who are Europeans

Mr. Natesan.—My whole point is whether there are facilities for Indians to acquaint themselves in every branch of the industry.

Mr. Townend.—Yes there are.

Mr. Natesan.—I am glad to read the statement that you made about the amenities for labour. Have you got any systematic housing policy? Am I right that there are about 3,000 labourers?

Mr. Townend.—We have. Whenever there is demand for quarters we build them. We have not built a large number in the last two years. We have just started to build another 48 houses and we shall go on doing that. What happens in practice is that we receive applications in the office for quarters, and quarters are allotted as vacancies occur. I think at the moment we have about 100 applications on our books and the Board decided only the other day as recommended by Mr. Leyshon to build 48 more houses.

Mr. Natesan.—You have a policy of housing: if an employee wants to build his own house you advance money to him to build a house of his own?

Mr. Townend.—Yes, and we shall undoubtedly go on building houses as the need shows itself.

Mr. Natesan.—Besides sharing the hospitals with Tatas you have also your own separate hospitals?

Mr. Townend.—Yes.

Mr. Natesan.—Like the Tata Iron and Steel Company do you have any apprentice system for useful employing the children of your employees?

Mr. Townend.—No, we have not quite that.

Mr. Natesan.—I would like you to consider that as one of the amenities. This is one of the things one would expect you to provide for in the future.

Mr. Leyshon.—What we endeavour to do is, if any children come up and if they are old enough, we take them on as apprentices in departments such as the machine shop. Of course we must comply with the Factories Act. We train them up to that point, but we have no actual school of instruction.

Mr. Natesan.—I wonder if you will think of it?

Mr. Leyshon.—We have that in mind now, a school system.

Mr. Wiles.—There are two small points. Have you in your town any considerable population of outsiders?

Mr. Townend.—No.

Mr. Wiles.—So that you make no recoveries for amenities such as water supply, electric light, drainage and so on?

Mr. Townend.—No.

Mr. Wiles.—It is all free?

Mr. Townend.—Yes. There is just one exception to that. In one type of quarter we charge in the rent an extra rupee per month for water. We did that simply because when we first built these quarters we did not provide water laid on, and in order to check waste and to make them realise that they were getting a concession we charged them one rupee. It was later consolidated with the rent and in effect nobody pays extra for water.

Mr. Wiles.—Medical relief and schools?

Mr. Townend.—We share the schools with Tatas.

Mr. Leyshon.—At present we also have some temporary schools at Golmuri for which we have no buildings but we are considering that. We had a visit from the Inspector of Schools last week and we had a discussion on the subject. We are making arrangements to provide for schools. At present we have three small schools; some of our children go to Jamshedpur to the Tata Company's school. Then we have a combined school at Golmuri between the Tinplate Company and the Tata Iron and Steel Company.

Mr. Wiles.—You make no recovery on that account?

Mr. Leyshon.—No. Even for the temporary schools we arrange to pay the teachers ourselves.

Mr. Townend.—When I say there are no outsiders in our town that is true, but there is the bazar population not very far away and they come freely for medical treatment; on page 3 we make a distinction, between employees and non-employees, thus in 1930 we treated employees 25,000 and non-employees 10,000.

Mr. Wiles.—You give them the benefit of your hospitals?

Mr. Townend.—Yes.

Mr. Wiles.—About your provident fund you have estimated a very considerable rise to as high as a lakh of rupees a year. Have you estimated when the peak year will arrive?

Mr. Townend.—The Company contributed Rs. 58,532 in 1932 and we shall contribute something like Rs. 60,000 to Rs. 65,000 this year. There is no doubt that the provident fund is now catching on.

Mr. Wiles.—This one lakh of rupees is a rough estimate?

Mr. Townend.—Our average wages per month would be about Rs. 1,10,000 and they are entitled to contribute a month's pay per annum, and that would be about a lakh of rupees.

Mr. Natesan.—In regard to all that you are doing and you propose to do hereafter—you give amenities for labour—you have a sense of obligation to the employees and therefore you are looking to sanitation, medical relief and so on without any expectation of any pecuniary profit.

Mr. Townend.—That is so. It is all with a view to helping our employees, and so to increasing efficiency in every respect.

Wire and Wire Nails.

THE INDIAN STEEL AND WIRE PRODUCTS.

**Evidence of Messrs. INDRA SINGH, BALDEV SINGH and
V. P. DUBE, representing the Indian Steel and
Wire Products, recorded at Calcutta on
Monday, the 27th November, 1933.**

President.—Mr. Indra Singh, you represent the Indian Steel and Wire Products?

Mr. Indra Singh.—Yes.

President.—I take it that it is still a proprietary concern?

Mr. Indra Singh.—Yes.

President.—I think somewhere in your representation you refer to the prospect of converting the works into a limited liability concern?

Mr. Indra Singh.—Yes, shortly we are going to do that.

President.—In that case, would it be a private company or a public company?

Mr. Indra Singh.—Public company.

President.—The big development since the Tariff Board enquired into your industry last is the installation of the rod mill?

Mr. Indra Singh.—Yes.

President.—When was it purchased?

Mr. Dube.—The order was placed in August, 1932.

President.—When was it installed?

Mr. Dube.—We started erecting in April, 1933.

President.—Erection was completed when?

Mr. Dube.—September 6th or 7th.

President.—6th or 7th September, 1933?

Mr. Dube.—Yes.

President.—You have worked it now for about 2½ months?

Mr. Dube.—Yes.

President.—May I take it that the estimates of costs which you have given us in respect of the rod mill are to some extent based on your experience of 2½ months?

Mr. Dube.—Yes, to some extent.

President.—A suggestion that I should like to make to you is this. This is the last week of November. I should like you to give us your actual cost on the experience of the mill up to the beginning of January. Send us a statement about the 15th of January giving us as detailed a statement as possible of the costs on the rod mill covering a period from September to January?

Mr. Dube.—Yes.

President.—Give us the output for each month and the costs for each month?

Mr. Baldev Singh.—Yes.

President.—I should like to get a clear idea of the capacity of your plant at present.

Mr. Dube.—The manufacturers have guaranteed a capacity of 60 tons per shift.

President.—I am not speaking of the rod mill. I am talking of the whole plant. I will tell you precisely what I want. Let us take first the rod mill and at present all that you can give us in respect of the rod mill is the manufacturers' estimate of its capacity?

Mr. Dube.—Yes.

President.—On your experience of the working of the mill, it is impossible for you to give us any independent estimate?

Mr. Baldev Singh.—All that we can say is this. We worked the mill one day with the labour at our disposal and we got a production of 55 tons in 8 hours?

President.—The manufacturers' estimate is 50 tons?

Mr. Baldev Singh.—It is 60 tons.

President.—How long ago did you get this 55 tons?

Mr. Baldev Singh.—About 20 days ago.

President.—I suppose your view is that this rather bears out the estimate given by the manufacturers?

Mr. Baldev Singh.—Yes.

President.—So that when you go on to estimate your costs on an assumed output of 150 tons a day of three shifts, it is an output that sooner or later you would be able to attain?

Mr. Baldev Singh.—We hope to attain it.

Mr. Indra Singh.—Yes, after our labour is trained.

President.—For our purposes may we take your maximum capacity—I mean putting it on a practical basis—at about 150 tons a day?

Mr. Indra Singh.—That is a possible figure after some years.

Mr. Dube.—After two years, you may say.

President.—I am talking of the maximum capacity that you may be able to attain?

Mr. Dube.—Yes.

President.—Taking 300 working days in a year, that will give you 45,000 tons a year?

Mr. Baldev Singh.—Yes.

President.—That is the maximum capacity of the rod mill including wire rods and all other sections?

Mr. Baldev Singh.—Yes.

President.—Now I come to the rest of your plant. Take your wire plant and taking the equipment of the wire plant such as it is, what do you estimate to be the maximum capacity of that plant in terms of hard bright wire?

Mr. Dube.—12,000 tons.

President.—That is as much as you can get out of it?

Mr. Dube.—Yes.

Mr. Baldev Singh.—Taking the present equipment that we have got.

President.—12,000 tons of wire would mean what tonnage of wire rod?

Mr. Baldev Singh.—10 per cent. more of wire rod.

President.—Would you take your wastage as high as that?

Mr. Baldev Singh.—It may not be so high.

President.—For practical purposes let us take it at 10 per cent.?

Mr. Baldev Singh.—Yes.

President.—If we take it approximately at 13,000 tons of wire rod, that is what your wire plant can absorb? That would be approximately correct?

Mr. Baldev Singh.—Yes.

President.—So that if you deduct that from your total capacity of the rod mill, you get a figure of 32,000 tons as the amount of wire rod which you have to convert into sections?

Mr. Baldev Singh.—Yes.

President.—32,000 tons of wire rod in terms of sections would be how much? Approximately a figure of 30,000 tons of sections would be right, I think, Mr. Atha?

Mr. Atha.—Yes.

President.—That would be approximately correct making allowance for variations, wastage, and so on?

Mr. Baldev Singh.—Yes.

President.—We can take your total capacity as you are equipped at present at 12,000 tons of wire, and about 30,000 tons of sections. That is the position?

Mr. Baldev Singh.—Yes.

President.—Before I leave this subject I should like to know the capacity of your galvanizing plant and your barbed wire plant and your nail plant. This galvanizing plant has been there for many years?

Mr. Baldev Singh.—Yes, for many years from the very beginning.

President.—I suppose there has been very little production on it.

Mr. Baldev Singh.—In the beginning there were some defects in that plant and we could not run it. Then we put that right. We are now running it for the last 3 years.

President.—You are producing galvanized wire for the last three years?

Mr. Baldev Singh.—Yes.

Mr. Dube.—Not continuously; that was done intermittently. Only from the last year we are working it continually.

President.—Have you worked it continually for 12 months?

Mr. Dube.—More than that; for about 18 months we have been running it.

President.—What is the total output you have been able to get so far on your galvanizing plant?

Mr. Dube.—867 tons.

President.—In a year of 12 months?

Mr. Dube.—Yes.

President.—What do you estimate on that basis your total capacity to be?

Mr. Dube.—8 to 9 tons a day.

President.—On the galvanizing plant?

Mr. Dube.—Yes.

President.—That is about 2,000 tons a year.

Mr. Baldev Singh.—Yes.

President.—Now I take it that the whole of your galvanized wire is converted into fencing wire or do you sell galvanized wire as such?

Mr. Baldev Singh.—We do sell galvanized wire as such.

President.—If you take your galvanized wire at 800 tons odd how much of it is sold as galvanized wire?

Mr. Dube.—We sell about 540 tons as barbed wire and 327 tons as galvanized wire.

President.—What is the use of the galvanized wire? What sort of purchasers do you have for galvanized wire?

Mr. Baldev Singh.—Some people are taking it because they want a special kind of annealed galvanized wire for wire netting purposes.

Mr. Indra Singh.—Railway people also are using galvanized wire for signals.

President.—The Trade Returns do not give us separately the imports of galvanized wire because they put all kinds of wire other than fencing wire into one category.

Mr. Baldev Singh.—There is another difficulty in connection with this. We do not get the gauges of imports. Japan has been recently selling some standard gauges of wire. It is very difficult to ascertain what is the total capacity of the demand.

President.—Is Japan mainly concerned with galvanized wire?

Mr. Dube.—Yes, galvanized wire, barbed wire and wire nails.

President.—The competition is not chiefly in galvanized wire.

Mr. Baldev Singh.—It is.

President.—Or is it mostly felt in wire nails?

Mr. Dube.—Everywhere.

President.—In the Trade Returns we have no figures regarding the imports of galvanized wire as such.

Mr. Baldev Singh.—No.

President.—So that when you give your capacity of galvanized wire as 2,000 tons a year, I have no means of ascertaining to what extent you can depend on getting a market for galvanized wire as such. Now I want to get a point out of the way. The total capacity in respect of galvanized wire is 2,000 tons. What is the total capacity of the barbed wire plant?

Mr. Dube.—Our maximum capacity is 24 cwts. per day of three shifts.

President.—Give it to me for a year in tons.

Mr. Baldev Singh.—90 to 100 tons a month.

President.—That is about 1,000 tons a year.

Mr. Baldev Singh.—Yes.

President.—That leaves you with a surplus of 1,000 tons of galvanized wire. Can you find a market for that?

Mr. Dube.—Yes.

President.—How are you so sure?

Mr. Baldev Singh.—Galvanized wire is, as I said, used for wire netting purposes and also for signal wires. Then there is one important item under which it is used, *viz.*, telephone wire.

President.—Has your wire been accepted for telephone purposes?

Mr. Baldev Singh.—Not up till now. But the steel that we were importing from the Continent was not up to the specifications.

Mr. Dube.—It is an inferior kind of steel.

President.—You cannot, on your existing barbed wire plant, produce more than 1,000 tons a year?

Mr. Baldev Singh.—No.

President.—That raises a difficult question. You see we have no separate figures in the Trade Returns for barbed wire either, because all fencing wire is grouped with fencing materials of all kinds.

Mr. Baldev Singh.—Yes.

President.—The figure for 1930-31 of fencing materials is about 7,000 tons including fencing wire. Assuming the bulk of that is barbed wire and your capacity is only 1,000 tons, it seems to me it creates a rather difficult position. Are we to increase the duty on imports of barbed wire to the extent of 7,000 tons in order to protect an Indian industry which produces about 1,000 tons a year?

Mr. Baldev Singh.—The output can be increased very easily to a substantial figure. We do not sell 1,000 tons.

President.—Have you any data for giving us a correct proportion?

Mr. Baldev Singh.—The railways are importing a standard wire—a kind of wire rope which also comes under fencing materials.

President.—I want to tell you precisely what the difficulty is with regard to barbed wire and since the quantity involved as far as you are concerned is only 1,000 tons, the difficulty I am going to mention is one which requires very special consideration. The Imperial Council of Agricultural Research had a sub-committee appointed to go into the question of exempting all fencing wires from duty because they considered that it was very important for crop protection that fencing wire should be made as cheap as possible. The Committee that they appointed submitted a report to the effect that either fencing wire should be exempted altogether from duty or that the kinds of fencing wires which are used for agricultural purposes should be specially mentioned in the Tariff Schedule and the duty should be removed from these special classes. Since the amount involved, as far as you are concerned, is only 1,000 tons and apparently the matter is of considerable importance from the agricultural point of view, it is hardly worth while pursuing the question of having a protective duty on barbed wire because that will raise very serious difficulties.

Mr. Dube.—The Imperial Council of Agricultural Research has only opposed in the case of woven fencing wire not barbed wire. Fencing wire is different from barbed wire.

Mr. Indra Singh.—It would be expensive if they used barbed wire.

President.—If you want to protect farms from wild animals barbed wire is very effective.

Mr. Dube.—It is not used to a very large extent. In fact some of the members of the sub-committee were not sure of their own minds. Take Mr. Milne, for example.....

President.—Last time when we raised the question of barbed wire we had a special communication from the Imperial Council of Agricultural Research on this question and the point I am putting to you is, is it worth while, for the sake of benefiting a thousand tons of output out of a total of 45,000 tons, raising an issue which is likely to affect the question of granting protection to the wire industry?

Mr. Dube.—What we feel is that barbed wire is not of much use to the agriculturist and so if any duty is put on barbed wire it will not affect the agriculturist. Moreover you have got to consider this from the point of view of its importance to the military department. We are getting a lot of orders from them.

President.—We will consider this point. What is your capacity now?

Mr. Dube.—6,000 tons a year.

President.—Out of 12,000 tons of wire you make 6,000 tons of nails?

Mr. Dube.—That is right.

President.—6,000 tons are left; out of 6,000 tons that are left about 1,000 would be sold as barbed wire; that leaves about 5,000 tons and about 1,000 out of that would be galvanised wire. That leaves again 4,000 tons. Can you sell 4,000 tons as hard bright wire?

Mr. Baldev Singh.—Out of this 4,000 tons there is a market for annealed wire of about 1,000 tons.

President.—That leaves you with a balance of 3,000 tons.

Mr. Baldev Singh.—These can be converted into nails and galvanised wire.

President.—Your nail capacity is 6,000 tons.

Mr. Baldev Singh.—At the present moment that is our capacity.

President.—So that unless you increase your capacity of the nail plant there would be about 3,000 tons of wire for which you cannot find an outlet?

Mr. Baldev Singh.—That is so.

President.—What would it cost you to instal a nail plant which could handle 3,000 tons of wire?

Mr. Baldev Singh.—Last time we put in 20 machines and that cost us Rs. 50,000. That would give us about 2,000 to 2,500 tons.

President.—With a capital expenditure of about Rs. 50,000 you can convert this plant to manufacture 3,000 tons of wire into nails.

Mr. Baldev Singh.—And galvanised wire; there is a very good market for galvanised wire.

President.—I should like to know what the position is from the point of view of the market there is in this country. I have taken my figures from the returns of 1930-31 instead of 1931-32 which are in some respects rather exceptional figures during a period of depression. In 1930-31 the consumption of wire other than fencing wire, taking the whole of India, was 12,345 tons. Wire nails in that year was 12,409 and fencing materials, assuming the whole of that to be wire, 7,407 tons. That gives you for the year 1930-31 total imports of 32,161 tons. In that year you produced about 2,000 tons.

Mr. Baldev Singh.—Yes.

President.—Adding that 2,000 tons to the imports you get a figure of about 35,000 tons as the total consumption in India of wire and wire nails, assuming that the whole of the fencing material is fencing wire. If you made some allowance for that the figure would be somewhere between 30,000 and 35,000 tons.

Mr. Baldev Singh.—That is so.

President.—I was looking at the figures for Bengal. The figures for Bengal for 1930-31 taking wire and wire nails and fencing materials is about 12,000 tons. Taking out of your output of 1930-31 about half as belonging to the Bengal market, that gives you for the Bengal market an outlet for 13,000 tons, so that the position appears to me to be this, that practically the whole of your output can be disposed of—I don't say in Bengal—in markets which are supplied from the Calcutta port.

Mr. Baldev Singh.—Yes.

President.—That in some way is a reasonable arrangement, that is to say, your total capacity of wire more or less corresponds to the total market in the areas which are nearest to your works.

Mr. Baldev Singh.—That is so.

President.—So perhaps it will not be altogether wise to extend the capacity of the wire plant beyond the present limit specially because in centres like Bombay and Karachi and so on they are seriously thinking of putting up wire plants. Putting it on that basis you have got a capacity which can more or less be absorbed in market which are catered for through the Calcutta port. Now, what about small sections? The total market in 1930-31 for unprotected bars was 36,582 tons. I am inclined in respect of unprotected bars not to take the years 1930-31 as typical because I notice there has been a very considerable increase in the imports of unprotected bars since 1930-31. In fact one of the few commodities the imports of which have considerably increased since the period of depression began is unprotected bars and in 1932-33 the imports of such bars amounts to 47,343 tons. Let us take it approximately at 45,000 tons. On that basis you would have to get a market to the extent of about 30,000 tons of small sections in addition to your wire rod if you want to find an outlet for your maximum capacity. If you got about 12,000 tons for your wire plant you ought to be able to get about 30,000 tons of sections. The total Indian market is, let us say, 45,000 tons: you would have to get two-thirds of that market if you wanted to get an outlet for your maximum capacity.

Mr. Dube.—That is so.

President.—That figure, considering the geographical distance involved, may or may not be a possibility.

Mr. Baldev Singh.—We will have to sell in some distant market.

President.—You can sell your wire and wire nails in areas where you may not be under any special disability in respect of railway freight, but if you want to find an outlet for your small sections it seems to me you can do so only in areas where you would be at a serious disadvantage in respect of railway freight.

Mr. Dube.—That is so.

President.—Taking your possible output on this basis, say about 12,000 tons of wire and about 30,000 tons of small sections, you get a total output of 42,000 tons, let us say corresponding roughly to 45,000 tons of billets. If you are in a position to get 45,000 tons of billets then you can produce as much as from your end can be produced and put into the market. Let us proceed from that end to the question of the supply of billets. From a letter that you have sent to us last week we gather that the question of the purchase of billets from the Tata Iron and Steel Company is a question which presents certain difficulties. In your letter you draw attention to three points in regard to which there are differences of opinion between you and the Steel Company. The first is the quantity to be supplied. The draft agreement I understand speaks of a maximum supply of 30,000 tons by the Steel Company. Has there been any further consideration of this point between you and the Steel Company?

Mr. Dube.—They have agreed to supply 4,000 tons a month.

President.—Then the position is quite all right?

Mr. Dube.—Yes.

President.—The next question is the somewhat difficult question of price. The position under the draft agreement is that in the first two years they will give you your billets at Rs. 60 f.o.r. Tatanagar under certain conditions attached to it. For the next period—by the way, what is the period of the draft agreement?

Mr. Dube.—All agreements are drafted for a period of five years. It is a matter of formality.

President.—For the succeeding years under the agreement you would get it at Rs. 70. That Rs. 70 is the minimum figure. The price is determined under the draft agreement by the import price of billets plus 12 per cent. duty.

Mr. Dube.—Yes.

President.—I am not quite clear about it. By the import price do they mean the import price at the port or the import price landed at Tatanagar?

Mr. Baldev Singh.—They say c.i.f. price.

President.—The c.i.f. price in Calcutta plus a duty of 12 per cent.?

Mr. Baldev Singh.—Yes.

President.—That is a figure at which you would get it at Tatanagar. They do not include the freight?

Mr. Dube.—No. Freight is not included.

President.—That is subject to a minimum of Rs. 70. If the c.i.f. price plus duty goes up to Rs. 75 you pay Rs. 75; if the c.i.f. price goes down you still pay Rs. 70?

Mr. Dube.—Yes.

President.—What exactly is the disagreement as regards this question?

Mr. Dube.—We want to come to some definite figure. We want to know what is the average price we have got to pay.

President.—Every manufacturer in this country who gets his material has got to reckon with the variations which naturally occur from time to time in the market.

Mr. Dube.—But the difficulty in our case will be that the Tariff Board has got to consider on what figure to base our claim for protection; if the

price of billets go up we will be at a serious disadvantage according to c.i.f. prices. If you base the scheme of protection on Rs. 70 and say within a year or six months the price goes up to Rs. 75 what will be our position?

President.—That kind of difficulty arises under any scheme of protection. What is going to happen to the Tata Iron and Steel Company if we base our scheme of protection on the present c.i.f. prices and then after two years c.i.f. prices drop considerably?

Mr. Baldev Singh.—We are not prepared to undertake that risk. The position of Tatas is quite different.

President.—In your letter to us you refer to the question of increase in freight rates on the Bengal Nagpur Railway. I understand from the draft agreement that the position is that the minimum price of Rs. 70 is subject to any variation which may take place hereafter in the freight rates charged by the Bengal Nagpur Railway. So that if the Bengal Nagpur Railway decides permanently to enforce new rates then according to the figures supplied to us by the Tata Iron and Steel Company that minimum price will not be Rs. 70 but Rs. 75.

Mr. Baldev Singh.—Yes.

Mr. Indra Singh.—We had a discussion with Mr. Dalal and he asked us if we were prepared to pay even 50 per cent. of the increase in the freight. He said that might be a basis for an understanding.

President.—The next point that you raise in your letter is that the price should not exceed the fair selling price which we may fix in the report. Tatas have suggested a fair selling price of Rs. 70; your point is, suppose we reduce the fair selling price to Rs. 60 you ought to get the benefit of it?

Mr. Indra Singh.—That is so.

President.—That is to say the price which has been suggested in the draft agreement is subject to fluctuation of three kinds; the first is the fluctuation in respect of import prices, then there is the fluctuation due to variation in railway freight and then there is the fluctuation due to different estimates of the fair selling price which may be put forward by the Tariff Board, and you want to get rid of the fluctuations?

Mr. Baldev Singh.—Yes.

President.—But business people must face certain amount of risks. The particular clause in the agreement which deals with the minimum price is clause 5 (b):—“Thereafter, at the rate at which the purchaser can obtain delivery at his said works of billets of similar quality and description of Continental manufacture subject to a minimum of Rs. 70 per ton provided import duty taken into account is 12½ per cent. the import duty being assumed as fixed at 12½ per cent.” and therefore the price that you would have to pay subject to a minimum of Rs. 70 as the clause stands at present is the import price of billets delivered at your works in Tatanagar. In other words if, say, Rs. 65 is the c.i.f. price of billets you add Rs. 2-12 landing charges, about Rs. 8—a duty of 12 per cent.—and say Rs. 4-8 railway freight. It comes to about Rs. 80. That is what you would have to pay as the clause stands at present.

Mr. Baldev Singh.—Yes.

President.—In fixing the price under this agreement for the billets supplied to you, your assumption is that the import price which will be taken into account is the import price at Calcutta plus duty.

Mr. Baldev Singh.—That is what we gather.

President.—The clause is what matters.

Mr. Dube.—Yes.

President.—The clause as it stands at present would also include the transport charges from Calcutta to Tatanagar.

Mr. Dube.—Yes.

President.—You feel by discussion with them that this factor can be eliminated.

Mr. Dube.—Rs. 70 minimum, eliminating what you call the freight charges. Rs. 70 is inclusive of the 12½ per cent. duty.

Mr. Wiles.—The agreement seems to be pretty clear.

President.—This is only a draft agreement.

Mr. Indra Singh.—Yes, nothing has been settled.

President.—It is a matter which we have not either formally or informally discussed with the Tata Iron and Steel Company, but if we suggested a price corresponding to the average price, you would have to pay over a period of seven years on a basis of Rs. 60 in the first two years and Rs. 70 for the next 5 years—take a weighted average of that, say somewhere about Rs. 67-8 f.o.r. Tatanagar irrespective of fluctuations. If a figure of that kind were acceptable to the Tata Iron and Steel Company and the proposition was put to you in that form, what would be your own attitude?

Mr. Indra Singh.—That period should be from the time of protection.

President.—It will be during the period of protection.

Mr. Indra Singh.—We are agreeable to that.

President.—That is to say you won't get any concession in the first two years.

Mr. Indra Singh.—From the time protection comes into force, I presume this price will be applicable.

President.—From the commencement of the period of protection till the expiry of the period of protection.

Mr. Indra Singh.—Yes.

President.—An average figure of Rs. 67-8 f.o.r. Tatanagar. Of course that would approximately correspond as far as I can calculate to the price which would be paid from next year by the Tinplate Company for their sheet bar.

Mr. Indra Singh.—Yes.

President.—One-third of the f.o.b. price works out to Rs. 67 or Rs. 68, so that you would get it practically on the same terms as the Tinplate Company. I do not in the least know what the Tata Iron and Steel Company thinks of it. I may take it that, as far as you are concerned, an arrangement of this kind would be acceptable.

Mr. Indra Singh.—Yes. Supposing these billets are dumped by Japan, as they are doing now in the market they may dump anything they like—what would be our position.

President.—If you want to eliminate the increase in railway freight and the upward variation in import prices and factors of that kind, you are asking them to take the risk as far as those things are concerned, then it seems to me that the risks on the other side must be accepted by you in the same spirit.

Mr. Indra Singh.—I am ready to do that.

President.—I am not making any definite proposal at present, because it is not my business to do so, but I should like you and the Tata Iron and Steel Company to consider an agreement on some basis of that kind.

Mr. Baldev Singh.—As far as we are concerned it would be a nice thing to come to an agreement so far as price is concerned.

Mr. Indra Singh.—I don't think the Tata Iron and Steel Company will have any objection. We don't want to go into any quarrel with the Steel Company. Whatever they decide we will abide by it.

President.—That is the right spirit. Then of course it is also an advantage from our point of view, because if we decide to grant you protection, we can base our scheme of protection on a definite figure of Rs. 67-8 for the whole period.

Mr. Indra Singh.—Yes.

President.—We come to the question of the kind of sections on which there is some disagreement.

Mr. Indra Singh.—Yes.

President.—Have you had any discussion with the Steel Company since you wrote to us?

Mr. Dube.—They said they would be prepared to consider about our rolling sections above $\frac{1}{2}$ " , which are protected at present.

Mr. Indra Singh.—They would allow us to roll sections. They would consider this point.

President.—They would consider your rolling sections of $\frac{1}{2}$ " and above.

Mr. Indra Singh.—Not above.

President.—Below $\frac{1}{2}$ " .

Mr. Baldev Singh.—Certain sections— $\frac{1}{2}$ " , $\frac{3}{4}$ " channels and angles which have not been so far rolled in this country. Our point is in order to have multiplicity of products, in order to compete in a better way, we want to roll these sections for some time and in that connection we raised this point.

President.—You are now talking of sections $\frac{1}{2}$ " and above?

Mr. Indra Singh.—Not all, not in the case of squares and rounds.

President.—You are speaking of certain classes of sections which are $\frac{1}{2}$ " and above.

Mr. Indra Singh.—Yes, which have not been rolled by anybody.

President.—We will come to that point later. For the present I want to know the position with regard to sections less than $\frac{1}{2}$ " . What is the position with regard to that? Are they agreeable to your rolling all kinds of small sections under $\frac{1}{2}$ " ?

Mr. Indra Singh.—In the draft agreement we are confined to rounds.

President.—Has there been any development since?

Mr. Indra Singh.—We met Mr. Dalal and discussed this matter. He said that he has no objection to our rolling below $\frac{1}{2}$ " in regard to squares and rounds. Anything above $\frac{1}{2}$ " he said he cannot reply off hand and that he will have to consult his advisers.

President.—When we discussed the matter with them last week, they seem to suggest as far as I was able to gather that they would let you roll all kinds of sections below $\frac{1}{2}$ " except flats. That I think is what they told us if I am not mistaken.

Mr. Baldev Singh.—There are no flats rolled below half inch. There are no flats coming under $\frac{1}{2}$ " .

President.—If they leave out flats, it makes no difference to you.

Mr. Baldev Singh.—No.

Mr. Indra Singh.—They should not have any objection as long as we roll sections which they or anybody else are not rolling. If they want to give this to anybody, we will stop at once.

President.—That is to say your point is this: with regard to sections less than $\frac{1}{2}$ " you are quite willing to accept the condition that flats less than $\frac{1}{2}$ " should not be rolled on your mill. You are quite prepared to accept that.

Mr. Indra Singh.—Yes.

President.—Now you want to go further and be allowed to roll sections $\frac{1}{2}$ " and above of the kinds which are not at present rolled on the Steel Company's merchant mill.

Mr. Indra Singh.—Yes.

President.—In respect of those sections, $\frac{1}{2}$ " and above which are not now rolled on the merchant mill, you would like to roll them on your mill, but on receiving notice from them you would be prepared to cease producing those sections, is that the position?

Mr. Indra Singh.—If anybody starts manufacturing those sections in India, we have no objection to stop if the Steel Company wants us to stop.

President.—You go on producing, say, some sections which are above $\frac{1}{2}$ " and which are not produced by Tatas.

Mr. Indra Singh.—Yes.

President.—After a year or two the Tata Company wants to produce it and they give you notice from such and such a date you ought to cease producing those sections.

Mr. Dube.—Yes if they give a reasonable period of notice.

President.—Supposing they give you three months notice?

Mr. Dube.—We require at least one year.

Mr. Indra Singh.—They will take one year for getting the mill in working order.

President.—If you get six months notice you will be satisfied. You can arrange your rolling programme on a six months basis.

Mr. Indra Singh.—If they give it for flats, it would be all right. As regards angles we have got equipment.

President.—In our discussion with the representatives of the Tata Iron and Steel Company last week the impression that I got was that they would not be prepared to consider allowing you to roll any sections of $\frac{1}{2}$ " and above. At any rate that was the impression I gathered. There was not sufficient discussion on that point. The question was confined to sections of less than half inch as far as you are concerned.

Mr. Indra Singh.—Yes.

President.—Mr. Atha, would you like to raise that particular point about the weight per foot?

Mr. Atha.—I take it that you are substantially agreed now that you could roll sections other than rounds below half inch.

Mr. Indra Singh.—Yes.

Mr. Atha.—You can roll squares so long as it was slightly below half inch square.

Mr. Indra Singh.—Yes.

Mr. Atha.—So that it would enable you to figure the maximum weight per foot of square rod that you are allowed to roll.

Mr. Baldev Singh.—Yes.

Mr. Atha.—Half inch weighs .85 lb. per foot?

Mr. Indra Singh.—Yes.

President.—Would it suit you if the Tata Iron and Steel Company allowed you to roll any sections smaller than tees and angles so long as tees do not exceed .85 lb. per foot?

Mr. Baldev Singh.—That would be quite a different thing. As far as we are concerned, we do not know what are the different weights of different sections.

Mr. Atha.—You can easily ascertain that.

Mr. Baldev Singh.—We have not ascertained whether the channels and the angles that we mention will come under this particular item.

Mr. Indra Singh.—We would have to work it out.

Mr. Atha.—The point is that Tata's present merchant mill has a certain weight per foot below which it is not economical to roll on the mill. Your mill is a smaller mill and you should be able to cover that range.

Mr. Indra Singh.—Yes.

Mr. Atha.—And it seems to me you ought to be able to agree with the Tata Iron and Steel Company as to what the weight per foot is.

Mr. Indra Singh.—Yes we have got no objection to that.

Mr. Atha.—Below which they ought not to go.

Mr. Indra Singh.—We are agreeable to that.

President.—Mr. Atha, just to clear up the point. The point of 85 lb. is based on the weight per foot of squares.

Mr. Atha.—85 is the weight of half inch square.

President.—Supposing we took a tee or angle?

Mr. Atha.—It would be bigger than half inch of the nominal size.

President.—Supposing it was limited with reference to the weight of 85 lb. per foot in the case of an angle or a tee, the section might be slightly higher than half inch.

Mr. Atha.—Yes.

President.—So that if a limit of this kind is fixed, you might be able to roll a few larger sections than $\frac{1}{2}$ ".

Mr. Atha.—Yes, the Indian Steel and Wire Products would. I don't think they would roll an angle bigger than tees.

Mr. Indra Singh.—No.

President.—If we have a formula of this kind, it would leave out all sections which are at present rolled or can be economically rolled on the merchant mill and instead of saying that you must be allowed certain sections above $\frac{1}{2}$ " and so on, this will automatically so to speak fix the limit as between Tata's merchant mill and your rod mill.

Mr. Atha.—Yes.

President.—Within that limit some sections above $\frac{1}{2}$ " you will be able to roll.

Mr. Indra Singh.—We are quite agreeable to that.

President.—I come to the question of works costs. Let us first take wire and wire nails. Take your Chapter V. If you take Statement II, works cost per ton of hard bright wire, on the 1932-33 figures I find the spread between wire rod and wire works out at Rs. 26 per ton. What I mean by spread in this connection is the cost above metal including wastage, but excluding all the credits that you realise.

Mr. Baldev Singh.—Yes.

President.—Practically the cost above the net metal?

Mr. Baldev Singh.—Yes.

President.—If you take this figure of Rs. 5,14,466 being the total cost of wire rod in 1932-33 and then you take your final net cost—Rs. 6,43,263, the difference between the two divided by an output of 4,951 tons gives approximately a figure of Rs. 26 per ton as the cost above metal. I was trying to compare that with the spread in 1931 on your statements. The cost on wire in 1931 was Rs. 135-5.

Mr. Baldev Singh.—Yes.

President.—The cost of rod per ton then was Rs. 100. Allowing wastage at 7 per cent., the total cost of rod was Rs. 107. The difference between the two was Rs. 28-5.

Mr. Baldev Singh.—Yes.

President.—What I am suggesting is against the spread of Rs. 23-5 in 1931 your spread in 1932-33 is Rs. 26. It has come down by about Rs. 2-4. These are matters which we as a Board have not considered. We have got to settle what costs we should assume in consultation with our Technical Adviser, but I am trying to raise general points and get your opinion. You have very considerably increased your output of wire since 1931 which is more than double, isn't that so?

Mr. Indra Singh.—Yes.

President.—There has been quite a considerable fall in the price of stores.

Mr. Baldev Singh.—Yes.

President.—What I am suggesting is in view of these two factors a reduction of more than Rs. 2-5 in the spread may be assumed than you have actually been able to obtain.

Mr. Baldev Singh.—Yes you might take.

President.—It is a point which ultimately we should settle in consultation with our Adviser. What I am suggesting is that in spite of the statements you make in the representation, the extent to which you have been able to reduce costs since 1931, considering your increased output and the fall in the price of stores since then, the reduction is not substantially enough.

Mr. Baldev Singh.—There has been an increase in one item, sulphuric acid in the case of hard bright wire. The consumption of that particular item has gone up by nearly one rupee.

President.—Why should it?

Mr. Baldev Singh.—It has been due to the fact that we didn't have much equipment for the cleaning of rods.

President.—I have not quite followed your statement. Let me have it again.

Mr. Baldev Singh.—Our consumption of sulphuric acid in the previous year was Rs. 7-10. It has gone up to Rs. 8-10. Therefore the consumption of sulphuric acid per ton has gone up by one rupee. It naturally should be not more than Rs. 7-10. The reason for that is we did not have a large equipment for cleaning the wire rods. We had to throw away some of our acid. If we had some more tubs, we would not have thrown away the acid. That was the difficulty in this particular case.

President.—You have improved your equipment and therefore your cost has gone up?

Mr. Baldev Singh.—We did not have sufficient equipment for cleaning the wire rod.

Mr. Atha.—Have you lately increased the equipment?

Mr. Baldev Singh.—Yes.

Mr. Atha.—Now your cost ought to have come down?

Mr. Baldev Singh.—It should not be Rs. 8-10. It should be Rs. 7-10.

President.—So that we should be justified, in view of your better equipment in respect of cleaning your wire rods, in assuming a reduction of one rupee as compared with 1932-33 costs?

Mr. Baldev Singh.—We have given a special note in regard to sulphuric acid.

President.—On your admission we may take Rs. 25 as the correct spread between wire rod and wire as compared with Rs. 26 in 1932-33?

Mr. Baldev Singh.—Yes.

President.—There is no other reduction that you can attempt?

Mr. Baldev Singh.—We have made every possible attempt and that is the result which we got during the last year, when our production was double.

Mr. Indra Singh.—There may be some chance of a further reduction if new methods are introduced as a result of any invention in the Continent of Europe.

President.—Suppose we decide to give you a substantive protection, we should be justified in assuming a still further increase in your output?

Mr. Baldev Singh.—Yes.

President.—That increase in your output must reduce your standing charges per unit of cost?

Mr. Baldev Singh.—Yes.

President.—So that to that extent your cost of conversion must come down?

Mr. Baldev Singh.—Yes.

President.—That is another direction in which reduction may be attempted. If you assume a production of 10,000 tons, it would be practically doubling your output of 1932-33.

Mr. Baldev Singh.—Yes.

Mr. Indra Singh.—But that will take some time.

President.—What I would do in that case is this. 5,000 tons is practically your output in 1932-33. 10,000 tons would be your output at the end of the period of protection, so that on an average it should be 7,500 tons which would be an increase of 50 per cent. as compared with 1932-33 and therefore such reductions as may be possible in the standing charges on account of the 50 per cent. increase in the output we would have to take into account in considering your costs.

Mr. Indra Singh.—Yes.

Mr. Dube.—The prices of stores are likely to go up. In the case of lubricants, tools and implements, etc., we have been paying more.

President.—You have been paying more when?

Mr. Dube.—More since the fall in the prices.

President.—In 1932-33?

Mr. Dube.—Yes, in spite of the reduction in the prices of stores.

President.—You have paid more for them as compared with 1930-31.

Mr. Dube.—Yes.

President.—Give me the precise figures for 1930-31. Will you prepare a statement of the prices that you paid for your various materials in 1930-31 and 1932-33?

Mr. Dube.—Yes.

Mr. Atha.—Those prices should be per gallon, or per lb. or per ton of materials bought and not per ton of wire?

President.—Per unit of whatever the store is?

Mr. Dube.—Yes.

President.—Look at your representation. Calculating on the same basis I find the spread between wire and wire nails on the figures of 1932-33—Chapter V—is 44.4 rupees. That includes packing?

Mr. Baldev Singh.—Yes.

President.—In 1931 the spread between wire and nails as given by you in your cost statement was Rs. 41-5-9. Since 1931, the spread has gone up from Rs. 41-5-9 to Rs. 44.4 say an increase of about Rs. 3 which I am quite unable to follow.

Mr. Baldev Singh.—You mean over the cost of 1931?

President.—According to the cost statement that you gave us in the 1931 enquiry, the spread between wire and nails was Rs. 41-5-9.

Mr. Baldev Singh.—The difference is due to the inclusion of wastage.

Mr. Dube.—We did not take into account the question of wastage in the figure we gave you in the 1931 enquiry.

President.—If you had taken the wastage in 1931 into account the spread would have been lower and not higher.

Mr. Baldev Singh.—We did not take that into account then.

President.—You are taking that into account now.

Mr. Baldev Singh.—Yes.

President.—Supposing your wire cost was Rs. 100 and the cost of nails per ton Rs. 141, then on the 1931 basis Rs. 41 would be the spread because you have not taken wastage into account. If you had taken wastage into account it would have been the difference between Rs. 141 and Rs. 107 namely Rs. 34, so that the position is worse on that basis.

Mr. Baldev Singh.—The wastage must be included in making up a full ton.

President.—Yes, if I take that into account, the position in 1932-33 as compared with 1930-31 is still worse than I have suggested. The spread in that case in 1930-31 would have been somewhere in the order of Rs. 35 or Rs. 36, whereas taking wastage into account as you do in 1932-33, the spread is Rs. 44.

Mr. Baldev Singh.—Our figures in 1929-30, 1930-31 are without wastage and 1931-32, 1932-33 with wastage, so our figures compare very favourably with the previous figures.

President.—What I do not understand in respect of wire nails is this. There is first of all the big increase in output as compared with 1931 which must reduce standing charges. Then there has been a reduction in the prices of stores. You are also now doing your own packing. You are making your own kegs?

Mr. Baldev Singh.—Yes.

President.—I presume that it is more economical to make your own kegs, since packing is a very big item. I should have thought that under this head there should have been some reduction. Taking all these items into account I should expect in 1932-33 really a spread lower than that in 1930-31.

Mr. Dube.—The prices of some stores have gone up.

President.—You are going to give us a detailed statement as regards stores. That might enable us to understand the position. But obviously you have not reduced your cost of packing which is a very big item in nails.

Mr. Baldev Singh.—The cost of packing has come down by 25 per cent.

President.—Not on these figures. Since 1932-33 you have considerably reduced the cost of packing and in basing our scheme of protection we ought to take not the costs of 1932-33 but still later costs, which would reflect the reduction due to making your own kegs.

Mr. Baldev Singh.—Yes.

President.—What is the latest period for which you can give us costs in respect of wire and wire nails?

Mr. Baldev Singh.—1932-33.

President.—You cannot take out figures for a few months later than 1932-33.

Mr. Baldev Singh.—That has been a very irregular period and we have always been short of rods.

President.—You consider that as a result of making your own kegs, the cost has come down by 25 per cent. We can take that as a basis figure?

Mr. Baldev Singh.—Yes.

President.—On examining the prices of stores we can make our own adjustments in respect of that?

Mr. Baldev Singh.—Yes.

President.—Then of course there is the question of the increase in output in respect of nails. You made about 3,678 tons of nails in 1932-33. At the end of the period of protection you will make about 6,000 tons.

Mr. Baldev Singh.—Yes.

President.—We may take an average of 5,000 tons of nails.

Mr. Baldev Singh.—Yes.

President.—We must take into account such reductions as are possible in standing charges as a result of the increase in output.

Mr. Baldev Singh.—One reason which I can give for this is we were running our nail machines on two shifts and our old plant is a very old

one and there may be a certain amount of increase in the cost of upkeep. That may be one reason, but we will give you a definite statement.

President.—How old is the nail plant?

Mr. Baldev Singh.—It was purchased in 1921-22.

President.—What do you estimate the life of a nail machine?

Mr. Baldev Singh.—Not more than 10 to 12 years.

Mr. Atha.—It all depends on how much overhauling and repairing has been done to the machine. I think that 10 years is the normal life of a nail machine.

Mr. Indra Singh.—Yes.

President.—The trouble with your wire nail plant is that, although it was bought in 1921-22, for quite a considerable part of that period it was in a state of disuse.

Mr. Baldev Singh.—That is worse still if it is not used.

President.—It was in a state of utter neglect.

Mr. Indra Singh.—Yes.

President.—For a period of about three years?

Mr. Indra Singh.—Yes.

Mr. Baldev Singh.—We are not able to dispense with it. As far as modern machines are concerned, they are much better to work.

Mr. Wiles.—In considering this detailed statement of 1931-32 and 32-33, I notice that the item "other materials" has gone up more than three times while most other charges are just a little less than double corresponding to the doubled output.

President.—That I expect is due to sulphuric acid.

Mr. Baldev Singh.—We will give you a list of what all stores have been included under "other materials". It will make the position clear.

President.—In the case of galvanized wire, the spread is Rs. 35 a ton, that is to say between hard bright wire and galvanized wire.

Mr. Baldev Singh.—Yes.

President.—In galvanized wire you have not included packing?

Mr. Baldev Singh.—No.

President.—So that the spread is Rs. 35 exclusive of packing. For the present, I have no means of judging whether the spread of Rs. 35 is reasonable or not because there are no past costs of your own company with which I can compare it but it is a matter which we would have to consider in the light of the best advice we can get. In the meantime please let me know what is your consumption of spelter per ton of galvanized wire.

Mr. Baldev Singh.—I cannot say off hand.

President.—Could you work it out for us?

Mr. Baldev Singh.—Yes.

Mr. Atha.—May I ask whether the gauges of the wire that you galvanize vary very greatly? Do you galvanize very fine wire?

Mr. Baldev Singh.—Only 6 to 14 gauge.

Mr. Atha.—Perhaps you can give us the figures of spelter per ton of wire for the different gauges.

Mr. Baldev Singh.—We will work that out for you.

President.—Which is your most important gauge in galvanized wire?

Mr. Baldev Singh.—12 gauge; 12 and 14 are the gauges generally used.

President.—The bulk of your output will be 12 gauge?

Mr. Baldev Singh.—14 and 12 gauge.

President.—I suppose you had better give us on the basis of 1932-33 figures the proportion and the quantity of each class of wire, galvanized wire and so on.

Mr. Dube.—The output of galvanized wire was 867 tons.

President.—Give us the figures of output for each gauge of wire on the basis of the 1932-33 output. Do you sell your dross?

Mr. Baldev Singh.—Yes.

President.—What kind of price do you get?

Mr. Baldev Singh.—I can't say off hand.

President.—Give us the gross consumption of spelter; then you give us for 1932-33 the amount of recovery and the sale of dross—the quantity and the price of the amount recovered.

Mr. Baldev Singh.—We will send you the figures.

President.—There is no other wastage in the process of galvanising except the wastage of spelter?

Mr. Baldev Singh.—There is a certain wastage of wire. The first two or three yards out of every bundle we have to cut off.

Mr. Atha.—That would be a very small wastage?

Mr. Baldev Singh.—Yes.

President.—This part of your plant is a very simple one, is it not?

Mr. Baldev Singh.—Yes.

President.—Do you need a spread of so much as 25 between galvanized wire and barbed wire?

Mr. Baldev Singh.—It is for labour and supervising staff also. Our people could not work it and we have European staff specially to look after this galvanized and barbed wire. That was the undertaking that we gave to the military authorities that we would bring a special man for this purpose.

President.—Speaking simply as a layman I can understand a considerable spread between hard bright wire and galvanized wire because it involves the cost of spelter, but taking the galvanized wire and putting it into these barbing machines which is almost fool-proof you want a spread of 25 between galvanized wire and barbed wire!

Mr. Baldev Singh.—Packing is the main item there and there is a certain amount of wastage also. Supposing a bundle is spoiled and not properly reeled we have to sell it as waste.

President.—Do you need Rs. 100 per month for supervising a simple thing like barbed wire?

Mr. Baldev Singh.—We are running three shifts, that is why we are getting this production.

President.—Your power costs so much as Rs. 1,240?

Mr. Baldev Singh.—We have no means of ascertaining the power consumed because we have no separate meters. This is simply an allocation. Whatever bill we pay to Tatas we distribute to the various departments.

Mr. Atha.—How have you based that?

Mr. Baldev Singh.—We have no means of ascertaining it because we have no meter to show the actual consumption of power.

Mr. Atha.—Meters will give you fairly accurate figures: it is worth while that you do something in that direction.

Mr. Wiles.—Are the supervision charges allocated in any way or are they actual charges?

Mr. Baldev Singh.—Supervision charges are meant for a particular purpose. Those are solely meant for this department.

Mr. Wiles.—Is it allocated in the other departments?

Mr. Baldev Singh.—It is allocated.

Mr. Wiles.—On the output or costs?

Mr. Baldev Singh.—At first our practice was to allocate it on the total hard bright wire and during the last enquiry there was some objection and we allocated them

President.—What you used to do was to debit the whole of the supervision charges to wire; there was none charged to wire nails and then it was suggested that the supervision charges should be borne by all the products and then you started allocating them to wire products. But my colleague's point was, on what basis you do the allocation?

Mr. Wiles.—Have you allocated per ton of output?

Mr. Baldev Singh.—Not per ton of output.

Mr. Wiles.—There are quite a number of items which you have allocated, miscellaneous charges, travelling allowance, postage, etc. What is the sort of principle you have adopted?

Mr. Baldev Singh.—We will give you the total expenses under miscellaneous charges and so on.

Mr. Wiles.—You can't say off-hand how you allocate it?

Mr. Baldev Singh.—No. We will give you a statement.

President.—Give us a statement showing how the standing charges were allocated in 1932-33, the amounts allocated, and show how the allocation is done.

Mr. Baldev Singh.—Yes.

President.—Give us the actual expenditure, the amount you actually paid to the debenture holders. The amount actually spent by you since you took over the works in 1931 we take as Rs. 3·8 lakhs. Since then you have spent an additional amount of Rs. 10·9 lakhs.

Mr. Baldev Singh.—That is right.

President.—That gives you an actual capital expenditure of Rs. 14·7 lakhs. That is to say the actual expenditure which has been incurred by you in August 1931 was Rs. 3·8 lakhs, leaving out the cost of the shelving plant which does not come into this. That represents the amounts you paid to the debenture holders plus the expenditure that you have incurred since you took it over before August 1931. Since then on your rod mill and on further expenditure in connection with the wire and nail plants you have incurred an expenditure of Rs. 10·9 lakhs. That gives you a total actual expenditure of Rs. 14·7 lakhs. Your contention is that the replacement value must be taken into account and not merely the actual amount that you paid for it. And on that calculation you are taking the replacement value of the wire and nail plant as Rs. 9·4 lakhs. Is that right?

Mr. Baldev Singh.—Yes.

President.—And you take your actual rod mill charges as Rs. 8·9 lakhs which together gives you Rs. 18·3 lakhs as the present value of your plant, if new.

Mr. Dube.—Yes.

President.—The question is which of these two figures we are to adopt as the basis of estimating your capital charges?

Mr. Baldev Singh.—Our point is that we bought this concern under special circumstances and supposing any of the machines is found to be absolutely useless we have to replace it and pay full value for that.

President.—What was the amount spent by the old Steel Wire Products?

Mr. Baldev Singh.—Rs. 32 lakhs.

President.—Out of that what was the cost of the shelving plant?

Mr. Baldev Singh.—One-third of that was for the shelving plant. That is the impression I have got. Rs. 5 lakhs was borrowed from the Government of Bihar and Orissa and Rs. 2 lakhs from Bombay for running the plant.

President.—That was entirely for working capital. The actual amount spent on the plant was Rs. 25 lakhs; about a third of that was for the shelving plant. That would leave a figure of Rs. 17 lakhs for the wire and nail plant. That was during the boom period. You are working it down to Rs. 9·4 lakhs.

Mr. Baldev Singh.—Rs. 9·4 lakhs including the additions we have made. Replacement value is only Rs. 6,15,000.

President.—You have reduced the capital value of the plant by about a third?

Mr. Baldev Singh.—Yes.

President.—If you look at Chapter VI "Sales and freights" in what way are these stockyards going to help you?

Mr. Baldev Singh.—We have got stockyards in Cawnpore and also at Delhi. We pay Rs. 3-8-0 for stocking materials.

President.—You have got agents; are they wholetime agents?

Mr. Baldev Singh.—They are commission agents and they are in charge of the stockyards.

President.—The stocking expenses are covered by this Rs. 3-8-0?

Mr. Baldev Singh.—Yes.

President.—You incur no further expenses in connection with the stockyard?

Mr. Baldev Singh.—In addition to that we pay them commission.

President.—You pay Rs. 3-8-0 to your commission agent which covers all your expenses as far as the stockyard is concerned?

Mr. Dube.—Yes. But in the case of we allowed a certain amount for building.

President.—It is obviously unnecessary for you, even assuming that there is a case, that you should have stockyards at every consuming centre.

Mr. Dube.—We have stockyards only in the main centres.

President.—Therefore there is a considerable part of the sales which do not pass through these stockyards and you should not be justified in taking a figure of Rs. 3-8-0 on the whole of your output?

Mr. Dube.—We do not allow stockyard charges on consignments that we send direct from Tatanagar.

President.—Therefore you would have to adopt a different scale as far as that is concerned.

Mr. Dube.—Yes.

President.—At present taking your last year's figures what part of your output was handled through stockyards?

Mr. Baldev Singh.—We will send you a statement.

President.—Taking your stockyards and your rebates and commissions and all these selling expenses supposing we took a normal rate of 2½ per cent. on the fair selling price against all these expenses it would be a reasonable figure? Your handling charges is Rs. 3-8-0, cash rebate and bad debt Rs. 2-0-0, sales organisation Rs. 1-0-0, total Rs. 6-8-0. That amounts to Rs. 6-8-0. 2½ per cent. on the selling price as you have calculated would be more than Rs. 5.

Mr. Baldev Singh.—Those charges were allowed on wire and wire products.

President.—What I am suggesting is that if we made an adjustment for the proportion of your sales which are handled through stockyards and allowed that figure only on that part of your output, then you will find that 2½ per cent. on your fair selling price as you have calculated it is more than a liberal allowance. It gives you more than you really want. Coming to this freight question, the first point I want to raise is, if it is possible for you to find a market for the whole output of your wire plant

in markets supplied from Calcutta, is it really necessary to provide for any railway freight disadvantage in respect of your wire and wire nails?

Mr. Baldev Singh.—Recently new rates of railway freight have been introduced from Calcutta to Delhi with the result that all these intermediate stations are affected. That was not the case when we last appeared before the Tariff Board in October 1923.

President.—Since you account only for about a third of the total market in India for wire and wire nails you ought to be able to market your output without any serious disadvantage. The position two years ago was that you had definitely an advantage which we estimated on such data as was then available to us at 12 annas. It seems to me that the utmost one can do is to knock out the freight advantage that we took into account and simply to say that you have no advantage at all, but make no allowance for freight disadvantage as far as wire and wire nails are concerned. I admit that in sections the position would be different. But in order to make the position clear, I should like you to prepare a statement on these lines for 1932-33.

Mr. Indra Singh.—The freight we would have to pay from our place to Calcutta port. That also may be taken into account.

President.—As against that there are other places where you pay less than the importer from Calcutta.

Mr. Indra Singh.—Yes.

Mr. Dube.—Last year we sold in freight disadvantage area.

President.—It is probably unwise marketing.

Mr. Dube.—We sold 40 per cent. of our products in Calcutta which we never did before. We reached Rangoon and we have reached Madras, Indore, Sind and Bhavnagar. In regard to prices the prices in Calcutta have been the lowest. Even bearing the freight we were in an advantage in selling at Bombay.

President.—Bombay prices began to drop since Japanese competition came in.

Mr. Indra Singh.—Yes. Sometimes Japanese consignment comes to Calcutta and then prices drop again.

President.—Can you work out a statement of the average prices realised by you ex-works in 1932-33 for just one class of nails? Your commonest class of nails is 2 inches.

Mr. Indra Singh.—We are selling in certain proportion.

President.—That always leads to trouble. What I want to do is to take your average realised price and find out how it compares with the average market price in Calcutta. The average market price in Calcutta may refer to entirely different classes of nails in different proportions.

Mr. Indra Singh.—In the same proportion we have also got to sell—in whatever proportion continental people sell.

President.—Do they correspond with the proportions in which similar classes of nails are sold by importers?

Mr. Baldev Singh.—There is no doubt about that.

President.—Give us the average price realised by you for wire nails ex-works in 1932-33. Take all prices in different periods with the quantity sold and find your average price. Then also calculate for me the average wholesale market price of nails at Calcutta including landing charges and duty. Also give us the prices at which they were sold in Calcutta. Make the statement fairly detailed.

Mr. Indra Singh.—Yes.

President.—Wire nails are the most important class of produce that you sell. I come to your rod mill—Chapter VII. You have estimated your costs on a production of 150 tons a day.

Mr. Indra Singh.—Yes.

President.—And the figure that you arrive at as the spread between billet and rod is Rs. 26-8-0. That is on the maximum output?

Mr. Indra Singh.—Yes.

President.—Then you add various charges, capital charges, sales charges and so on and you get a total figure of Rs. 44.

Mr. Indra Singh.—Yes.

President.—The c.i.f. prices that you give for small sections taking the past few months is about Rs. 4 a cwt., isn't that so?

Mr. Baldev Singh.—Yes.

President.—That is to say since May it has been going up. In July it was really above Rs. 4 and I should not be surprised in August and September judging by the trend of steel prices it is probably higher than Rs. 4-2-0. You take a price of Rs. 4 per cwt. which is Rs. 80 per ton and taking all your charges as you have estimated at present, the fair selling price that you ask for is Rs. 129.

Mr. Baldev Singh.—Yes.

President.—Rs. 80 is c.i.f. add landing charges Rs. 2-7. That comes to Rs. 82-7. Deduct that from Rs. 129 and you get a difference of Rs. 47 which is precisely the duty that Tatas have asked for on bars. May I take it that any duty that we suggest for Tatas in respect of bars and sections would be suitable to you as regards your small bars and sections. These figures allow for a freight disadvantage of Rs. 15, wastage of 10 per cent., profit at 10 per cent., all your stockyard expenses on the whole output besides commission on sales and cash rebate and then interest on working capital at 7½ per cent.—although rates of interest have gone down considerably, taking all these charges into account, on the current c.i.f. price there is a difference of Rs. 47 which Tatas have asked for structurals and other sections.

Mr. Indra Singh.—Without taking into consideration any freight disadvantage.

President.—Everything.

Mr. Indra Singh.—Tatas are taking power costs at 6 pies per unit, whereas we are paying 9 pies per unit. Power is the main item in the conversion cost.

President.—The cost of conversion in the merchant mill is of course considerably lower than the cost of conversion in a small rod mill like yours. The cost of production of that class of articles is lower than yours, but then the import price would also be correspondingly lower. Your costs would be higher on your rod mill, but the prices of small sections are higher than the prices of large sections per ton. Therefore if you take the higher costs in relation with the higher prices, probably the amount of assistance that may be required may be more or less the same in the two cases.

Mr. Baldev Singh.—We are not quite sure.

President.—On these figures the duty that you want in my opinion is Rs. 47 and you cannot get away from the fact that it is only Rs. 47 that they have asked for.

Mr. Dube.—Taking the import price at Rs. 87.

President.—Taking the import price at something lower than the current price. I am taking an intermediate figure.

Mr. Dube.—Japanese are coming into the market. Their prices may be lowered at any time.

President.—They have come into the market not in respect of bars and sections, but in respect of wire nails.

Mr. Dube.—They have.

President.—We must deal with the Japanese competition on a different basis. What I am suggesting is supposing the price of Continental small

sections fell below Rs. 4 that we are assuming, it will be an essential part of the scheme of protection that any fall in c.i.f. price must be made up to the industry by means of an off setting duty. We can take sufficient precaution as far as that is concerned and the Japanese question would have to be dealt with on a different basis. But apart from these two factors it seems to me that a figure which Tatas have proposed for their large sections and bars is the sort of figure that you would require on your small sections.

Mr. Baldev Singh.—There is another point. We are buying this semi-finished steel from Tatas, and Continental imports come from big works who are exporting to India. The same is the case with Tatas.

President.—Whatever advantage the Continental works have in respect of their billets, all that is reflected in the c.i.f. prices of these small sections.

Mr. Baldev Singh.—Yes.

President.—If they, for example, charge a lower figure than normally for their billets, that would be seen in the c.i.f. price of sections since we are taking c.i.f. price. We allow for factors of that sort. It is a point we want to think over. If we recommend a scheme of protection, we ought to base it on such figures as appear to us reasonable.

Mr. Baldev Singh.—Yes.

President.—Looking at the c.i.f. prices of sections can you give us a more detailed statement showing the kinds of sections with their prices.

Mr. Baldev Singh.—You mean prices for different sections?

President.—Yes.

Mr. Baldev Singh.—In the bazaar it is the practice sometimes to sell at different prices for different sections. In the nail trade there are so many standard percentages fixed for different sizes.

President.—In regard to small sections?

Mr. Baldev Singh.—Yes.

President.—Different diameters are grouped together.

Mr. Baldev Singh.—We have got only 5 sections.

President.—These different sections are grouped in certain proportions.

Mr. Baldev Singh.—Yes.

President.—And your grouping corresponds to them.

Mr. Baldev Singh.—Yes.

President.—It may not be worth while to get different prices for different sections.

Mr. Baldev Singh.—We have tried to ascertain and we have not been able to get it. In the market there is a certain specification.

President.—It is very difficult in respect of these small sections to get correct prices because all the standard quotations are in respect of large sections and we have been able to verify the prices that Tatas have given for their materials by reference to importers who import the large sections. So in respect of these small sections there is no definite reliable source of information.

Mr. Baldev Singh.—We can give you original documents of the importers.

President.—It would be rather useful if you can send us some of the recent original documents.

Mr. Baldev Singh.—Yes.

President.—There is only one other question that I want to raise. You have made a reference in your representation to two other wire and wire nail works which have been started in other parts of the country, one at Bombay and one at Karachi. Have you any information as to their output?

Mr. Baldev Singh.—We have no information. Only recently we came to know that we received a letter from the Bombay factory that they wanted rod

President.—The Bombay factory whom you are referring is the Hume Pipe Company.

Mr. Baldev Singh.—They wanted about 50 tons per month. I do not know whether they are meant for both these factories.

President.—That was for the Hume Pipe Company alone. Other people would get their wire rod in Karachi.

Mr. Baldev Singh.—They have also mentioned f.o.r. Karachi and f.o.r. Bombay.

President.—Any way you have no information at all?

Mr. Baldev Singh.—No.

President.—The difficulty we are going to be faced with is this: The Karachi factory has written to us definitely that they propose as early as possible to put up a mill for rolling the rods they require. If they do give an undertaking that they would set up a rod mill for their own purpose within a reasonable period, then it may be necessary for us to deal with them on the same basis on which we have dealt with you. Then what is to happen to the wire rod which they have to purchase in the meantime. Suppose they give a definite undertaking to Government "we are going to set up a rod mill within two years from now, to make our own rod from Indian billets". If they do say so, then obviously it would be necessary and if their statement is substantiated by satisfactory evidence, that during the intervening period some arrangement would have to be made with regard to the tariffs applicable to their wire rod.

Mr. Baldev Singh.—Have you any idea of their consumption?

President.—As a matter of fact the Karachi statement that we have received does not give us any very clear idea of what the consumption is. We will have to elucidate that point at Bombay.

Mr. Dube.—Is there any room for another wire rod mill in the country? That is the point to be considered by the Tariff Board.

President.—They have not told us what the size of the proposed rod mill is and we cannot discuss the question of sections till we know the capacity of their rod mill, but assuming that they are serious about making their own rod, what kind of proposals can you make with regard to the duty applicable to their wire rod. Two ideas occur to me and other ideas may occur to the Board when it has considered the question more carefully. Suppose we allow the Karachi works exemption from duty for a definite period. If, for example, it is definitely established they are going to have a rod mill within a space of two years, for a period of two years it will be allowed to import their rod free of duty up to a quantity equivalent, say, to their last year's output. Supposing the last year's output was 1,500 tons, then of course for a period of two years or whatever it may be, they would be allowed the present privilege which they have regarding exemption up to 1,500 tons of wire rod. That is one way of doing it. Another way of doing it is to ignore all exemptions from duty of wire rod coming into the country, that is to say all wire rod coming into the country paying duty, but in that case special arrangements would have to be made for the supply of wire rod to Karachi from your factory. Assume for the moment that the present duty is going to be continued. We have not considered what duties are applicable—let us say Rs. 45 is going to be continued, take Rs. 6-8-0 as the price of nails per cwt. That would mean a price per ton of Rs. 130, is not that so?

Mr. Baldev Singh.—Yes.

President.—Adding the duty of Rs. 45 to Rs. 130, the price of nails at Karachi would be Rs. 175. Supposing we take a spread of Rs. 25 between wire rod and wire and a spread of Rs. 35 between wire and wire nails, you

would get a total spread of Rs. 60 between wire rod and wire nail. Deduct that from Rs. 175. They must get their wire rod at Karachi at Rs. 115 if they are to sell their nails at Karachi at current prices. Would you be in a position to supply it at Rs. 115 delivered at Karachi?

Mr. Indra Singh.—That is according to the consumption of last year.

President.—Can you give them 2,500 tons a year for a period of two years?

Mr. Indra Singh.—Yes, provided they use it for the purpose of making nails and not for selling rod in the market.

Mr. Baldev Singh.—These rods can be straightened out and sold as bars.

President.—I think a satisfactory arrangement can be made. I take it you are in a position to supply 2,500 tons delivered at Karachi at Rs. 115 for a definite limited period.

Mr. Indra Singh.—Yes.

Mr. Wiles.—You claim that it is Japanese competition which has driven you into the far distant markets.

Mr. Indra Singh.—Yes.

Mr. Wiles.—You say that in Chapter III. It is the Japanese competition that has forced you to change your sales policy and drove you into the far distant markets.

Mr. Indra Singh.—Yes.

Mr. Wiles.—I understand that Japanese competition has not entered your favourable area—what I may call the Calcutta market.

Mr. Dube.—The main competition has been in Calcutta. Calcutta is the only market where we have sold wire nails at the lowest price.

Mr. Wiles.—Is the low price due to Japanese competition?

Mr. Indra Singh.—Yes. They have sold nails at Rs. 5-8-0.

President.—What is the present price?

Mr. Indra Singh.—Rs. 8-12-0 including the duty.

President.—What is the corresponding c.i.f. price?

Mr. Indra Singh.—Rs. 6-8-0.

Mr. Wiles.—I want to ask one or two questions about your capital expenditure and then your proposed depreciation. You are proposing an over all depreciation of 12½ per cent.

Mr. Dube.—Yes.

Mr. Wiles.—You think that that is reasonable? You actually take a figure of 7½ per cent.

Mr. Dube.—Yes.

Mr. Wiles.—It would be necessary, would it not, to differentiate in establishing what was a fair depreciation between your machinery which has presumably got rather a small life and your factory and buildings?

Mr. Dube.—Certainly.

Mr. Wiles.—Out of your Rs. 18-37 lakhs which is your replacement value of your block account to-day, I have arrived at a figure of Rs. 5-03 lakhs to be the cost of buildings. I have taken out these figures from various statements in Chapter V.

Mr. Indra Singh.—Yes.

Mr. Wiles.—So that we can take quite different depreciation rates on the figures of Rs. 13 lakhs and Rs. 5 lakhs. Even if we take a much more substantial rate on Rs. 13 lakhs and a much lower rate on Rs. 5 lakhs, the result would work out in the neighbourhood of 7½ per cent. I don't quite follow your calculation of that Chapter. You put your depreciation on machinery of Rs. 9½ lakhs at Rs. 7 and odd a ton. What output have you taken there?

Mr. Dube.—10,000 tons.

Mr. Wiles.—In Chapter VII you have taken the total output as being what?

Mr. Dube.—46,950 tons.

Mr. Natesan.—You said in reply to President that you installed the rod mill in September?

Mr. Baldev Singh.—Yes.

Mr. Natesan.—Till then you were getting your rod from Germany?

Mr. Baldev Singh.—Yes.

Mr. Natesan.—At present you are getting billets from Tata's?

Mr. Baldev Singh.—Yes.

Mr. Natesan.—Have you found any difference between the billets that you obtain from Tata's and the rod that you were getting from Germany?

Mr. Baldev Singh.—Tata's material is much better.

Mr. Natesan.—Is it much better for your purpose?

Mr. Baldev Singh.—Yes.

President.—What is the current price for the imported wire rod?

Mr. Baldev Singh.—Rs. 106.

President.—How long ago did you get that price?

Mr. Baldev Singh.—Six months ago.

Mr. Natesan.—Do you supply the Army?

Mr. Dube.—Yes. We supply to the Army barbed wire.

Mr. Natesan.—Is it on special terms or conditions?

Mr. Baldev Singh.—We submitted a tender and it was accepted?

Mr. Natesan.—You say you have a number of experts running your plant and you have entertained them on a three years' agreement.

Mr. Baldev Singh.—Yes.

Mr. Natesan.—Do I understand you to say that you can get on without them after that period?

Mr. Baldev Singh.—At the present moment we cannot do without them. After the period of agreement is over, we will have to see whether we can do without them. If the Indian labour has been trained up in the meanwhile we will have to eliminate them.

Mr. Natesan.—Mr. Indra Singh, I find there is a reference in your representation that the General Manager was sent to foreign countries?

Mr. Indra Singh.—Yes, Mr. Baldev Singh had been to foreign countries.

Mr. Natesan.—Mr. Baldev Singh, you are acquainted with every process?

Mr. Baldev Singh.—Yes.

Mr. Natesan.—Do you visualise a time when you will be able to control the whole organisation without extraneous help?

Mr. Baldev Singh.—It takes a long time to acquire the necessary experience. Therefore we have to get men from outside.

Mr. Natesan.—To work your plant efficiently and at a lower cost, you will have to employ some of these experts?

Mr. Baldev Singh.—Some of them at least for some time to come.

Mr. Indra Singh.—There is a condition in the agreement that they will have to train Indian labour.

Mr. Natesan.—You are referring to the agreement of Tata's. What is the genesis of this agreement? They have said that it is subject to ratification. But evidently you had an agreement some time before?

Mr. Baldev Singh.—The agreement started from the date we took billets from them.

Mr. Natesan.—From the date you took billets from them?

Mr. Baldev Singh.—Yes.

Mr. Natesan.—I understand from you that your relations have been friendly and that you regard them as a parent industry?

Mr. Indra Singh.—Yes.

Mr. Natesan.—So, it will be your endeavour to see that whatever differences you have with them are settled up.

Mr. Indra Singh.—I would never allow any differences to come between us. I have been connected with Tata's for the last 23 years.

Mr. Atha.—Do you keep regular departmental cost sheets?

Mr. Baldev Singh.—We do keep departmental costs where labour and materials consumed are shown. It may not be an exact system.

Mr. Atha.—It would be interesting to see if we could get copies of your cost sheets. Could you send us your cost sheets?

Mr. Baldev Singh.—We shall send you our monthly costs for each department.

Mr. Atha.—Take the nail department. Do you keep separate costs for that department?

Mr. Baldev Singh.—That is done on piece work but we can give you the rates per cwt.

Mr. Atha.—The nail department cost sheet should show the amount of wire charged to the department, the amount of labour, the cost of power and so on.

Mr. Indra Singh.—There may be a little difference in the way of maintaining our cost sheets. As regards power, we are not maintaining different meters.

Mr. Atha.—In that case you would allocate the charge for power.

Mr. Indra Singh.—Yes.

Mr. Atha.—We would like to see your departmental cost sheets?

Mr. Indra Singh.—For all the departments?

Mr. Atha.—For each department.

Mr. Indra Singh.—Yes.

President.—As regards the statements which we have asked for to-day, so far as the cost statement on the output is concerned, you may send it by about the middle of January. But the others we would like to have them in about a fortnight's time.

Mr. Baldev Singh.—Yes.

MESSRS. DEVIDAS JETHANAND AND COMPANY.

**Evidence of Mr. JIWANLAL PHERWANI, recorded at Bombay on
Wednesday, the 6th December, 1933.**

President.—Mr. Pherwani, you represent Messrs. Devidas Jethanand and Company?

Mr. Pherwani.—Yes.

President.—Messrs. Devidas Jethanand are the sole proprietors of this concern?

Mr. Pherwani.—Yes.

President.—Is it a private limited liability Company?

Mr. Pherwani.—It is a private Company.

President.—When was this started?

Mr. Pherwani.—February, 1932. We started making articles in February, 1932.

President.—You started making wire in February, 1932?

Mr. Pherwani.—Yes.

President.—I should like to get some idea of the equipment of your factory. How many wire drawing machines have you?

Mr. Pherwani.—I have two fixed, one yet not put on the site. 3 machines of four drums. Two are working.

President.—Two are operating.

Mr. Pherwani.—Yes and one more has yet to be installed.

President.—For nails how many machines have you?

Mr. Pherwani.—9 machines.

President.—Have you any equipment for barbed wire?

Mr. Pherwani.—One machine.

President.—Have you a galvanised plant?

Mr. Pherwani.—We have a galvanising plant complete.

President.—Tell me approximately what is the total capacity of your plant? Supposing you have all your wire drawing machines in operations, how much wire can you draw on a single shift basis? How many shifts are you working now?

Mr. Pherwani.—Two shifts.

President.—On a single shift what is the capacity of these machines?

Mr. Pherwani.—On each machine of 4 drums about 3 tons a day of all sizes. No. 14, it would be much less.

President.—All the sizes which are commonly used in the market?

Mr. Pherwani.—Yes.

President.—On an yearly basis, that means about 1,000 tons.

Mr. Pherwani.—It would mean much more than that.

President.—On each machine?

Mr. Pherwani.—Yes about 1,000 tons. We are working 25 days a month. We have two machines installed and one not yet installed.

President.—That is to say on a single shift basis your capacity is not exceeding 3,000 tons.

Mr. Pherwani.—Yes at present.

President.—What is your capacity in respect of nails?

Mr. Pherwani.—We are producing now about 1,500 to 1,600 cases a month of one cwt., each case.

President.—That is working on a single shift basis?

Mr. Pherwani.—We are working two shifts, but we don't work all the machines.

President.—That means 900 tons a year.

Mr. Pherwani.—Yes.

President.—What has been your actual output since you started your operation?

Mr. Pherwani.—In the beginning we were able to do about 400 to 500 cases a month.

President.—For nails?

Mr. Pherwani.—Yes.

President.—I want your actual output of wire during the period you have been working.

Mr. Pherwani.—We have been doing only wire nails in the beginning.

President.—You draw your wire and make nails out of it?

Mr. Pherwani.—Yes.

President.—What is the total quantity of nails you have produced so far from February, 1932 to February, 1933, you have been working for about a year.

Mr. Pherwani.—We have produced about 15,000 cases of wire nails.

President.—That is to say about 750 tons?

Mr. Pherwani.—Yes on the average. In the first stages we were not producing so much as in the later stages.

President.—Your total output for that period has been 750 tons?

Mr. Pherwani.—Yes.

President.—Did you sell any wire during this period?

Mr. Pherwani.—Yes. We have sold about 100 tons of wire.

President.—So that your total output during this period of 12 months was 850 tons altogether?

Mr. Pherwani.—Yes.

President.—And this has been made out of imported wire rod? Where do you get your wire rod? Where is it imported from?

Mr. Pherwani.—Up till now it has been imported from three different countries. First consignment we got from Germany, the second consignment from France. We of course strike a bargain with the man who gives the lowest quotation.

President.—You get it from Belgium?

Mr. Pherwani.—A small quantity from Belgium of about 200 tons.

President.—What is the current price of wire rod landed at Karachi.

Mr. Pherwani.—To-day's cartel price I have got is £7-7-9.

President.—That is c.i.f.?

Mr. Pherwani.—Yes.

President.—What are your landing charges?

Mr. Pherwani.—We pay Rs. 1-8-0 for carriage of a ton of wire rod to our factory; Rs. 2-12-0 as port trust charges and 8 annas we pay to the muddadam who clears the goods. This is per ton.

President.—Approximately Rs. 5 altogether, landing and clearing charges and transporting to the works?

Mr. Pherwani.—Yes.

President.—That is to say you get it at Rs. 103 at your works.

Mr. Pherwani.—Yes. I got my last consignment cheaper.

President.—The price of other classes of continental steel have been going up as far as one can gather, but the wire rod is a different cartel.

Mr. Pherwani.—Yes. They have cartel. We could get round the cartel.

President.—In what way? You mean you can make purchases from people who are not in the cartel?

Mr. Pherwani.—We can get a little lower than the cartel price.

President.—This is the lowest price that you have got so far?

Mr. Pherwani.—No. We have been able to get it lower than that. I have got dearer than that as well as lower than that.

President.—Can we take this as the normal price?

Mr. Pherwani.—Yes.

President.—The Indian Hume Pipe Company who were giving evidence this morning said that they got their wire rod here at Rs. 105.

Mr. Pherwani.—Yes they must have got it.

President.—The difference I suppose may be due to the difference in landing charges.

Mr. Pherwani.—Their Port Trust charges, I understand, are higher than ours. We pay less in Karachi. Bombay charges are generally more.

President.—Mr. Jiwanlal Pherwani, you know the problem before the Board this time. When temporary protection was granted to the wire and wire nail industry two years ago, as you are aware it was granted on condition that the Indian Steel Wire Products who were solely concerned in this business would start a rod mill and make their rod out of Indian billets. They have installed their mill and they have begun to draw their wire rod. The question now arises that there is wire rod actually manufactured in India, whether it would be in the public interest to extend protection to wire and wire nail industry which uses imported material. Your suggestion in your representation is that you should be allowed to import your wire rod as you have done in the past free of duty, but at the same time you suggest that you would be quite willing to purchase your wire rod if made in India provided you could get it on reasonable terms.

Mr. Pherwani.—Yes, that is the position and also provided there is sufficient spread for us to make wire nails and wire. We don't mind at what price we get our wire rod, but what we do mind is that the price of the nails should be fixed at a price sufficiently higher than the purchase price of the wire rod to enable us to work it into finished product.

President.—What is your present spread?

Mr. Pherwani.—Rs. 6 a cwt. on wire nails; on wire it is Rs. 3 a cwt.

President.—It is much higher than we have seen elsewhere. What precisely do you mean by spread? Do you include depreciation and interest charges?

Mr. Pherwani.—Yes. Profit and everything.

President.—The figures that you give us here for August, 1933, that is your cost above wire rod, is that so?

Mr. Pherwani.—Yes.

President.—Including all charges?

Mr. Pherwani.—Yes.

President.—It includes also the wastage of wire rod?

Mr. Pherwani.—Yes.

President.—It is 10 per cent. on metal which is the wastage.

Mr. Pherwani.—Yes.

President.—Tell me what these figures represent? This is your yearly production?

Mr. Pherwani.—Monthly.

President.—It is just one month.

Mr. Pherwani.—It was at that month. Now it is more.

President.—For one month do you charge profit at the rate of Rs. 555?

Mr. Pherwani.—Rs. 555 profit on the total outlay.

President.—Do you mean for the whole year?

Mr. Pherwani.—No.

President.—On the output of that month?

Mr. Pherwani.—Yes.

President.—That is to say on 55 tons you charge a profit of Rs. 555. That is about Rs. 10 per ton of nails.

Mr. Pherwani.—It works out to about 5 per cent.

President.—What is your total expenditure?

Mr. Pherwani.—About Rs. 1,10,000 on the wire nail section.

President.—Taking your whole wire and wire nail plant?

Mr. Pherwani.—We have also a screw plant.

President.—Taking your wire and wire nail plant?

Mr. Pherwani.—Yes plant, raw materials and finished goods, all are included in this.

President.—It is not merely your fixed capital, but also your working capital.

Mr. Pherwani.—Yes.

President.—That includes stores, stocks and so on. It represents both your fixed capital and your working capital?

Mr. Pherwani.—Yes.

Mr. Wiles.—What was the interest calculated on?

Mr. Pherwani.—2 per cent.

Mr. Wiles.—2 per cent. on?

Mr. Pherwani.—On Rs. 60,000 which is the capital outlay on the plant. We counted nothing as interest, because we don't get interest on our money in the banks now.

President.—It is your own capital?

Mr. Pherwani.—Yes.

President.—You have calculated interest at 2 per cent. on the fixed capital expenditure and this 5 per cent. is the profit you calculate on that *plus* the working capital.

Mr. Pherwani.—Yes.

President.—Profit at 5 per cent. on Rs. 1,10,000 is Rs. 5,500.

Mr. Pherwani.—Yes.

President.—Supposing all your wire were turned into nails, you could turn out 1,000 tons of wire nails

Mr. Pherwani.—Yes.

President.—So that if the interest were divided among your output of 1,000 tons, it would be Rs. 5 per ton.

Mr. Pherwani.—I don't follow.

President.—Your total capital is Rs. 1,10,000; 5 per cent. on that is Rs. 5,500.

Mr. Pherwani.—You are working on 1,000 tons.

President.—Interest at 5 per cent. on that amount is Rs. 5,500 and I was trying to divide that on the output of 1,000 a year.

Mr. Pherwani.—We are not actually producing that, but we could produce if we had the market. As we say we are handicapped on account of Japanese competition and also because of unfavourable freight rates in comparison with the Tatanagar rates. We have not been able to put our full might in the Punjab market which is the only market for us at present. We can't go to Bombay, because we have to pay extra.

President.—The spread figure that you have given us is the spread figure on an output of somewhere about six hundred tons a year.

Mr. Pherwani.—Yes on the particular month.

President.—If you take the output of that month and calculate the year's output on that basis, it is about 600 tons.

Mr. Pherwani.—Yes

President.—Against your total capacity of wire and wire nails of somewhere about 4,000 to 5,000 tons.

Mr. Pherwani.—Yes.

President.—In calculating your cost for the purpose of estimating the measure of protection, it would not be fair to estimate on the basis of so restricted an output as 600 tons a year.

Mr. Pherwani.—For that would it make very much of a difference.

President.—In the case of the Indian Steel and Wire Products, if we decide to grant protection—the matter is still under consideration and we have come to no conclusion—it will be based on costs calculated on an output corresponding to their normal capacity.

Mr. Pherwani.—Full capacity.

President.—It would not be exactly full, but something short of full capacity, but it would be considerably more than the proportion that you have taken here.

Mr. Pherwani.—Because they are enjoying, as I said, facilities on the railways which have been denied to us.

President.—But you get a certain concession on the North Western Railway, don't you?

Mr. Pherwani.—Not exclusively.

President.—The imports get the same concession.

Mr. Pherwani.—Yes. Both of us compete in the Punjab, whereas the importer of foreign nails cannot compete in the United Provinces, which is therefore their exclusive market where the I. W. products enjoy a complete monopoly of sale. In the Punjab he puts us down. As soon as our freight rates were reduced from Karachi to Punjab, he reduced the price all of a sudden by 8 annas.

President.—Where is the principal market in Northern India where you and the Indian Steel and Wire Products come into conflict?

Mr. Pherwani.—Lahore, Amritsar, Delhi, Peshawar, Simla and Rawalpindi.

President.—Your contention is that the distance of all these places from Karachi is less than the distance from Tatanagar.

Mr. Pherwani.—Roughly 50 per cent. less.

President.—The rate that you pay now on the North Western Railway from Karachi to these markets—what is the rate of that per ton per maund per mile.

Mr. Pherwani.—It varies because it is measured not at all by the maund mile but by what Tatanagar people pay. As I send further away from my home, the goods go cheaper. In Delhi I land my goods at a cost of 11 annas per maund.

President.—Is Delhi a typical centre for you?

Mr. Pherwani.—No.

President.—We can take Delhi as your typical centre?

Mr. Pherwani.—No.

President.—What is the distance from Karachi to Delhi?

Mr. Pherwani.—About 900 miles—the same as from Tatanagar to Delhi.

President.—What do you pay?

Mr. Pherwani.—If we send it in wagon loads, it comes to 11 annas a maund. The freight from Tatanagar is two annas per maund less. In the case of Lahore, we pay Rs. 1-4-6 per case whereas they pay the same. Lahore to me is 300 miles nearer and is so much further away to them.

President.—It is one seventh pie per maund mile?

Mr. Pherwani.—Yes. As we come nearer we have to pay more.

President.—If we take Delhi as your typical market, the rate that you get is one seventh pie per maund mile?

Mr. Pherwani.—Yes. But Delhi is not typical, Lahore and Peshawar are typical.

President.—That is considerably lower than the ordinary steel rates. Steel is ordinarily classed as second class. The ordinary rate is '42 per maund mile whereas the rate that you get in Delhi is '14 pie per maund mile.

Mr. Pherwani.—Yes. But in the case of I. W. P. it is 50 per cent. lower than our rate, distance being 50 per cent. more in their case.

President.—So, it is a concession rate?

Mr. Pherwani.—No, not comparable to Tatanagar.

President.—What do you lose in freight to places where the rates are higher, you probably make it up in transport to places where the rates are lower.

Mr. Pherwani.—We make it up nowhere we lose all along the line.

President.—Give me a place which may be regarded as typical.

Mr. Pherwani.—Peshawar and Lahore or Amritsar is our best market.

President.—Do you sell the bulk of your output in Amritsar?

Mr. Pherwani.—Yes, and in Peshawar.

President.—What rate do you get in Amritsar?

Mr. Pherwani.—Rs. 11.

President.—Is that per ton?

Mr. Pherwani.—Rs. 11 per cwt. That is what we get.

President.—What is your freight?

Mr. Pherwani.—Rs. 2-1-0 on a case weighing 1 cwt.

President.—We may take a maund as three fourths of a cwt.

Mr. Pherwani.—A box weighs 1 maund 23 seers.

President.—Is it Bengal maund?

Mr. Pherwani.—Yes.

President.—If you take the maund as being equal to 82 lbs., that would give us more or less a correct basis?

Mr. Pherwani.—A case weighs more than 112 lbs. It weighs 1 maund 23 seers.

President.—You pay higher freight to Amritsar?

Mr. Pherwani.—Yes.

President.—Even then, it would be considerably lower than the standard rate?

Mr. Pherwani.—It is not lower. They gave us a concession of 2 annas after we had made a representation to them.

President.—On working at the figures given by the Indian Steel and Wire Products, now that they have increased their output from 2,000 tons to a little over 4,000 tons and therefore they have to distribute their output over a larger area, the freight advantage that we estimated for them a few years ago has almost completely disappeared. I don't say they are at a freight disadvantage, but I don't think they have any freight advantage.

Mr. Pherwani.—They have considerable freight advantage in the Punjab.

President.—It all depends upon what we mean by freight advantage. You mean they have a freight advantage over you?

Mr. Pherwani.—Yes.

President.—They have no advantage when compared with the imports. When we speak of freight advantage, what we mean is they have freight advantage as compared with imports. That advantage has disappeared. I don't dispute the fact that they have advantage over you.

Mr. Pherwani.—That is so. We could have produced now about 2,000 tons. We have been restricted on account of the market being cut down to less than one third. Each of us has a share in the Punjab market—Japan, Tatanagar and ourselves.

President.—I want you to tell us what your own proposals are under these new conditions?

Mr. Pherwani.—We have clearly stated that what we require is that if wire rod prices are fixed for us on the basis that we are to get it from Tatanagar, in that case we should get only a sufficient spread, say Rs. 6 or whatever the Board thinks necessary after our examination. That should be compared with the present price and the difference should be the measure of protection.

President.—We discussed this question quite tentatively with the Indian Steel and Wire Products when we examined them a fortnight ago. We have not reached any kind of conclusion on these things. But one of the proposals which were discussed in a purely illustrative kind of way was that the Indian Steel and Wire Products should be prepared to let you have your wire rod up to a specified maximum.

Mr. Pherwani.—You mean quantity?

President.—Yes, and at a price of Rs. 115 delivered Karachi. If that was the price at which you could get your wire rod?

Mr. Pherwani.—It would work out to Rs. 235 per ton of wire nails.

President.—If you continued to import your rod free of duty, instead of Rs. 235 it would be Rs. 223. I can tell you frankly straightaway that it is not likely that whatever arrangements are made in connection with your wire rod, you would get protection to the extent necessary for securing you a price of Rs. 223 because it is very much higher than the fair selling price we estimated two years ago and the price we are likely to estimate this time on the most recent figures that we have?

Mr. Pherwani.—What is that?

President.—We have not made up our minds yet. These figures are subject to a further scrutiny, but I will tell you the figures that they themselves have given us. Their works expenditure on their own figures which we are going to scrutinise very carefully per ton of nails is Rs. 175.

Mr. Pherwani.—Besides the rod price?

President.—Everything included?

Mr. Pherwani.—What do they calculate their rod on?

President.—They calculate the rod at a price Rs. 114.

Mr. Pherwani.—On a difference of Rs. 60 they get it off.

President.—As far as I have been able to calculate, their spread between rod and wire would be Rs. 25 and their spread between wire and nails would be Rs. 35.

Mr. Pherwani.—That gives them a profit?

President.—No. I am going to add a figure to Rs. 175 for that. If we brought it up to Rs. 200, it would be quite ample.

Mr. Pherwani.—It would be very little for us. We would be crushed.

President.—After all, you can only fix one rate for the whole country. You cannot have different rates for the country. Don't you think that it would be a reasonable thing for us as a Tariff Board to take the costs of the factory with the largest output?

Mr. Pherwani.—The new factories which have been started should be given a breathing space of time to develop to the extent to which the bigger factories have done. We have had absolutely no fairness from the very start. We have been handicapped from the very inception. In the start, we were not given a rebate on the wire rod.

President.—As a matter of fact, you have got the rebate in respect of wire rod?

Mr. Pherwani.—We got the rebate later.

President.—It was done retrospectively?

Mr. Pherwani.—We did not know that it was going to be done. For 12 months we were under a suspense. We did not know if we were going to get anything at all. Naturally we were apprehensive of what might happen. Therefore we did not like to improve our Works. We were only just carrying on with what the market could take, that is, the Sind market. We could not even go to the Punjab.

President.—Do you consider the present duty enough?

Mr. Pherwani.—We have not had enough time. Give us some time more. Tata's have had the benefit of protection for last so many years. If you gave us some time, we should be able to give up the duties probably much quicker than Indian Steel and Wire Products. We have not had any breathing space of time with the result that we could not reorganise our works and improve our efficiency.

President.—I should like you to realise the difficulties involved in your suggestion. In the first place we can have only one rate of duty for the country.

Mr. Pherwani.—While fixing that, I put forward as my suggestion that the case of the new factories should be taken into account.

President.—Supposing we take your cost and raise the measure of protection, that would mean that the Indian Steel and Wire Products would get a margin of advantage approximately of about Rs. 20 or a little over and they would be able to compete with you all the more effectively.

Mr. Pherwani.—But then it would be a question of how quickly we would re-organise our works and improve our efficiency.

President.—In the meantime over a period of a year or two, they would almost crush you out of existence, because if the protection is based on your costs, they get a margin of advantage of Rs. 20. That is the reserve out of which they will finance their raids into your area.

Mr. Pherwani.—If the freight rates are examined closely it would be seen that we have an advantage of Rs. 20. I mean if the rates were arranged according to distances and not according to stations.

President.—That is another matter.

Mr. Pherwani.—We enjoy in the Punjab market an advantage of full Rs. 20 in freight if the rates were arranged in the natural way, that is, according to distances from factories, in the same way as from Tatanagar.

President.—It is very difficult to speak of a natural rate in respect of railway freights because those freights are based on the consideration of what the traffic can bear. Railway rates are not based on the principle of equal mileage rates.

Mr. Pherwani.—Before the Tariff Board we feel we could give vent to our grievances and suggest that we should be compensated in a proper manner. If the railway authorities cannot do, we represent our case to the Tariff Board to look at our case. We are suffering fully Rs. 20 per ton on account of the favouritism shown to Tata's by the railways. The Tariff Board could of course devise its own methods for compensating us.

President.—The Tariff Board has unfortunately no *locus standi* in respect of railway freights.

Mr. Pherwani.—You might take into consideration the fact that we are at a disadvantage to the extent of fully Rs. 20 as compared with Tata's.

President.—In what way could we do it? Suppose we are not in a position to suggest to the railways that they ought to alter their rates. If at the same time you want us to take into account disadvantage in respect of freight, the only way in which we can assist you is to give you a higher rate of duty.

Mr. Pherwani.—Or to subsidise.

President.—To give a bounty, supposing another factory started next month and a third factory the month after that, you are placing an indeterminate burden on the poor and harassed legislature.

Mr. Pherwani.—In wire nails India cannot afford to have many factories. The total requirements of Indian wire nails could be got out of two or three factories at the most.

President.—Therefore the direct effect of the bounty would be to stimulate over-production. It would lead to more people manufacturing nails.

Mr. Pherwani.—I say that it is going to be only temporary. It will only be as long as this small industry at Karachi has had time, breathing time, to recoupe, to be able to organise its works.

President.—The unfortunate thing about Karachi is that it is situated so far away from the iron and steel producing areas in India.

Mr. Pherwani.—This point is very much magnified and in fact it is not so because the freights from Tatanagar to Karachi could be very much less than they could be by rail from Karachi to Delhi.

President.—It could be but is not.

Mr. Pherwani.—It will be if

President.—If railways revise their rates on principle which is very different from recognised principles of railway rating.

Mr. Pherwani.—Even apart from that; for instance the shipping companies have offered that if I could give them a ship load of iron from Calcutta, they could do it at less than Rs. 5.

President.—Have you any idea of the sea freight from Calcutta to Karachi?

Mr. Pherwani.—I had just a talk with a shipping company. They said that they would do it at less than Rs. 5 if I could give a ship load.

President.—In that case it ought to be possible for the Indian Steel and Wire Products to ship their wire rod by sea to Karachi?

Mr. Pherwani.—It could always come by sea to Karachi.

President.—In that case it might be somewhere about Rs. 10. Their freight from Tatanagar to Calcutta is about Rs. 4 or Rs. 4-8-0. The freight from Calcutta to Karachi by sea should be Rs. 5.

Mr. Pherwani.—It is not now.

President.—So that on probably Rs. 10 it would be possible to have wire rod shipped from Tatanagar to Karachi.

Mr. Pherwani.—Yes in ship loads, or even billets from Tatanagar to Karachi. The billets will have to come in larger quantities than wire rods.

President.—You are prepared to accept a figure of Rs. 115 for wire rod delivered at Karachi provided sufficient allowance is made for your spread?

Mr. Pherwani.—Yes. Also for Port Trust charges.

President.—You will also agree, won't you, that the spread allowed to you must be a reasonable spread as estimated by this Board. No applicant has a right to expect precisely his own costs to make the basis of the measure of protection. They are subject to consideration and scrutiny.

Mr. Pherwani.—We are a special case. We have up till now not had fairness from the railways. If we had fair dealing in the last two years, probably we might have been in a position to-day to have satisfied you.

President.—Have you ever tried to take this question before the Railway Rates Advisory Committee?

Mr. Pherwani.—We have done it all these years.

President.—Has the case been heard by the Railway Rates Advisory Committee?

Mr. Pherwani.—No, not by the Railway Rates Advisory Committee. We can only make representations to the Government and to the Agents of railways and we have done both.

President.—If you have a grievance about the railway freight in the sense that you feel that your freights are unreasonable as compared with your competitors, then the proper body before whom to argue your case is the Railway Rates Advisory Committee.

Mr. Pherwani.—But they don't deal directly with the matter.

President.—The proper authorities are the Railway Rates Advisory Committee; you make an application and submit it through proper channels.

Mr. Pherwani.—We have done that and we have been receiving negative replies.

President.—As far as our problem is concerned it boils down to this; if you got exemption from duty to your wire rod, if you got that benefit then you would get your wire rod at somewhere about Rs. 105.

Mr. Pherwani.—That is so.

President.—The arrangement that was tentatively proposed to the Indian Steel and Wire Products would enable you to get your wire rod at Rs. 115?

Mr. Pherwani.—Yes.

President.—So the difference in the duty on this consideration will not exceed Rs. 10.

Mr. Pherwani.—But there will be no duty for us for some time.

President.—Supposing in your case an allowance was made for a margin of Rs. 10, whether you got your wire rod free of duty or not the measure of protection would be based on the costs of the larger works.

Mr. Pherwani.—Then in that case we should be allowed to import our rods for some time.

President.—For what period do you want to import your wire rod?

Mr. Pherwani.—Five years, because the world conditions are very unsettled.

President.—There will be extraordinary situation where practically every part of India will have wire and wire nail factories using imported wire rod on which they will claim exemption from duty; even in Calcutta you could have a wire and wire nail factory, you say "If one factory is exempted from duty I should also be exempted"?

Mr. Pherwani.—Is it not the policy of Government that they could restrict further factories if they think necessary?

President.—There is already a factory in Bombay as you known.

Mr. Pherwani.—It is not a wire nail factory.

President.—They have got a nail machine.

Mr. Pherwani.—I have not heard of their nail coming into the market anywhere.

President.—They have just started operations. You want an exemption for a period of five years; it does not strike me as a very reasonable proposition.

Mr. Pherwani.—We ask for five years; Tatas have enjoyed more than 12 years.

President.—An industry of that kind is somewhat different from a wire plant.

Mr. Pherwani.—What about the wire nail industry?

President.—That was because they expected to set up a rod mill which is a relatively big concern.

Mr. Pherwani.—We also have that under contemplation,

President.—Where will you get your billets?

Mr. Pherwani.—From the Tata Iron and Steel Company.

President.—Tatas want a fairly stiff protective duty on billets. Tatas can send you billets at price corresponding to what they consider a fair price at Tatanagar plus the freight from Tatanagar to Karachi. Therefore if you set up a rod mill what you save on the rod you would probably lose on the billets.

Mr. Pherwani.—The rods they would give would be the same as they sell at Tatanagar to the other company.

President.—I can't see a stage in the future where a factory situated at a place like Karachi can ever get over the natural disadvantage of having to pay a high freight on Indian material because the Indian steel centre is so far away.

Mr. Pherwani.—That is exactly the point we have refuted in our representation. We have said that it is not so because we have got Rs. 20 freight advantage. If we made sufficient strenuous efforts the Government of India could be convinced of the reasonableness of our request.

President.—Economically taking your advantage in respect of the market as against your disadvantage in respect of materials you are in exactly the same position?

Mr. Pherwani.—Just about the same position so far as rolling of rods from Tata billets is concerned, i.e., so far as the question of Karachi being distant from Iron producing centres is concerned.

President.—If the Indian Steel and Wire Products roll their own wire rod it will cost them Rs. 114; therefore if you get your wire rod at Rs. 115 you are on exactly the same footing.

Mr. Pherwani.—Does that Rs. 114 include any profit?

President.—Profit will be eliminated to that extent from the conversion figures that we allow. We are not going to allow profit twice over. If you are satisfied that in respect of the market you have an advantage over Tatanagar while you have a disadvantage in respect of materials, then it seems to me that if you got your wire rod at Karachi at more or less the same price as it costs them at Tatanagar, there is nothing to complain about.

Mr. Pherwani.—Not until the advantage in regard to markets materializes by suitable charges of railway freight rates. The complaint is about the invidious distinction between

President.—So far as you are concerned the real trouble is producing on a very small scale, may I say, in a somewhat haphazard way. Your conversion costs are unduly high.

Mr. Pherwani.—That is the whole trouble. We have not had breathing space. Firstly there was the rebate question on materials and then the railway freight. We have had these two impediments and lately Japan has stepped in. Just as we were beginning to get over the freight difficulty question Japan dumped its goods at a very low price in the Karachi market so that really we have had no small period left to us to recoup and put our house in order. Given that time we say we shall be able to organise and be able to show that we can convert wire into wire nails very much cheaper. And whereas the Tata Iron and Steel Company's proprietors are capitalists we have included in our proprietors men with technical knowledge too.

President.—You are not suggesting that there are no men of that kind at Tata's?

Mr. Pherwani.—Not amongst the proprietors. It is one thing to have a servant.

President.—Well, the proprietor's son is good enough. The real point is this. If we continue the duty on wire nails it would be estimated on the basis of the costs of the largest and most efficient factory. I think we can't get away from that fact.

Mr. Pherwani.—Could they not keep into mind the disadvantage we have in freight and compensate us by some means?

President.—That is a matter that you have got to settle with the Railway Rates Committee and the railways. That is what every industry has got to do. It is not for the Tariff Board to settle that question because there would be no end to the tariff protection if we want on protecting new industries at every stage.

Mr. Pherwani.—If the Tariff Board is satisfied that a certain industry is necessary for a particular area it may be given sufficient length of time to develop itself.

President.—It is the present duty of Rs. 45 that induced you to come into the field?

Mr. Pherwani.—No. In the last report the Tariff Board had said that the measure of protection given to the industry was not full because it did not satisfy the first principle of using indigenous raw material.

President.—That report was accepted by the Government of India earlier in 1932 and it was about that time that you started operations?

Mr. Pherwani.—Yes, because we felt that in the next enquiry Government would revise it and make the duty fuller.

President.—I am afraid we cannot carry on this matter, but I understand your position to be this that you are prepared to use Indian wire rod up to a specified quantity provided the excess cost that you incur on your wire rod as compared with the price that you pay for imported rod is made good to you.

Mr. Pherwani.—Yes or I should be allowed to import foreign wire rod for some time.

President.—If you import your wire rod free of duty would you suggest a limit to the quantity?

Mr. Pherwani.—Yes.

President.—What is the limit you would suggest?

Mr. Pherwani.—About 4,000 tons, about half of what the total requirements of India is.

President.—Your output so far has been 1,000 tons?

Mr. Pherwani.—Yes.

President.—Could you double it?

Mr. Pherwani.—We could easily double or even quadruple it. But we are working at a disadvantage and therefore we will never be able to increase the output in our works, without great sacrifice in the present condition.

President.—You want exemption in respect of 4,000 tons of wire rod for a period of five years?

Mr. Pherwani.—Yes.

President.—I would like to look at your costs again. In addition to profit and interest you provide for a remuneration for your director of Rs. 1,000 a month. That is pretty stiff!

Mr. Pherwani.—One of our men was drawing that.

President.—This is a proprietary concern, it has provision for profit at 5 per cent., interest at 2 per cent. and remuneration of Rs. 1,000 for the director for a production of 1,000 tons.

Mr. Pherwani.—The production is necessarily limited. As it is one of the proprietors was making that much in service before he joined this firm.

President.—Take your packing charges. It is over Rs. 20 per ton.

Mr. Pherwani.—Yes; paper for packing and wooden case is taken together.

President.—The cost of packing does not vary with the output, does it?

Mr. Pherwani.—No,

President.—If therefore you take a figure of Rs. 20 in that case even apart from output it is obvious that your charges are very high.

Mr. Pherwani.—What is their packing charge at Tatanagar?

President.—Rs. 14 per ton.

Mr. Pherwani.—That is probably on account of very cheap wood; and also because a large part of their production is supplied to nearer markets as for as United Provinces which consume nails packed in bulk.

President.—Personally I think their cost of packing would be considerably lower than the figures of last year. The cost that we are likely to allow them in respect of packing would be considerably lower than Rs. 14. I should be surprised if it exceeded Rs. 10.

Mr. Pherwani.—In our case paper alone costs us 4 annas per cwt. or Rs. 5 per ton and even then merchants are not satisfied with the packing.

President.—Why do you buy your cases?

Mr. Pherwani.—We are making our own cases. We have got carpenters to make them. 4 annas per cwt. is only paper and the merchants are not satisfied with the packing. The packing now sent up by Hungary is much sounder than ours. If we adopted that packing it would cost us 6 annas per cwt. or Rs. 7-8 per ton for paper alone; we buy paper at £9 and nothing cheaper can be had either in India or abroad.

President.—Is paper of this kind made in the paper mills in Bengal?

Mr. Pherwani.—None, and we have to pay heavy duty on paper.

President.—You can get very cheap paper from Japan?

Mr. Pherwani.—Not this kind. I made enquiries and they sent us 6 lb. cardboard and very little of it have I used and I have got all the cases lying at the station. It is very brittle and has not got sufficient elasticity. The paper I am using is what is being used by most of the European firms.

President.—What does it cost them?

Mr. Pherwani.—If I imported that here it would not cost me anything less than 5 annas per box of 16 bundles or Rs. 6-4 ton.

President.—What do you call a bundle? What is its weight.

Mr. Pherwani.—7 lbs.; for a case we make 16 bundles. That alone costs us 5 annas or Rs. 6-4 per ton.

President.—If it was possible to arrange the supply of wire rods for you what is the sort of quantity that you want?

Mr. Pherwani.—4,000 tons.

President.—We will consider all these matters that you have placed before us. Are you making any application in respect of wood screws?

Mr. Pherwani.—Yes.

President.—What is the sort of equipment you have for wood screws?

Mr. Pherwani.—We have got three heading machines which can turn out heads from $\frac{1}{4}$ " to 2" and 75 shaving slotting and screw machines.

President.—What is the capacity of your plant now?

Mr. Pherwani.—It makes 1,000 gross.

President.—Can you give it on a cwt. basis?

Mr. Pherwani.—Screws do not sell by cwt.

President.—How are the trade figures given?

Mr. Pherwani.—They are in cwts.

President.—I believe the import prices are given on the basis of weight but of course you have been doing these for some time now?

Mr. Pherwani.—Yes.

President.—What is the weight of a gross?

Mr. Pherwani.—1st No. 8 size weighs about a pound of finished material; steel taken would be about 15 per cent. more.

President.—The suggestion that I want to make in regard to screws is this: you are making screws from imported material.

Mr. Pherwani.—It can be made out of the indigenous rods.

President.—It would take you 5 years before you would be in a position to use Indian material.

Mr. Pherwani.—It may take less. At the very outset it could use Indian wire rod.

President.—What we did in respect of wire two years ago was that although they were using imported material, we gave them protection on a temporary basis on a scale just sufficient to cover their costs and depreciation. In addition to that, there was a definite assurance that within 18 months, they would instal a rod mill and use Indian billets, otherwise the case would have been turned down.

Mr. Pherwani.—Protection was given to that industry many years ago.

President.—It was withdrawn.

Mr. Pherwani.—This is the first time that screws are made in India.

President.—From imported material?

Mr. Pherwani.—Yes.

President.—As a matter of fact there are wire nail plants all over the country using imported wire.

Mr. Pherwani.—Most of them are shut down.

President.—There are a good many of them in Calcutta manufacturing nails out of wire.

Mr. Pherwani.—Screw is entirely different. The nail doesn't require such a highly skilled labour. Screw needs better execution, and requires better class of labour.

President.—It is largely automatic.

Mr. Pherwani.—It is in appearance, but the management of the automatic machines is not so simple as the nail machines.

President.—To the extent that you use imported materials, I see very little difference between your position and that of a nail factory using imported wire.

Mr. Pherwani.—But we can take Indian rod straight off—draw into wire and use it for screws, even now we are not using imported wire. We get rod draw it in our own factory. The factory making nails out of imported wire cannot use Indian material whereas we can.

President.—It is only a stage removed.

Mr. Pherwani.—Yes.

President.—It comes much to the same thing.

Mr. Pherwani.—We can use the Indian material, they cannot—the difference is vital so far as the principle of protection is concerned.

President.—I wish we were in a position to see in the same way.

Mr. Pherwani.—Won't we be using rods for our nails from Tatanagar?

President.—Provided that arrangement materialises. That arrangement is not likely to materialise unless you are prepared to carry on with the kind of duty that we propose on the basis of the Tatanagar costs.

Mr. Pherwani.—In which cases we will be allowed to import wire rods free for some time.

President.—I do not know what the Board will do. We will have to take all the facts into consideration.

Mr. Pherwani.—The same thing can be done with regard to screws.

President.—I really do not know what proposals we are likely to make, but the position is rather difficult, because there is very grave danger to let a factory which uses imported materials and is likely to use it for a considerable period have the benefits of protection as it would defeat the

principle underlying the policy of discriminating protection in India which is the utilisation of Indian materials.

Mr. Pherwani.—I don't say that Indian materials may not be utilised, but we could start utilising the Indian materials from the date that Tatanagar could supply.

President.—But you won't take your supplies from Tatanagar unless you get a duty of about Rs. 20 higher than theirs.

Mr. Pherwani.—We are now talking about screws. It is not by cwt., but it is by the gross.

President.—It is practically the same problem.

Mr. Pherwani.—One lb. of screws is a different proposition from a cwt. of nails.

President.—What do you mean by a different proposition?

Mr. Pherwani.—One cwt. of screws will sell a little more than twice that of a cwt. of nails. The costs of the two are different.

President.—I expect you are making a good profit already on it?

Mr. Pherwani.—Working costs of the screws are considerably more than the nails. There is no comparison.

President.—Are you losing on your screws?

Mr. Pherwani.—Considerably. If my case is gone through carefully, we are losing about 4 annas for every gross and we are simply continuing in the hope that the Government of India would realise that this is a necessary industry to the country and we must make a beginning somewhere. It requires skilled labour and is also very essential for the country. There is an import of about 1,000 tons of screws of the kind we manufacture. We don't manufacture cheese headed or the round headed those could be extended. We have got a well equipped screw factory. We have got 75 screw machines, 24 shaving and slotting machines and the balance all threading machines, besides all the remaining paraphernalia for making tools, because screw means tools. These must be made before we could get correct screws out of the machines.

Mr. Wiles.—How many men do you employ in your screw making factory?

Mr. Pherwani.—At present only 20. We don't want to produce much. It is loss every time. We are carrying it on only with a view to getting protection.

Mr. Wiles.—Do you contemplate putting up a mill for rolling rods?

Mr. Pherwani.—Yes.

Mr. Wiles.—How far have you got with your proposal?

Mr. Pherwani.—We have obtained estimates from different Companies in Europe, in Germany and in England and just as soon as we could be assured of our position *vis à vis* the protection, we would seriously consider the question of ordering the machines.

Mr. Wiles.—It would depend on the price at which you would obtain your billets?

Mr. Pherwani.—That part has not yet been gone through. We were up till now corresponding about machinery.

Mr. Wiles.—You have not gone into detailed estimates.

Mr. Pherwani.—The Tatanagar factory is getting billets from them and we will probably obtain billets at the same price.

Mr. Wiles.—It is extraordinarily difficult to compare your costs with anybody else's costs, because you have put down your costs in a rather different manner. What are these items—Brokerage, transport and muccadam. That is part of your selling agency?

Mr. Pherwani.—Yes.

Mr. Wiles.—Rent?

Mr. Pherwani.—Rent of our building.

Mr. Wiles.—Are you living actually in a hired building?

Mr. Pherwani.—It is our own. We have spent Rs. 50,000 on the building.

Mr. Wiles.—You have put down the rent. Have you included depreciation on the building?

Mr. Pherwani.—No, this is merely rent.

Mr. Wiles.—Is this not included in Rs. 50,000 on which you have calculated interest?

Mr. Pherwani.—We have merely counted the rent. We have not included any other charge neither repairs nor depreciation, nor interest on the capital outlay.

Mr. Wiles.—Rs. 50,000 which is your capital outlay is quite apart from that.

Mr. Pherwani.—Yes. We bought land for Rs. 15,000 and building for Rs. 35,000.

Mr. Wiles.—How is the rent calculated?

Mr. Pherwani.—The municipality has adopted that for taxation.

Mr. Wiles.—That is the rateable value?

Mr. Pherwani.—Yes.

Mr. Wiles.—Apparently in order to arrive at your annual figure you multiply the figure by 10.

Mr. Pherwani.—We multiply by 12.

Mr. Wiles.—For instance 5 per cent. on Rs. 1,10,000 comes to Rs. 550. You put down as the cost of one month Rs. 555 which is 1/10th; it is the same with your interest charges. Your profit at 5 per cent. on Rs. 1,10,000 comes to Rs. 555 which is 1/10th; in the same way 2 per cent. interest on Rs. 60,000.

Mr. Pherwani.—This Rs. 555 is wrong. It should be 1/12th; it should be Rs. 460.

Mr. Wiles.—Depreciation is how much?

Mr. Pherwani.—Rs. 180.

Mr. Wiles.—On what percentage have you calculated?

Mr. Pherwani.—There are expenses on structures required for installing the machinery. On this we have allowed little or no depreciation. On other parts this has been calculated in detail. I shall send you the estimates.

Mr. Wiles.—Can you tell me roughly what the total capital outlay is?

Mr. Pherwani.—Rs. 1,10,000.

Mr. Wiles.—You are getting your electricity from the Karachi Electric Supply Corporation?

Mr. Pherwani.—Yes.

Mr. Wiles.—How much you are paying for that?

Mr. Pherwani.—Recently they have reduced the rate. We were paying one anna per unit consumed plus Rs. 50 per year on the reading of the maximum meter. There is a record at the factory which records the maximum current used at any time during the day. They multiply it by 50 and divide it by 12 to get at the monthly basis. It is the same kind of system which they obtain in Bombay too, but recently we requested them to reduce it.

Mr. Wiles.—How does it work out per unit?

Mr. Pherwani.—95 of an anna now.

Mr. Wiles.—What is transport and mukadam? Is that part of your sales Agency?

Mr. Pherwani.—Yes. Transport is from factory to the station and from the port trust yard to our factory.

Mr. Wiles.—It is not for materials, but it is for the sales of your finished products.

Mr. Pherwani.—Yes.

Mr. Wiles.—Your pay of establishment includes all labour and supervision charges?

Mr. Pherwani.—No supervision charges. They are included in the Directors' remuneration and supervision charges. This is actual working labour. None of them have merely supervision work. Every one of them works.

Mr. Wiles.—You mean in the establishment?

Mr. Pherwani.—Yes.

Mr. Wiles.—Is clerical establishment included in that?

Mr. Pherwani.—Yes.

Mr. Wiles.—Belts bolts, etc., are commonly classed as "materials"?

Mr. Pherwani.—Yes.

Mr. Wiles.—Saw dust, wooden cases, paper are for packing nails?

Mr. Pherwani.—Saw dust is for polishing.

Mr. Wiles.—Not part of the packing charges?

Mr. Pherwani.—No.

Mr. Wiles.—It is to be classed under "materials"?

Mr. Pherwani.—Yes.

Mr. Wiles.—Your "miscellaneous stores", is that part of your packing?

Mr. Pherwani.—No.

Mr. Wiles.—It is part of your office charge?

Mr. Pherwani.—Yes.

Mr. Wiles.—It is very difficult to say anything about your screws, because they have been worked in such minute figures.

Mr. Pherwani.—It is calculated on the output of 500 gross per day.

Mr. Wiles.—In any case we have got nothing to set it against.

Mr. Natesan.—What is the basis on which the Directors' remuneration has been fixed?

Mr. Pherwani.—It is not merely directors, but also supervision. As we said we are not mere capitalists but we supervise the work of the whole factory ourselves.

Mr. Natesan.—The whole factory is owned by a single individual, am I right?

Mr. Pherwani.—A private company which is in the hands of three people.

Mr. Natesan.—What is the basis on which you have fixed the Directors' remuneration?

Mr. Pherwani.—It includes supervision charges. One supervises the making of materials, the other controls the sales department and the third is the financial partner.

Mr. Natesan.—You said one of them was in service and gets more or less the same pay.

Mr. Pherwani.—Yes, he was getting about that in service before he joined this firm.

Mr. Natesan.—Is he a retired Government servant?

Mr. Pherwani.—It was myself.

Mr. Natesan.—You were formerly in service?

Mr. Pherwani.—Yes.

Mr. Natesan.—In what service?

Mr. Pherwani.—I was the Chief Executive Officer of Sukkur Municipality.

Mr. Natesan.—What was your salary then?

Mr. Pherwani.—My salary at the time of leaving was Rs. 800 and I was offered Rs. 200 more when I was just giving them notice.

Mr. Atha.—As to the rod mill that you have been considering, do I understand that you have quotations for that?

Mr. Pherwani.—We have got about 3 or 4 quotations.

Mr. Atha.—What is the proposed capacity of the mill?

Mr. Pherwani.—40 to 50 tons in 8 hours. That is what they wrote. It is also adapted to make angles, flats, rounds and small tees.

Mr. Atha.—40 to 50 tons of wire rod per 8 hours would be far more than you could use so it would be necessary for you to widen your market and go into a different line of business.

Mr. Pherwani.—No factory can do only one thing when so much rod is produced in one day.

Iron and Iron Products.

BENGAL IRON COMPANY, LIMITED.

**Evidence of Mr. W. T. VIZER-HARMER, recorded at Calcutta on
Friday, the 1st December, 1933.**

President.—Mr. Harmer, you represent the Bengal Iron Company?

Mr. Harmer.—Yes.

President.—I gather from the papers you have sent in to us that your application is mainly in respect of the assistance required for cast iron pipes?

Mr. Harmer.—That is correct.

President.—And the matter in regard to which you want assistance particularly is the acute competition from Japan since the depreciation of the exchange which is the worst aspect of the situation at present.

Mr. Harmer.—That is the main trouble.

President.—I understand that the Bengal Iron Company do not make any pig iron at present.

Mr. Harmer.—At present our furnaces are closed down.

President.—The restriction in the export market for pig iron I suppose is the main reason for it.

Mr. Harmer.—That is the only reason.

President.—What exactly is your pig iron capacity?

Mr. Harmer.—350,000 tons a year.

President.—You have five furnaces.

Mr. Harmer.—Yes. One however we could not now use as it is only a shell.

President.—Four effective furnaces with a total capacity of 350,000 tons.

Mr. Harmer.—Yes.

President.—As far as your material for cast iron pipes is concerned, you get it from the Indian Iron and Steel Company.

Mr. Harmer.—In so far as pig iron is concerned that is correct.

President.—I should like to get some idea, if possible, of the sort of terms at which material is supplied to you by the Indian Iron and Steel Company. At what price do you get your pig iron?

Mr. Harmer.—At their cost plus the freight.

President.—Which of course varies from time to time?

Mr. Harmer.—Yes.

President.—That practice has now continued for how long?

Mr. Harmer.—Since we closed our furnaces down about 2½ years ago.

President.—During the past two years you have been depending for your material on the Indian Iron and Steel Company.

Mr. Harmer.—Yes.

President.—As regards the distribution of cast iron pipes I understand there is an arrangement between you and the Mysore Iron Works.

Mr. Harmer.—Yes.

President.—What precisely is the point of this arrangement? What is the principle on which this arrangement is based?

Mr. Harmer.—Practically it is a territorial distribution. For contracts available in South India to which our freights are very heavy we allow the Mysore Iron Works a comparatively free hand to secure the business. The

same is the case with contracts in our area; they give us a comparatively free hand.

President.—How long has this arrangement been in existence?

Mr. Harmer.—About 18 months now.

President.—It has worked fairly well?

Mr. Harmer.—Exceptionally well.

President.—There has been no difficulty of any sort?

Mr. Harmer.—None whatsoever.

President.—You are the only two people who at present make cast iron pipes in India.

Mr. Harmer.—We are the only two who manufacture up to the required Engineering Standards but there are a number of firms who make cast iron pipes which are not up to British Standard specification but which are saleable.

President.—It is impossible, I suppose, to arrive at an approximate estimate of the quantity produced by the small manufacturers.

Mr. Harmer.—It would be very difficult.

President.—They are all round about Calcutta.

Mr. Harmer.—Mostly.

President.—What sort of equipment have these people got?

Mr. Harmer.—Rather poor I believe but which nevertheless produces pipes. For example there is a firm in Calcutta by the name of Bando and Company who tender for large works.

President.—Have you any idea of the largest contract for which they have tendered recently?

Mr. Harmer.—I should say something like 1,000 tons. They do a lot of Calcutta Corporation work.

President.—From the figures supplied by your Company and the Mysore Iron Works I find that the total output of cast iron pipes, leaving out these small foundries for the time being, during the past three years has been as follows:—

| | | |
|---------|-----------|--------|
| 1930-31 | | 45,277 |
| 1931-32 | | 33,930 |
| 1932-33 | | 27,360 |

If we take the average of these three years your production is approximately 27,000 tons.

Mr. Harmer.—That is about right.

President.—And of the Mysore Iron Works round about 8,000 tons or a little more?

Mr. Harmer.—That would be about the ratio I think.

President.—You tell us that the normal demand for cast iron pipes in India is about 50,000 tons.

Mr. Harmer.—The normal demand is a very difficult figure to give now.

President.—It is a very difficult term to apply in connection with an article like cast iron pipes because the demand for it would vary.

Mr. Harmer.—Yes, and so does money available for the purchase of them.

President.—If there are projects requiring cast iron pipes you would be able in this country to produce the quantity required?

Mr. Harmer.—Certainly. We are also ready for a number of large schemes which are held up because there is no money to pay for them.

President.—You mean the number of projects depends on the finance available.

Mr. Harmer.—That is true.

President.—Suppose there was a project next year, for example, which required a larger quantity of cast iron pipes than what you have produced during the past three years?

Mr. Harmer.—We can put up our production easily.

President.—On what kind of basis did you arrive at this figure of 50,000 tons?

Mr. Harmer.—The figure we gave was arrived at by taking the quantity of pipes sold in India at a time when trade was what we call normal.

President.—What period was that?

Mr. Harmer.—1922-23.

President.—That would rather be a peak period; that was the time when everybody was selling on the full tide of the boom.

Mr. Harmer.—In India there is an enormous field for water supply schemes and assuming Government had the money to spend on them their demand could easily be 100,000 tons per annum.

President.—Taking for argument's sake that this figure of 50,000 tons is the normal demand for cast iron pipes, you give the total capacity of the big cast iron pipe manufacturing concerns in the country as 75,000 tons.

Mr. Harmer.—That is the total of the two figures.

President.—What is your capacity?

Mr. Harmer.—Supposing we were able to work on full outputs throughout the year we could do 90,000 tons a year. That would mean working double shift for certain sizes. On single shift basis we could do 60,000 tons easily.

President.—And about 15,000 tons by the Mysore Iron Works? That would depend of course to some extent on the demand that may arise from other sources on their pig iron. Requirements in respect of pig iron in other directions would to some extent determine their production of cast iron pipes. But we might take a figure of 75,000 tons as a very reasonable estimate of the manufacturing capacity in the country, which leaves out of course the small foundries.

Mr. Harmer.—I agree.

President.—May I presume that this average production in your works of 27,000 tons during the past three years was disposed of in the market?

Mr. Harmer.—Yes. Of course we always maintain reasonable stocks of all sizes.

President.—You always work against orders?

Mr. Harmer.—We build up stocks for schemes that are coming forward we usually know some time in advance the sizes of pipes required.

President.—These are reasonable anticipations?

Mr. Harmer.—Yes.

President.—If the actual demand on the basis of the past three years is somewhere in the order of 30,000 tons then the actual requirements of the market on the basis of the past three years is less than 50 per cent. of the total capacity.

Mr. Harmer.—Yes. There is a point I would like to explain in regard to this capacity of the two works. We have given a figure of 60,000 for our works; that is for all sizes, assuming that we have a steady demand for all sizes. What happens frequently is that we get a demand for one size, say for example 18" pipes which can only be made in 18" boxes. If we had a sudden demand for 20,000 tons of 18" pipes; we could not handle it and give quick delivery unless we had built up stocks beforehand.

President.—Assuming a normal distribution then a figure of 60,000 tons would be a reasonable estimate?

Mr. Harmer.—Yes.

President.—That would be quite enough for our purpose. I think in your combined letter to the Government of India you have also said that the demand this year in the first six months has fallen to about 8,000 tons. You are referring to 1933?

Mr. Harmer.—That general representation was in September 1932.

President.—In 1932-33 you produced actually 19,569 tons?

Mr. Harmer.—That is the correct figure.

President.—On the actual figures now what was the demand in 1932-33?

Mr. Harmer.—I should say that the demand was a little less than the total of our output and Mysore Iron Works output.

President.—If I put it at 25,000 tons would that be right?

Mr. Harmer.—I should think not less than 25,000, in 1932-33, which was probably the worst year during the past few years.

President.—That is to say that margin between your capacity and the actual requirements of the country has never been so big as in 1932-33?

Mr. Harmer.—That is so.

President.—There must have been a revival, a considerable demand in the second half of the year, but the total can be put at 25,000 tons.

Mr. Harmer.—Yes.

President.—The point that I want to come to is this: with regard to the competition from Japan as far as I can gather from trade figures the quantities which have been imported so far have been very small, almost negligible, therefore judged simply by quantities competition is not particularly severe.

Mr. Harmer.—It is particularly severe.

President.—Not judged by the quantity. The severity of the competition that you experience now from Japan has got to be measured not by the quantity imported but by other factors. We have been at some pains to collect figures with regard to the imports of cast iron pipes into the country. The trade figures are not very helpful in this connection, for this reason, as you know, that cast iron pipes, pipe fittings and steel pipes are all lumped together.

Mr. Harmer.—Quite right.

President.—So what we did was to get into touch with the Director General of Commercial Intelligence and we got him to collect special figures for the purpose of this enquiry from Collectors of Customs. I want to give you the figures that we have been able to get so far. In order to get a correct idea of the extent to which Japanese competition has been experienced in respect of cast iron pipes, you have got to go back first to the years previous to 1932. If you take the five year period 1927-28 to 1931-32—take the annual statement of trade figures—the total quantity of cast iron pipes, pipe fittings and steel pipes imported from Japan during the whole of that period of 5 years was about 7 tons.

Mr. Harmer.—I am not surprised.

President.—That is including everything.

Mr. Harmer.—Yes.

President.—For the year January—December, 1932 the only figures that we have for cast iron pipes as distinct from pipe fittings and steel pipes are for Bombay and Karachi. Now for Bombay the total quantity of cast iron pipes imported from the United Kingdom for January—December, 1932 was 241 tons; from Japan was 107 tons 3 cwts. For the month of January 1933 the imports from the United Kingdom into Bombay amounted to 44 tons 10 cwts; from Japan they were 110 tons for one month. The average value of cast iron pipes imported from the United Kingdom for that month, January, 1933 was Rs. 130 per ton and the Japanese value was Rs. 63 per ton. That figure clearly reflects the depreciation of the yen exchange,

Mr. Harmer.—Yes.

President.—In January—December, 1932 the corresponding figure for Japan was a little over Rs. 80. If you take the average imports from Japan in January 1932, the figure was a little over Rs. 80. In January, 1933, the figure was Rs. 63.

Mr. Harmer.—Yes.

President.—Since February 1933 we have figures of each month from all the ports in India and I will summarise the figures. In February the total imports from the United Kingdom of cast iron pipes were 168 tons 19 cwts.; from Japan in that month for the whole of India they were 50 tons. In March, 1933, the imports from the United Kingdom 38 tons; from Japan 133 tons 7 cwts. In April 1933 from the United Kingdom 15 tons; from Japan nil. I have no special figures for cast iron pipes since April, 1933. Judging the situation with reference to these figures it seems to me quite clear that, as far as cast iron pipes imported from the United Kingdom are concerned, the prices are, on the whole, satisfactory from the point of view of the Indian manufacturer.

Mr. Harmer.—We recently lost an order to British pipes which came in at Rs. 77 a ton.

President.—When was that?

Mr. Harmer.—About 3 months ago. It was in Akyab.

President.—That I suppose must have been done in competition with Japanese pipes.

Mr. Harmer.—We thought the prices were exceptionally low.

President.—But taking these figures for the year 1933 the variation in the prices as recorded in the Trade Returns, as far as United Kingdom was concerned in January was Rs. 130 per ton; in February Rs. 139, in March Rs. 151 and in April Rs. 176.

Mr. Harmer.—British pipes @ Rs. 176?

President.—Yes, only cast iron pipes.

Mr. Harmer.—They seem to be rather special pipes!

President.—These are the trade figures. If they are of specific classes, that is to say a high priced class of pipe, then obviously the bulk of the imports from the United Kingdom must consist of special classes of pipes.

Mr. Harmer.—I don't think they are.

President.—If the average figure ranges from Rs. 130 to Rs. 176, obviously the bulk of the pipes to which these prices refer must be high class pipes.

Mr. Harmer.—I don't think so. Actually the quality of British cast iron pipes imported into India is no better than, if as good as ours. As regards the figure of Rs. 176, I doubt it very much.

President.—That is the average for the whole of India.

Mr. Harmer.—They may have been special pipes such as Bends or Tees. They would come in under the specification of iron pipes.

President.—That sort of thing would be classified for Customs purposes as fittings. The Collectors of Customs were specially instructed to leave out from these figures all fittings and take the cast iron pipes. It is on the basis of these figures these have been compiled.

Mr. Harmer.—I very much doubt the figure of Rs. 176.

President.—Would you look into this question and kindly send in a statement later on?

Mr. Harmer.—Yes.

President.—That is to say I want to know from the information available to you the prices of cast iron pipes excluding fittings imported from the United Kingdom during, say, 1933—make the statement as up to date as you can.

Mr. Harmer.—I will try and get you the information. But I will have the same difficulty as your Board had in separating pipes and fittings.

President.—You will have to get it from other sources than trade returns. Trade returns won't help you.

Mr. Harmer.—I could get the British prices f.o.b. British port.

President.—That is rather theoretical. I attach much more importance to actual quotations if you can get them, because these theoretical quotations sometimes may be very misleading.

Mr. Harmer.—The only reason for the purchase of British pipes @ Rs. 176. a ton I can think of is that these pipes were of a special nature that we in India do not at the moment make and they of course had to be paid for.

President.—What is the peculiarity about these prices?

Mr. Harmer.—I do not know I simply cannot understand how ordinary cast iron pipes of that value could have been brought to India unless they had special joints or something of that nature.

President.—It is simply a suggestion that you are making. It is not based on any information. On that point we would wait for any information that you can collect for us.

Mr. Harmer.—I will endeavour to get the information. But it will be very difficult. Could you not possibly get specification of those pipes?

President.—I will make a note of that. As far as imports from Japan are concerned, on the basis of these figures, taking the all India figures for February, March and April of this year and calculating the yearly imports on the basis of 3 months' figures, I find that the total imports from Japan of cast iron pipes would work out at $3\frac{1}{2}$ per cent. of the average Indian output, assuming imports continued more or less on this scale from Japan. During the whole year the imports from Japan would be $3\frac{1}{2}$ per cent. of the average Indian output. It is perfectly obvious that that is a very small figure and under ordinary conditions I should personally be disinclined to take action against competition from a country which accounts for so small a part of the total Indian consumption. I gather from your representations that it is not so much on the basis of quantity as on the basis of price.

Mr. Harmer.—Entirely.

President.—The point being that this competition is of a sporadic character and may upset prices and demoralise the market, is that your main argument?

Mr. Harmer.—We know that Japanese prices in the last two years have caused considerable loss to both Companies.

President.—If there is a tender of considerable size, you offer and Japanese offer and then in anticipation of specially low prices for Japanese pipes, you fix your prices at as low a figure as you possibly can.

Mr. Harmer.—Sometimes unfortunately lower than we possibly can.

President.—What I want to know precisely is this: Has every time that specially low prices have been quoted by you, there been a definite tender by Japan?

Mr. Harmer.—Yes, I should think so.

President.—Or is it simply the anticipation of a possible tender?

Mr. Harmer.—Nearly always, but not necessarily by a Japanese firm exactly.

President.—But by dealers in Japanese pipes.

Mr. Harmer.—Yes almost invariably.

President.—Some merchant here who deals in Japanese pipes tenders.

Mr. Harmer.—Yes.

President.—But then these tenders are blind tenders?

Mr. Harmer.—Not at all.

President.—You know where each one stands.

Mr. Harmer.—We can usually ascertain to within a few rupees what the Japanese price will be or rather what they can be offered at and we have had to frame our tenders accordingly.

President.—What is the last case that you can quote of a fairly big tender which you have had to make in competition with Japanese pipes.

Mr. Harmer.—Calcutta Improvement Trust last week.

President.—What were the figures?

Mr. Harmer.—The figure tendered for Japanese pipes was I think Rs. 4-6 delivered anywhere within the Municipal boundaries.

President.—That is a considerable improvement in price.

Mr. Harmer.—They could have tendered much lower if they had wanted to.

President.—That is about Rs. 87 per ton.

Mr. Harmer.—Yes but that was for delivery anywhere within 5 miles of the Government House.

President.—Practically it is port price.

Mr. Harmer.—Not at all. It would cost at least Rs. 5 per ton to distribute them and probably a further Rs. 3 or Rs. 4 per ton for handling.

President.—Make it Rs. 80. It is a considerable improvement on all the average prices that I have got from these trade figures.

Mr. Harmer.—I can give you much lower figures.

President.—But this is the recent case.

Mr. Harmer.—That was last week. It was however for only a small quantity.

President.—Have there been any other recent actual quotations?

Mr. Harmer.—There have been but I haven't got a record of them with me.

President.—Have the prices been lower than this?

Mr. Harmer.—Considerably lower.

President.—Can you mention a case now in 1933 of a tender below Rs. 80?

Mr. Harmer.—Not from memory, but I can get particulars for you.

President.—During the past few months?

Mr. Harmer.—There have not been any big contracts in the last few months.

President.—I have a sort of feeling that prices seem to show a slight upward trend as far as Japanese imports of iron and steel materials are concerned.

Mr. Harmer.—We have not noticed it.

President.—I may be wrong, but that is the impression that I have formed, and this figure of Rs. 80 clearly indicates that.

Mr. Harmer.—These pipes that I have just mentioned have been in stock in Calcutta for over a year. We knew that they were here.

President.—At what price were they landed?

Mr. Harmer.—I could not tell you.

President.—If the importers got them at Rs. 67 and kept them in stock for a year, Rs. 13 would be rather a high charge for stocking would it not?

Mr. Harmer.—They might even have been imported on consignment of course.

Mr. Wiles.—With whom were they?

Mr. Harmer.—They were with Messrs. Martin and Company.

Mr. Wiles.—Are Messrs. Martin and Company still dealing in them?

Mr. Harmer.—Yes.

President.—What I want to do with regard to fixing the measure of assistance which you require against Japanese imports is this: I want to fix it on the basis, first, of what might be called a normal price. Supposing the yen exchange stood at par, what would be the price at which Japanese pipes would be imported? Corresponding to that what would be the duty required. Then taking a figure corresponding to the present rate of yen exchange, what is the additional duty that would be required. First fix a basic duty and then fix an additional duty in accordance with the reduction in prices due to exchange depreciation. That, I think, is the basis on which we have got to work it out. Then the difficulty is going to be this at what level are you going to fix a normal price for Japanese imports, normal price in the sense of a price which corresponds to exchange parity.

Mr. Harmer.—At present the yen is about half par.

President.—The trouble is that two or three years ago there were hardly any imports from Japan.

Mr. Harmer.—Quite.

President.—Therefore if you want to fix a normal price, you can't do it on the basis of actual quotations.

Mr. Harmer.—No.

President.—So we have to make a sort of theoretical estimate.

Mr. Harmer.—The present yen exchange is about half par. If the yen was at par, Japanese prices would theoretically be double what they are now.

President.—That would be a very off-hand way of dealing with it. Things do not work out exactly in that mathematical way.

Mr. Harmer.—No. I, of course, agree with you.

President.—I will tell you a suggestion that I want to make. In one of your statements, you give us two quotation c.i.f. Calcutta for 31st March, 1932 and 15th April, 1932. I think in one case it was Rs. 89-10 c.i.f. and in the other case Rs. 89-4. The way I propose to look at it is this, subject to correction: may I presume that the ordinary interval between contract and delivery in the case of an article like cast iron pipes imported from Japan would be somewhere about 2½ to 3 months. If you place an order to-day, you can get delivery in about three months from now.

Mr. Harmer.—From Japan I think you would get it quicker than that. Certainly so if the pipes were cabled for.

President.—In regard to other commodities, I found, on the whole, a period of 2½ to 3 months, as far as Japan is concerned, would be a sort of normal interval between contract and delivery. If that assumption is correct, then I am going to suggest that the price quoted on 31st March, 1932 really corresponds to the yen exchange of early January, 1932.

Mr. Harmer.—That would be a reasonable assumption.

President.—The yen exchange early in January, 1932 was 136 to 139; that is round about right. Therefore the price corresponding to parity may be taken approximately as Rs. 89.

Mr. Harmer.—Yes. We will assume that.

President.—That would be a reasonable assumption. It is an assumption. I don't want to conceal that but it is a reasonable assumption. If you take a figure of Rs. 89 or Rs. 90, that is the figure at which Japan would export cast iron pipes into India if the exchange were at par.

Mr. Harmer.—It is about correct.

President.—The price corresponding to depreciated exchange I propose to take at the average of all the prices that you have given for 1933. You have given us several quotations for 1933.

Mr. Harmer.—Yes.

President.—The average of that I find is Rs. 69.29, roughly Rs. 70. Therefore I would take Rs. 70 as the price corresponding to depreciated exchange and Rs. 89 or Rs. 90 as the price corresponding to parity and on that basis work out the basic duty and the additional duty. The basic duty would be based on Rs. 90 and the additional duty would be the difference between that figure and whatever figure we may arrive at on the basis of Rs. 70.

Mr. Harmer.—Yes.

President.—Now the real difficulty arises. What exactly is to be taken as your fair selling price for cast iron pipes, and that is a problem which is full of snags—a great variety of snags. You have given us your works costs and I take it that you don't want the figures to be treated as confidential.

Mr. Harmer.—No.

President.—Your works costs you stated to be Rs. 77.4 per ton.

Mr. Harmer.—Yes, that is foundry cost.

President.—Including the iron?

Mr. Harmer.—Yes.

President.—It is simply your works expenditure?

Mr. Harmer.—Yes.

President.—That is to say, it covers all your manufacturing cash expenses?

Mr. Harmer.—Yes, but no financial charges.

President.—Not the interest on capital, nor depreciation; those are the two items which have not been included?

Mr. Harmer.—That is right.

President.—All the others are in?

Mr. Harmer.—Yes. Except for selling expenses.

President.—Assuming for the time being Rs. 77 as a reasonable estimate of your works cost of cast iron pipes in India, what do you consider would be a reasonable estimate of the charges under depreciation and interest on capital. There you are up against this problem. What do you consider a fair capitalisation?

Mr. Harmer.—7 per cent. would be fair.

President.—What is the amount of your capital. Supposing you wanted to instal a cast iron pipe plant roughly having the capacity that your works have, what, in your estimate, would be an approximate capitalisation required?

Mr. Harmer.—You asked that question in the questionnaire.

President.—And you refused to give an answer.

Mr. Harmer.—We didn't exactly refuse. It is practically impossible to give you one.

President.—If you don't give us an answer, it would be impossible for us to suggest a fair price for you?

Mr. Harmer.—You would exclude the blast furnaces which would provide pig iron for the foundries?

President.—I am thinking in your case, since at present you are taking pig iron from the Indian Iron and Steel Company, if you can give us what you consider a normal figure for the cost of pig iron, it would do. Then I want you to give me a figure which represents not merely the works costs of the Indian Iron and Steel Company, but a figure which the Indian Iron and Steel Company would consider a reasonable price for pig iron including all the charges. If you give us that, then all that we want is capitalisation for the Iron Foundries. We asked the Indian Iron and Steel Company to give us their costs of pig iron and they have politely said that it would be impossible for them to do so, so that we have no

information regarding their costs. If you are going to give us their costs, I am afraid you will be rather in a difficult position, but if between you both you don't give us your costs we shall have to tell the Government of India that it would be impossible for us to estimate the amount of duty required by the Bengal Iron Company for their cast iron pipes because sufficient information has not been made available. So, that is the dilemma with which you are faced. You would rather not give us the pig iron costs?

Mr. Harmer.—I have no objection. (Pause.) I have just asked Mr. Carpenter whether he has any objection to my telling you what we pay his company for our pig iron and he says that he has no objection.

President.—What do you pay?

Mr. Harmer.—The average price is about Rs. 30 per ton.

President.—That includes all charges?

Mr. Harmer.—Of course we buy different grades. Some grades cost more than Rs. 30 per ton.

President.—The Indian Iron and Steel Company would regard Rs. 30 as a price for pig iron which covers not merely their works expenditure but also reasonable depreciation and return on capital.

Mr. Harmer.—I can only tell you that we pay them about Rs. 30 but I should imagine that they have other charges.

President.—There is another suggestion one might make and that is this. The Tata Iron and Steel Company have given us their costs of pig. We take their works cost of pig and then make a reduction on that according to what we believe might be the difference between their costs and the Indian Iron and Steel Company's costs and then we add a figure representing a reasonable overhead. That would be quite all right?

Mr. Harmer.—I think so.

President.—That might give us a figure slightly less than Rs. 30.

Mr. Wiles.—Is the price of Rs. 30 that you pay a contract price or is it variable yearly?

Mr. Harmer.—We are under an arrangement with the Indian Iron and Steel Company. Under that arrangement we do not manufacture pig iron until there is a demand for it and we draw all our requirements from them at a price agreed upon.

Mr. Wiles.—That is part of the same agreement.

Mr. Harmer.—Yes.

Mr. Wiles.—It is part of the consideration that you should close down your furnaces and that they should supply you with pig iron at a reasonable rate?

Mr. Harmer.—If both of us manufactured, we could not dispose of the iron economically in the present condition of the market.

Mr. Wiles.—That is true.

President.—We will take later on a figure based on Tata's works cost suitably adjusted but for the present we will take your figure of Rs. 30.

Mr. Harmer.—Might I add one remark? The iron that we get from the Indian Iron and Steel Company for making pipes is not the same kind of iron as Tata's are making.

President.—It is foundry iron and not basic iron.

Mr. Harmer.—Yes, and some of it with a high phosphorus content too.

President.—For the time being we will take your figure of Rs. 30 as the selling price of pig iron including all charges?

Mr. Harmer.—Yes.

President.—Could you suggest a figure which would represent a fair capitalisation for a cast iron pipe plant, having more or less the capacity that you have?

Mr. Harmer.—In one of our letters I think we have given you the block values of our foundries and complements.

President.—That is an enormous figure, which covers all kinds of plant.

Mr. Natesan.—In any case you will have to exclude the Director's Bungalow, a first class building, which we saw some time ago!

Mr. Harmer.—That has been written down a long time ago.

President.—Supposing somebody is going to instal in India a cast iron plant more or less like yours and having the same capacity, you ought to be able to give us an approximate estimate of what it would cost. Leave out all your blast furnaces and make some adjustment for all the miscellaneous castings that you make.

Mr. Harmer.—There are two or three important factors to be considered in the operation of our pipe foundries, we use gas obtained from our Coke Ovens. If we did not have that, we would have to use coal in which case our manufacturing costs would be considerably increased.

President.—Supposing you make an adjustment in your works cost, that is to say, supposing you make an adjustment in your fuel and power cost on that account, you can arrive at an approximate figure as far as that is concerned and leave out that from the capital account. Can't you do that?

Mr. Harmer.—We would have to have a power house to start with.

President.—Include a power plant in your capitalisation.

Mr. Harmer.—I am afraid it would rather be a difficult calculation to make.

President.—Short of that, we cannot estimate a duty for you. On your actual figures we cannot possibly proceed. This Rs. 3 crores includes blast furnaces and various other things and obviously represents expenditure at a time when the level of prices for machinery, plant and so on was very different from what it is now?

Mr. Harmer.—You really want to know what it would cost to put down a works to give our output of pipes?

President.—A cast iron pipe plant having your capacity.

Mr. Harmer.—Including the necessary subsidiaries for making pipes such as power plant, locomotives, wagons; pattern shop, etc.?

President.—You would be justified in including all that.

Mr. Wiles.—You might arrive at an excessive figure in that way. Would it be possible to work on another line, that is to say, take your entire industry as a unit including your blast furnaces for manufacturing pig iron, working at a normal rate of output. Your pipe factory is really subsidiary to your main pig iron factory—and then having arrived at a complete capital valuation of your entire industry distribute the capital.

Mr. Harmer.—We should get back to more or less our present block values.

Mr. Wiles.—At present your block value is entirely out of proportion.

Mr. Harmer.—That is difficult to prove. The plant is depreciated year by year.

President.—Mr. Venkatanaranappa, you gave us a figure representing the capital expenditure of your pipe plant. What was the figure that you gave?

Mr. Venkatanaranappa.—I am sorry I have not got it here.

President.—In the papers submitted to us, that figure does not find a place.

Mr. Harmer.—In the case of the Mysore Iron Works there is one point that immediately occurs to my mind. They have to buy their power, whereas we generate our own. Mr. Venkatanaranappa gave a figure of Rs. 30 lakhs if pig iron and coke were purchased from outside. That figure only covers the capital value of one pipe foundry.

President.—We are assuming for the time being that pig iron is also purchased in your case.

Mr. Harmer.—Yes.

President.—You are providing your own power.

Mr. Harmer.—Yes.

President.—We will make a small adjustment in your works cost for power?

Mr. Harmer.—Yes.

President.—This figure of Rs. 30 lakhs would stand as a fair capitalisation of a plant having the capacity of Mysore Iron Works?

Mr. Venkatanaranappa.—Yes.

President.—What do you take the capacity corresponding to this capitalisation?

Mr. Venkatanaranappa.—15,000⁺ tons, but for an increased capacity it would not be in the same proportion.

President.—If we based our depreciation and interest charges on a capitalisation of Rs. 30 lakhs for a plant having a capacity of 15,000 tons, our estimates would, if anything, be on the high side.

Mr. Venkatanaranappa.—Yes.

President.—It may be considerably on the high side.

Mr. Venkatanaranappa.—Not considerably but to some extent.

President.—Generally in the Steel enquiries we have taken depreciation at a flat rate of 6½ per cent. That would be rather high in the case of cast iron pipe plant.

Mr. Harmer.—No, I don't think so. Certain parts of a pipe plant depreciate very rapidly. The building is all right, but operative parts, *e.g.*, cranes, boxes, etc., depreciate very considerably.

President.—If you take it at 6½ per cent. and an output of 15,000 tons on this capitalisation you arrive at a figure of Rs. 12 per ton for depreciation but since this is obviously on the high side because you have assumed a capacity much smaller than yours, I suggest a figure of Rs. 8 would be a reasonable depreciation.

Mr. Harmer.—Off-hand, Rs. 8 a ton seems fairly reasonable to me.

President.—I take a figure of Rs. 6 or Rs. 7 for interest charges per ton on that capitalisation. Ordinarily in the case of protected industries we have allowed in some cases 8 per cent. and in several other cases we have allowed 10 per cent. We fixed the rate at a fairly high level because in other industries it was presumed there was scope for further development and it was necessary to attract investors to invest in the business and expand the business. But in the case of the cast iron pipe industry, since your capacity is already far in excess of the Indian demand, it is not necessary to provide the sort of inducement that would be required for bringing other people in. It would not do you good?

Mr. Harmer.—No.

President.—So, we might fix it at a level corresponding to current rates of interest, and I say 5 per cent. would be a reasonable return.

Mr. Harmer.—That seems very low to me.

President.—Your actual capitalisation is Rs. 2,30,00,000?

Mr. Harmer.—Yes, excluding collieries and everything else.

Mr. Wiles.—What are your other subsidiaries?

Mr. Harmer.—We have a firebrick works, and a drain water pipe works. The figure of 6½ per cent. is I think a lot too low. On further consideration, there are many things in the pipe plant on which depreciation is as much as 15 to 20 per cent., for example patterns, corebars, boxes, etc., which after a year or 18 months may have to be completely scrapped.

President.—That represents a small part of the capitalisation.

Mr. Harmer.—Then again, there are so many ideas coming forward and new methods of manufacture that we have to adopt in our works.

President.—It depends partly on the amount that you have already entered into your works costs for repairs and maintenance. I don't know at all what you have entered.

Mr. Harmer.—We would not call plant such as boxes and patterns as Repairs and Maintenance.

President.—What is your suggestion; you would like to have a higher figure than 6½ per cent.?

Mr. Harmer.—A lot higher; 15 per cent.

President.—It is very much higher than the income-tax authorities would allow?

Mr. Harmer.—If we could assume that the pipe plant as it is now would be modern in six years time 6½ per cent. I agree might be fair but it may happen that in 18 months or 2 years of our operating it new methods may come in and we may have to scrap it altogether.

President.—They are speculative matters which we cannot take into account. We take income-tax rates as standard rates and if you take 7½ per cent. on machinery and 2½ per cent. on buildings and apply these rates in the proportion in which your capital expenditure is composed of machinery and buildings, then you generally get an average figure of somewhere about 6½ per cent. on the whole of that.

Mr. Wiles.—To what portion of your works do you want to apply that 15 per cent., on everything except buildings in your pipe foundry or on your pig iron plant as well?

Mr. Harmer.—On the operating units of the pipe plant.

Mr. Wiles.—You can't tell us what proportion of the total block is applicable to the pipe plant?

Mr. Harmer.—I could give you actual present book figures for the pipe foundries on the necessary parts which we have to operate in the foundries.

President.—In this figure of 77·4 which you give as your works cost is pig iron entered at Rs. 30?

Mr. Harmer.—At about Rs. 30.

President.—So that that already covers the capital charges in respect of pig iron.

Mr. Harmer.—This Rs. 30 that we pay is the cost price of Hirapur of pig, but apart from freight to Kulti the casting foundries have got to add other components, other materials, e.g., limestone, coke, etc., to get the purer iron for pipe making; that costs about another Rs. 7 per ton.

Mr. Wiles.—Rs. 7 for conversion of pig iron?

Mr. Harmer.—Yes.

President.—I calculated on this basis, that a price of Rs. 95 would be a reasonable price for your cast iron pipes.

Mr. Harmer.—Ex-works?

President.—Yes. If that is so, and at exchange parity the price of Japanese pipes is Rs. 90, the revenue duty would more than cover your requirements. There is no further assistance required. If on the other hand the price is determined by the present rate of exchange you would need a duty of Rs. 25.

Mr. Harmer.—That is again ex-works?

President.—Yes. What is the freight from Kulti to Calcutta?

Mr. Harmer.—Rs. 6-8 per ton.

President.—That brings it up to about Rs. 31?

Mr. Harmer.—Yes. The prices you have for Japanese pipes are also applicable to c.i.f. Bombay, c.i.f. Karachi, c.i.f. Madras.

President.—We will take an average c.i.f. price assuming that the average c.i.f. price will also apply to Calcutta and then calculate your fair selling price ex-works at Kulti and then add freight from Kulti to Calcutta. In that case you would need a duty of about Rs. 31 to compete at Calcutta. Assuming that conditions in Calcutta are more or less typical of the various port markets in the country, on that basis taking the c.i.f. Japanese price at present rate of exchange at Rs. 70 you would need a duty of Rs. 45 against Japan.

Mr. Harmer.—This is if we could sell the whole of our output near and round about Calcutta. But we also have to sell our products in Bombay, Madras, etc.

President.—Leave Madras for the Mysore Iron Works.

Mr. Harmer.—We can't compete in Bombay because our freight to Bombay is Rs. 27-3. Japan on the basis of your calculations get their pipes there for nothing, because the steamer freight to that port is much the same as to Calcutta.

President.—In the various areas in the interior of the country you have freight advantages compared with the ports. You have water supply schemes in the interior of the country in big towns where probably you will have freight advantages as compared with imports. I suggest that you take your freight to the interior centres of consumption and then average your freight disadvantages against your freight advantage and probably an average figure of Rs. 6 would represent a fair average of the disadvantage.

Mr. Harmer.—I do not think so.

President.—Most of the water supply schemes are in the great port towns; they are very well supplied with these things and hereafter the demand for water supply is going to arise in interior centres.

Mr. Harmer.—But they have got to spread from the port towns.

President.—Gradually it would come to a point where you would be at an advantage.

Mr. Harmer.—The only place at which we are at a freight advantage are barren areas in the interior.

President.—As far as we are concerned the position is this: We cannot allow you all your freight disadvantage as calculated on the basis of freight from Kulti to Bombay. That would be clearly in excess. We would have to arrive at an average figure of freight disadvantage and if you can give us over a period of years the actual average freight disadvantage that you have incurred it might be a basis for calculation; on a theoretical calculation of freights we cannot proceed.

Mr. Harmer.—Could you not take the freight from our works to Calcutta which is Rs. 6-8 and subtract that from the freight from our works to Bombay?

President.—You can send it to Nagpur; you can send to Cawnpore. There are various places in the United Provinces, the Punjab, the Central Provinces where you would get advantage.

Mr. Harmer.—The only advantage is Rs. 6-8, the freight from Calcutta up to our works.

President.—You would be more or less in the position in which the Tata Steel Company are. In places like the United Provinces and the Punjab you have a fairly considerable area where you have a decided freight advantage.

Mr. Harmer.—The only places where we would have a freight advantage would be in places where Japanese pipes would have a freight disadvantage of Rs. 6-8 per ton.

President.—If they land them in Bombay for the purpose of shipping them by rail to some interior centre then they bear the freight in exactly the same way as you do, it may be that the importer would be paying a higher freight than you do.

Mr. Harmer.—Only assuming that we are halfway between the two.

President.—Why do you assume? Except on some kind of actual figures it will be very difficult to arrive at a reasonable figure. What I am inclined to suggest is, in the case of the Tata Iron and Steel Company we have not yet arrived at an estimate of the freight disadvantage that they should be allowed; the matter is still under consideration as far as we are concerned. But the figure that they have suggested on an average is somewhere about Rs. 5 to Rs. 6 per ton as the freight disadvantage and unless you can produce sufficiently convincing evidence on the other side, I am inclined to suggest that Rs. 6 which is actually your freight from Kulti to Calcutta would be a good figure to take as your average freight disadvantage. On that basis assuming your cost figure of Rs. 77.4 is a correct estimate of your cost, the duty that you would require against Japan is 45 per cent. In other words assuming that these figures stand, the basic duty against Japan would be simply a revenue duty and if the revenue duty for example is 20 per cent. on non-British imports as they are at present, then in order to provide assistance against exchange depreciation we give you an extra 25 per cent. That extra 25 per cent. will automatically disappear if the exchange goes back to the normal level.

Mr. Harmer.—Supposing the exchange depreciation is greater?

President.—In that case we have to add an extra. That roughly is the position as it presents itself to my mind, subject to a further examination of your figures. But before we make our proposals we should have to wait for the results of the present negotiations between the Government of India and Japan. It is quite conceivable that our proposals would have to be modified in the light of any results arrived at the Conference, but taking the situation as it stands at present this would be more or less the position. There is another point which you raise and which I think the Mysore Iron Works also raised, I want to have that cleared up. You suggest that whatever duty we arrived at in respect of cast iron pipes should be equally applicable on steel pipes. I am very ignorant of the subject; I am not at all clear in my mind as to how far steel pipes may ordinarily be regarded as a substitute for cast iron pipes because I think there are various special uses for which steel pipes would be almost essential and cast iron pipes would be quite unsuitable, so that if we took the duty that we arrived at for cast iron pipes and applied it without reservation to steel pipes you might find considerable classes of steel pipes which would be unnecessarily burdened.

Mr. Harmer.—Steam pipes, for example.

President.—High pressure pipes.

Mr. Harmer.—Yes, they are on a somewhat different footing.

President.—These clearly would have to be differentiated. I want to tell you frankly from what point of view I approach this question. These cast iron pipes and steel pipes represent an article which is required for very essential public utility services, water supply schemes and purposes of that kind. I personally should be quite prepared to give you assistance in respect of competition which is so acute as to make your position in the country uneconomical but I should be reluctant to widen the scope of the duties in such a way that essential public utility services would be unnecessarily burdened. Unless there are very strong reasons for extending these duties to other classes of pipes than cast iron pipes, I should personally be reluctant to accept the suggestion that steel pipes should be made subject to the protective duty because in the nature of things such as water supply schemes, hydro-electric schemes and things of that kind you cannot burden them without causing unnecessary hardship to the vital interests of the country. I want to get down to details and understand the position more

clearly. You admit with regard at any rate to high pressure steam pipes cast iron pipes are not suitable.

Mr. Harmer.—No, they are not.

President.—And as far as that is concerned it is essential that we should have steel pipes. What about oil pipe lines?

Mr. Harmer.—Cast iron would be quite all right.

President.—I have a sort of idea that the Burma Oil Company would not look at iron pipes. I had something to do with the oil industry a few years ago and speaking subject to correction I would be very much surprised if they used cast iron pipes.

Mr. Harmer.—They used very large diameter pipes. If they had been made of cast iron they would have been more expensive.

President.—Whatever the reason is, that again is a class of pipes for which cast iron would be not altogether suitable. What about penstock pipes in hydro-electric schemes. Could you have cast iron pipes?

Mr. Harmer.—Yes.

President.—Do you think any engineer would look at them? I have not heard of any engineer who would use cast iron for penstock pipes. There are various hydro-electric schemes? Have you ever heard of penstock pipes made of cast iron?

Mr. Harmer.—They are certainly used and if I remember correctly we supplied them to Trivandrum.

President.—What about pipes required for house connections?

Mr. Harmer.—We don't make gas piping if that is what you refer to.

President.—That represents quite a considerable demand. I have no information. We should possibly have to ask Collectors of Customs regarding the imports of pipes for house connections, but speaking off hand, I should probably say that a little more than 50 per cent. of the steel pipes now imported into the country represents pipes of that character. I am speaking again subject to correction. I am going to examine the point minutely in consultation with the Customs authorities. What I am asking you is this: here are these important classes of pipes; services for which pipes are used for which cast iron pipes, as far as I can understand, are clearly unsuitable. Unless you are going to make a very elaborate classification in your tariff schedule for the purpose of differentiating pipes of this kind, the automatic application of this duty on cast iron pipes to steel pipes would mean, in my opinion, a very unjustifiable burden on the country and, mark you, as far as cast iron pipes are concerned, the problem arises entirely in connection with Japanese competition and no steel pipes come from Japan.

Mr. Harmer.—That is so.

President.—And to apply a duty entirely with reference to Japanese competition to cast iron pipes or other pipes imported from countries which do not present difficulties connected with exchange depreciation would be asking a lot.

Mr. Harmer.—At the time we submitted this representation to Government, we were experiencing competition from steel water main pipes and we asked that they should be included.

President.—At the same time I want to make it quite clear that as far as this Japanese competition is concerned, I feel that the cast iron pipe industry is being subject to very special difficulties and we should certainly be prepared to consider the question of granting the Indian industry all the assistance that it requires against this special competition. At the same time I want to make it clear that I should be very reluctant to extend the scope of the duties in a manner which is likely to throw an unjustifiable burden on the country. The specially low prices that you are now getting for your cast iron pipes may be entirely due to Japanese competition.

Mr. Harmer.—That is the chief reason.

President.—You have got your other troubles, internal competition between cast iron pipes and other kinds of pipes. No tariff manipulation will help you on that. Since therefore the only means by which we can provide against this unfair competition is by means of tariff, I think it will probably be necessary for us to restrict our scheme of protection to that particular kind of competition, don't you agree?

Mr. Harmer.—Yes assuming that no other country depreciates its exchange.

President.—Then of course special measures would have to be adopted.

Mr. Harmer.—It takes such a long time for special measures to be adopted.

President.—That of course is a difficulty. I will tell you what we are considering this time. The Government of India have been very very slow in putting the provision for off setting duty into force. The Tariff Board considers and has always considered that no scheme of protection can be effective unless it is coupled with a really effective provision for off setting duties in cases of this kind. It would be our duty this time to make a specially strong recommendation to the Government of India that their attitude with regard to the provision for off setting duties ought to change very materially. If we are prepared to make a strong recommendation that the off setting duties provision should be used in precisely the manner contemplated by the Tariff Board, I think your position would be more or less safeguarded.

Mr. Harmer.—Yes. The difficulty is this: when these various enquiries are being held, the whole world knows about them and a country with a depreciated exchange can dump 20,000 or 30,000 tons of materials before anything can be done to stop them. In fact we have proof that they have done it.

President.—We are administering a form of discriminating protection which implies that our proceedings have to be kept as public as possible and all the confidential information that we get has to be placed before the Legislature and the country for public discussion, which I quite admit puts our industrialists in a position of disadvantage. That, of course, is a matter of policy with which we are not concerned. We are carrying out a policy which has been laid down for us by the Legislature and the Government of India. We are the humble servants of the Legislature.

Mr. Wiles.—Are these small foundries in Calcutta and elsewhere parties to your understanding about prices for pipes?

Mr. Harmer.—They don't make Specification pipes. An engineer would not buy water main pipes made in the Calcutta foundries if there was much pressure. They are quite suitable for ordinary sewage work where there is very little pressure.

Mr. Wiles.—They are doing work for the Calcutta Corporation. How are those prices fixed? You don't compete with them?

Mr. Harmer.—We do compete with them. But they use a very large quantity of scrap in their cupola mixtures.

Mr. Wiles.—They can quote prices lower than yours?

Mr. Harmer.—They have done so. The Calcutta foundries do a very big business in pipes, particularly rain water and ordinary drain pipes. A number of firms in Calcutta are in that business.

Mr. Wiles.—You have a very large figure of outstanding debentures. From what period does that date?

Mr. Harmer.—From March, 1922.

Mr. Wiles.—That is the debt outstanding in your whole industry, pig iron and pipe foundry.

Mr. Harmer.—Yes.

Mr. Wiles.—Are you claiming that that should be added to your total capital investment for the purpose of fixing a fair selling price?

Mr. Harmer.—Debenture interest has to be paid in cash every year so that the operating parts of the plant have to provide that cash from somewhere.

Mr. Wiles.—We have got nothing to show why this debt was incurred, whether it was a legitimate investment in the industry or whether it was something external.

Mr. Harmer.—It was entirely internal. The money was originally borrowed for development and extensions which were put in.

Mr. Wiles.—It was spent?

Mr. Harmer.—I think the actual money was spent in about 2 years in extending the plant.

Mr. Wiles.—That is included in the block account?

Mr. Harmer.—Yes.

Mr. Wiles.—Have you ever exported any of your foundry products?

Mr. Harmer.—We have sent small shipments of pipes to Federated Malaya States, but there again the market has been captured by Japan.

Mr. Wiles.—Your total capacity is so much greater than the demand in India at the moment that I wondered if you have made any attempts to export.

Mr. Harmer.—We have very lately tendered for contracts abroad, but we have not so far succeeded in getting any. There is one great difficulty, which does not really enter into this discussion, and that is the high freight rates from India to other countries as compared with the low freight rates from other countries to India. Steamer freight on pipes from Calcutta to Aden where we recently tendered is Rs. 28 a ton, while freight from England to Aden is 15 shillings. That is the greatest factor against our being able to export pipes to other countries.

Mr. Wiles.—Regarding depreciation there is another method of arriving at a suitable figure. If we took your total block value which includes your iron industry as well as the pipe foundries and applied a rate to the whole block value, assuming that your block value is the present value of the property, at $6\frac{1}{2}$ per cent. we should get a depreciation figure of $12\frac{1}{2}$ lakhs a year.

Mr. Harmer.—Yes.

Mr. Wiles.—It is quite impracticable of course to apply that as you have attempted to do here to your output of pipes only.

Mr. Harmer.—Quite.

Mr. Wiles.—It must be spread over a certain proportion of your capacity for iron production as well.

Mr. Harmer.—I did not spread depreciation over the Pipe Foundries.

Mr. Wiles.—You have added for instance the *pro rata* distribution of your debentures over your pipes.

Mr. Harmer.—That is the only operating part of the plant. Debenture interest is money that has got to be found to pay out to the Holders.

Mr. Wiles.—It is the only operating plant, but you cannot apply that system to depreciation also.

Mr. Harmer.—I agree to that.

Mr. Wiles.—It is not really applicable in other instances. If you want to arrive at a fair depreciation on your pipe foundry, I suggest it might be done in this way: take what would be a normal output on your pig iron. Your capacity is 350,000 tons.

Mr. Harmer.—Four of our furnaces have been idle for a longish time.

Mr. Wiles.—I am talking of depreciation only at the moment. If you were turning out 350,000 tons, the depreciation would be Rs. $3\frac{1}{2}$ a ton. If you were turning out 175,000 tons, your depreciation would be double, that is Rs. 7.

Mr. Harmer.—Yes.

Mr. Wiles.—Is it practicable, on those lines over a suitable outturn of iron combined with the outturn of pipes, to arrive at a depreciation on your whole block value?

Mr. Harmer.—You mean what would be the actual depreciation on the pipe foundries alone?

Mr. Wiles.—Yes.

Mr. Harmer.—I think that could be done.

Mr. Wiles.—Would you regard that as a fair method?

Mr. Harmer.—Not for this purpose.

President.—You take an output of pig iron corresponding to your whole investment and then you get a figure of somewhere Rs. 3½. But having got that figure, it would be quite impossible for you, under present conditions, to produce 350,000 tons of pig iron which would be lying in your yard all the time.

Mr. Harmer.—A lot of it would.

President.—Supposing we made a certain adjustment, if the market revived to normal conditions, you might be able to produce so much, but still it would be considerably lower than your capacity, but a little more make an adjustment on this Rs. 3½ in that way and you might be able to reach a fairly correct figure.

Mr. Harmer.—The question should be looked at another way also: we have got the furnaces shut; they are probably depreciating faster than if we were working them. And we are buying pig iron outside.

Mr. Wiles.—That is true. You cannot legitimately recover depreciation on your iron works from the price of your pipe works and demand protection on that figure.

Mr. Harmer.—Quite.

Mr. Wiles.—We are trying to arrive at a hypothetical figure which we could justly add to your cost of pipes only.

Mr. Harmer.—Yes.

Mr. Wiles.—This seems to me to be a reasonable method of arriving at it.

Mr. Harmer.—I should like to think the matter over.

President.—I think Mr. Harmer, you must make a real effort to find out a suitable basis on which we can calculate your capital which is in respect of cast iron pipes alone. We have suggested alternative ways of doing it. If you think that none of these methods are really satisfactory, I should like you to think out some method of calculating which you consider more acceptable, so that we should be able to consider all these before we arrive at our own conclusions.

Mr. Harmer.—If it could be done the ideal way would be to estimate the cost of putting up the plant to produce our tonnage and take depreciation on that figure.

President.—That would be a straightforward way of doing it.

Mr. Harmer.—Yes. Now if we give you the actual purchase values of the pipe foundries and departments which go towards the making up of pipes—and then the actual purchase prices less than depreciation allowed year by year by the Income-tax Authorities.....

Mr. Wiles.—You can give us both figures—original cost plus depreciation.

Mr. Natesan.—If we take the actual replacement value, will both the figures tally?

Mr. Harmer.—It will be very difficult to say but I would doubt it. Some things have cheapened and others have become more expensive.

Mr. Natesan.—If you are going to work out figures, it would help us if you could give us both sets of figures.

Mr. Harmer.—We shall give you everything that we can.

Mr. Wiles.—You have asked for protection not only against steel pipes, but against other substitutes such as asbestos cement pipes.

Mr. Harmer.—Yes.

Mr. Wiles.—Have they been made out here?

Mr. Harmer.—No. They come from Italy mostly and a small quantity come from England.

President.—Do they come as pipes?

Mr. Harmer.—Yes, they come and compete with us.

Mr. Natesan.—What sizes?

Mr. Harmer.—All sizes from 3" to 18"; they can make any sizes I believe.

Mr. Wiles.—One would imagine that cement is essentially a product which must be made on the spot. Surely a duty on the imported pipes will result in somebody starting the manufacture of pipes in India. Do you know whether the manufacture of cement pipes *in situ* has ever been considered? It is a difficult thing to transport, one should think.

Mr. Harmer.—Cement is only one of the components. Asbestos is a very large component.

Mr. Wiles.—I do not know how they are manufactured.

Mr. Harmer.—It is a form of spun pipe.

Mr. Wiles.—Asbestos and some ordinary cement.

Mr. Harmer.—I imagine it is more than an ordinary cement. It is an Italian patent, I think. I understand it is a mixed cement.

President.—The pipe itself is an Italian patent.

Mr. Harmer.—Yes.

Mr. Natesan.—You and the Mysore Iron Works have a friendly arrangement.

Mr. Harmer.—Yes.

Mr. Natesan.—Do you try to sell your products in Bombay? Does the Mysore Iron Works compete with you in Bombay?

Mr. Harmer.—We don't compete at all now.

Mr. Natesan.—I want to know how you work under this arrangement. Supposing a tender is called for by some public body at Nagpur, how do you tender?

Mr. Harmer.—Nagpur is a little bit nearer to us than to Mysore. The way we work would be this.

Mr. Natesan.—Before you answer may I put one more question? Before you tender I take it both of you compare notes in a friendly way.

Mr. Harmer.—If it is a contract of any size.

Mr. Natesan.—If the place is nearer Mysore, both of you will tender but your quotation will be higher. In the same way, if the place is near to you, again both of you will tender but the Mysore people will quote a higher price.

Mr. Harmer.—That is so.

Mr. Natesan.—That is exactly the working arrangement.

Mr. Harmer.—Yes

Mr. Natesan.—After hearing the President, do you still press your demand for a protective duty on galvanised steel pipes?

Mr. Harmer.—We were thinking entirely of water main pipes. Galvanized pipes were not considered when we framed our application.

Mr. Natesan.—You never thought of putting in galvanized pipes.

Mr. Harmer.—No. It is a small item so far as we are concerned.

THE MYSORE IRON WORKS.

Evidence of Messrs. M. VENKATANARANAPPA, B. VISVANATH and D. V. KRISHNA RAO, representing the Mysore Iron Works, recorded at Bombay on Tuesday, the 5th December, 1933.

President.—Mr. Venkatanaranappa, you represent the Mysore Iron Works?

Mr. Venkatanaranappa.—Yes.

President.—I understand from your papers that your application is entirely on the basis that charcoal iron either raw or manufactured will be marketed in competition with coke iron.

Mr. Venkatanaranappa.—Yes.

President.—The first thing that I should like to do is to get on record some information regarding the present equipment of your works. There is one blast furnace and there is a pipe foundry in which at present you have two turn tables, making pipes of sizes ranging from 3" to 30". Am I right?

Mr. Venkatanaranappa.—Yes.

President.—Then, there is a general foundry in which miscellaneous castings are made?

Mr. Venkatanaranappa.—Yes.

President.—There is also a wood distillation plant?

Mr. Venkatanaranappa.—Yes.

President.—These are the four main departments in the works.

Mr. Venkatanaranappa.—Yes.

President.—Now I want to know what at present is the maximum capacity of each of these departments irrespective of what the market can absorb. Take the blast furnace.

Mr. Venkatanaranappa.—The rated capacity is 28,000 tons.

President.—28,000 tons is the maximum capacity?

Mr. Venkatanaranappa.—It is the rated capacity, but generally blast furnaces produce more.

President.—The rated capacity is the normal capacity.

Mr. Venkatanaranappa.—Yes.

President.—What is the capacity of your pipe foundry?

Mr. Venkatanaranappa.—It is 15,000 tons provided we have orders for all sizes.

President.—I am coming to the question of market later on.

Mr. Venkatanaranappa.—Even to arrive at the output, we have to take the sizes into consideration.

President.—I see your point. Supposing you took the capacity of your pipe foundry on the assumption that the proportion of sizes would more or less correspond, say, to the proportion in which you had sold during the past three years.

Mr. Venkatanaranappa.—Then, it is about 15,000 tons.

President.—And the general foundry?

Mr. Venkatanaranappa.—We may take it at about 1,000 tons.

President.—Now it is difficult of course to estimate the capacity of the wood distillation plant because there is such a variety of products.

Mr. Venkatanaranappa.—Taking the retorts as we have them now, the capacity is about.....

President.—Do you estimate it in terms of raw liquor?

Mr. Venkatanaranappa.—Wood carbonised.

President.—The distillation products would start with raw liquor.

Mr. Venkatanaranappa.—We can give you the normal yields. About 260 or 270 tons of wood is what we can carbonise.

President.—That is the capacity of the retort.

Mr. Venkatanaranappa.—Yes.

President.—The consumption of wood that you take must correspond to the rated capacity of pig iron.

Mr. Venkatanaranappa.—Yes.

President.—Taking the rated capacity of 28,000 tons; how would you estimate the capacity in respect of wood distillation products?

Mr. Venkatanaranappa.—The capacity of the retorts would be 300 tons of wood carbonised.

President.—That would be distributed among the various products more or less according to market conditions.

Mr. Venkatanaranappa.—No. The amount of products that we get from 300 tons of wood carbonised is known.

President.—How do you state it?

Mr. Venkatanaranappa.—I can state it in terms of acetate and alcohol.

President.—And the various products?

Mr. Venkatanaranappa.—Yes. The main products are acetate and alcohol.

President.—If you give for these products, it would give us an idea.

Mr. Venkatanaranappa.—About 6 tons of acetate per day.

President.—Give it to me on a yearly basis.

Mr. Venkatanaranappa.—About 2,000 tons.

President.—2,000 tons of acetate and how many gallons of alcohol?

Mr. Venkatanaranappa.—200,000 gallons of crude alcohol. If refined, it would yield about 120,000 gallons.

President.—Now I come to the normal market that you have for these various products.

Mr. Venkatanaranappa.—Yes.

President.—The figures that you have given for the various products in your representation are these. For pig iron you assume a normal market of 7,000 tons.

Mr. Venkatanaranappa.—6,000 tons.

President.—6,000 tons for the Indian market and 1,000 tons for export.

Mr. Venkatanaranappa.—Yes.

President.—For cast iron pipes you assume a market of 8,000 tons?

Mr. Venkatanaranappa.—Yes.

President.—General foundry 1,000 tons, corresponding more or less to your capacity.

Mr. Venkatanaranappa.—Yes.

President.—As regards wood distillation products, the market that you estimate for acetate is 800 tons.

Mr. Venkatanaranappa.—Yes.

President.—Taking refined alcohol, what is the market for that?

Mr. Venkatanaranappa.—About 40,000 gallons.

President.—Against a capacity of 120,000 gallons of refined alcohol?

Mr. Venkatanaranappa.—Yes. This alcohol is water white,

President.—It is not fully refined?

Mr. Venkatanaranappa.—No.

President.—I should like to compare the estimated normal market for these products with the actual market that you obtained on an average during the past three years. You give the figures in one of your statements I think. If you look at these statements of costs that you sent in a week ago, those are quantities produced, aren't they?

Mr. Venkatanaranappa.—Yes.

President.—If you take it on the basis of three years' average, sales and output must more or less correspond.

Mr. Venkatanaranappa.—Yes, because we have not added to stock during these three years.

President.—So that if you take the average of the three years, the output and sales must correspond.

Mr. Venkatanaranappa.—Yes.

President.—I find from these figures that the average output of cast iron pipes during the past three years is 8,953 tons.

Mr. Venkatanaranappa.—Yes.

President.—So that the normal market that you estimate is about 1,000 tons less than what you have actually produced and sold during the past three years.

Mr. Venkatanaranappa.—Yes. One reason why we have estimated a thousand tons less is that the orders during this period of three years have been more or less confined to South India and it may not always be so. If the orders are largely in Northern India, we would not have a good market.

President.—Of course it is very difficult really to estimate the normal market for a product like cast iron pipes.

Mr. Venkatanaranappa.—Yes. This tonnage includes about 5,000 tons supplied to Bhavnagar and a portion of the Bangalore supply such large tonnages are not normal. They are all 24" pipes.

President.—It is a very speculative figure.

Mr. Venkatanaranappa.—Yes.

President.—With regard to general foundry, your average for three years is 670 tons.

Mr. Venkatanaranappa.—Yes. There again we had some orders from Krishnaraja Sagara works.

President.—How much of that represents orders for Krishnaraja Sagara?

Mr. Venkatanaranappa.—800 to 900 tons.

President.—During the past three years?

Mr. Venkatanaranappa.—Yes.

President.—As against an average output of 670 tons during the past three years, you are assuming a normal market of 1,000 tons.

Mr. Venkatanaranappa.—We find there is scope for expansion. For the Krishnaraja Sagara works we obtained additional equipment and we hope to secure more orders.

President.—Possibly more orders may come from that source.

Mr. Venkatanaranappa.—For instance, there was an enquiry—which did not materialise—through Messrs. Braithwaite's for screw piles for the Cochin harbour. If we had got the order, it would have been 2,000 tons.

President.—With regard to the general foundry I suppose there is the same difficulty as with regard to cast iron pipes.

Mr. Venkatanaranappa.—Much more so.

President.—The orders are not by any means of regular occurrence.

Mr. Venkatanaranappa.—Except the small ones which won't make up a good tonnage. These big orders may come once in a way. It is very difficult to estimate.

President.—Coming to pig iron, during the past three years the average is 4,067 tons.

Mr. Venkatanaranappa.—But we have sold from stocks. The stock has been reduced.

President.—Where do you give that?

Mr. Venkatanaranappa.—I can give you that from the balance sheets of the three years. Sales in 1930-31 were 10,000 tons, in 1931-32 7,500 tons and 1932-33 6,700 tons.

President.—That is about 8,000 tons.

Mr. Venkatanaranappa.—Yes, but the average would not be correct because in the first year in which we sold 10,000 tons we had no agreement with the Tata Iron and Steel Company and the Indian Iron and Steel Company and large quantities were sold in Northern India.

President.—Now the agreement that you have with the Tata Iron and Steel Company and the Indian Iron and Steel Company gives you a maximum of 6,000 tons.

Mr. Venkatanaranappa.—That is the maximum. It practically leaves the whole of South India, Bombay, Hyderabad, Madras and the Deccan to us.

President.—How do you get your figure of 6,000 tons?

Mr. Venkatanaranappa.—If the sales exceed 7,000 tons, then we will have to keep out and allow them to step in.

President.—So that the maximum for practical purposes is 7,000 tons.

Mr. Venkatanaranappa.—Yes.

President.—Against that you have estimated a normal market of 6,000 tons.

Mr. Venkatanaranappa.—That has been our experience during these years of depression. In addition to that, we can book orders in Northern India foundries but have to quote Rs. 5 more than the prevailing coke iron prices.

President.—On the whole we may regard that as a negligible factor.

Mr. Venkatanaranappa.—Except the demand of the Indian Railways and some foundries who make special castings for sugarcane mills.

President.—What I am inclined to think is that the figure of 6,000 tons may be regarded as a safe estimate.

Mr. Venkatanaranappa.—Yes.

Mr. Wiles.—There is no limit to the quantity which you can sell at Rs. 5 more per ton.

Mr. Venkatanaranappa.—Quite so.

President.—That itself is a limitation.

Mr. Venkatanaranappa.—Yes. Excepting these two viz., the East Indian Railway and some foundries which make special castings for sugarcane mills, there is no other demand.

President.—From these figures that you have estimated as the normal market for the various products, I want to try and get the maximum surplus pig which would be available to you. Pig iron for sale as such is 7,000 tons; cast iron pipes 8,000 tons; general foundry 1,000 tons. Am I right in thinking that these three items together account for 16,000 tons of pig?

Mr. Venkatanaranappa.—A little more, because there will be some losses in the pipe foundry. We may take it at 16,500 tons, that is assuming that we won't use any cast iron scrap in the pipe foundry.

President.—Do you?

Mr. Venkatanaranappa.—We have not been doing so far, but if we want more pig iron released for steel then we will have to,

President.—What is the limit to which you can release pig in that way?

Mr. Venkatanaranappa.—If cast iron scrap is available, we can reduce the pig from 16,500 tons to 12,500 tons.

President.—So far, you have not been using scrap.

Mr. Venkatanaranappa.—No, because we have got pig iron.

President.—The question has not arisen.

Mr. Venkatanaranappa.—The question has been considered but we don't think it expedient to use scrap because we have to reduce the pig iron stock.

President.—Is there a limit to the quantities of cast iron scrap available for you?

Mr. Venkatanaranappa.—We have taken only 4,000 tons. That is easily available.

President.—For cast iron pipes I suggest a figure of 8,000 tons of pig for 8,000 tons of pipes. If it became necessary, you could reduce the amount of pig from 8,000 tons of pipes to 4,000 tons.

Mr. Venkatanaranappa.—Yes.

President.—Assuming you are going to produce steel sections up to the maximum capacity that you are estimating—20,000 tons of steel is the maximum quantity that you propose of steel sections, don't you?

Mr. Venkatanaranappa.—Yes.

President.—I presume that would correspond to 23,000 tons of ingots?

Mr. Venkatanaranappa.—Yes.

President.—That again would correspond to 25,000 tons of metallic charge?

Mr. Krishna Rao.—25,500 tons.

President.—60 per cent. of that metallic charge would be pig iron?

Mr. Krishna Rao.—We have taken 13,700 as pig iron and 8,000 tons as scrap.

President.—How do you get that figure of 8,000 tons for scrap?

Mr. Venkatanaranappa.—In our report, we have given the calculations.

President.—13,700 tons of pig and steel scrap 8,036 and then manganese ore. That is allowing for the scrap recoverable from the ingots?

Mr. Krishna Rao.—That is not included in it.

President.—That is to say, 8,036 tons is the amount of scrap you would have to purchase?

Mr. Venkatanaranappa.—Yes.

President.—I should like to examine the cost statement that you have given us. This statement in your original representation is really a misleading statement as far as the cost of pig iron is concerned. What this statement purports to do is to take the total expenditure, deduct from the total expenditure at the works all the credits that you have been able to recover in respect of pipes, general castings and the wood distillation plant and practically the whole of the balance is debited to pig iron.

Mr. Venkatanaranappa.—In other words, it throws all the losses on the pig iron.

President.—If you take for example 1932-33 where 573 tons of pig iron are rated at Rs. 401 per ton, if you took pig iron in that year as having a value of Rs. 45 a ton then it means that you have incurred a loss of Rs. 2 lakhs altogether?

Mr. Venkatanaranappa.—That is the loss we incurred.

President.—The only use that I can make of that statement is to consider the way in which variations have occurred in the cost of the detailed items. You have put in a statement explaining the variations in the various items of costs. The position is not very clear to me and I would like to have it explained. Take the first item, Ores and Flux—cost per ton

Rs. 3.51 for the first year, 5.74 the second years and 4.17 the third year. How do you account for these variations?

Mr. Venkatanaranappa.—We have got the mining staff and overhead.

President.—Are the transport charges included in that?

Mr. Venkatanaranappa.—The cost of the mining staff is distributed over the quantity mined during the year and as we had a large stock of ore we had raised we reduced mining to save cash expenditure.

President.—A reduction in output in 1931-32 as compared with 1930-31 might account for the greater part of the excess cost under that head in 1931-32 as compared with 1930-31.

Mr. Venkatanaranappa.—The reduction in output should not be judged from the pig iron output only because we had stocks of ore. The quantity of ore mined did not correspond to the quantity of pig iron made; it was much less.

President.—So that the greater part of the production was met from the stock because there was a larger amount of mining done in 1931-32. How do you account for the reduction in 1932-33?

Mr. Venkatanaranappa.—In 1931-32 we renewed the ropeway and as we have no depreciation fund, the cost was debited to current operations. I thought, at first, of giving you comparable cost figures when preparing these statements, but that would have looked as if the figures did not correspond to the balance sheets.

President.—Let us take the next item. The variation there is very very considerable?

Mr. Venkatanaranappa.—That is because the carbonization has varied. The quantity used varied. You see a corresponding increase in forest charcoal during those years.

President.—If you added the two items what would be the position?

Mr. Venkatanaranappa.—It would not be correct to add because they are entirely different things but we have given you the cost of wood and the other charges in various years.

President.—On what basis do you make your estimates for the future? It is based I take it to a large extent on your actuals?

Mr. Venkatanaranappa.—Yes. The variation has been only in regard to charcoal and even in carbonising we have taken the present prices as the data on which the costs are based.

President.—It is very difficult to apply a precise method of check to it.

Mr. Venkatanaranappa.—That has been so because of the depression and we have reduced the output in the blast furnace. In the previous enquiry we gave you the actual cost for one month, January, 1926 or 1927. If you take that and these figures they will more or less correspond. I can assure you that these estimates have been prepared practically on current costs, the only variation being in respect of the cost of charcoal.

President.—What precisely do you mean by current costs?

Mr. Venkatanaranappa.—During the last two or three years.

President.—So that they must correspond to the actuals of the past three years?

Mr. Venkatanaranappa.—We took the gross cost which is difficult to compare on basis of cost per ton because the output varied so much and the character of the retort operation has varied from period to period. That has been the worst period so far as bye-products are concerned.

President.—What I want to get is a general idea of the basis on which you have arrived at your estimate. If you take an average of the actuals of the past three years and then make an adjustment for the increase in the output on which the estimates are based, you would get more or less

your estimated figures: Actuals adjusted with reference to an increased output, that is the position?

Mr. Venkatanaranappa.—Yes. There might be some small variations because we have taken the charcoal distribution between the retorts and the forest; that might require further adjustment. If we do that, that will give you the correct figure. As a matter of fact these estimates have been prepared like that.

President.—Take for example an item like Salaries and Wages which is 16.89 in the first year, 16.75 in the second and 20.06 in the third year.

Mr. Venkatanaranappa.—Yes, because the output was 11,000 as against 19,000 tons.

President.—And 12.72P

Mr. Venkatanaranappa.—That is against 28,000 tons but even if you take the gross figures you will find that the salaries have been considerably reduced.

President.—The gross figure in 1930-31 was 3.32 lakhs; you brought it down to 2.53 in 1931-32; it was 2.35 in 1932-33 and you have raised it to 2.64 in consideration of the increased output?

Mr. Venkatanaranappa.—And also to provide for some increase to provident fund which we consider necessary and which have not been given effect to so far.

President.—Take Repairs and Renewals. I take it when your output is increased there will be some saving on that.

Mr. Venkatanaranappa.—Not very much; it will be more or less the same.

President.—But the figure that you have taken represents a considerable saving?

Mr. Venkatanaranappa.—Yes. I can explain that. Shifting the small pipe table to the new building; that was debited to operations. That was Rs. 30,000.

President.—So that the real net cost would be Rs. 1,04,000?

Mr. Venkatanaranappa.—There were three unusual items: retort re-bottoming, Rs. 48,000 and then while working the blast furnace one day the big bell fell into the furnace and we had to make another bell, that cost Rs. 4,500.

President.—Which year was that?

Mr. Venkatanaranappa.—1930-31. Then there was the shifting of the small pipe table from the general foundry to the new building.

President.—If we take 1932-33, I take it in that year there were no abnormal expenses?

Mr. Venkatanaranappa.—No.

President.—Your average costs under repairs and renewals in that year was 9.23 per ton.

Mr. Venkatanaranappa.—The total figure is Rs. 1,08,000; we have taken Rs. 1,14,000 for the estimate.

President.—In spite of the fact that the output is nearly double?

Mr. Venkatanaranappa.—It is only in the blast furnace; where repairs won't cost more, so we have kept it at that figure.

President.—That is on the assumption that on double the output your aggregate expenditure on repairs and renewals would remain more or less the same.

Mr. Venkatanaranappa.—Yes. That is why Rs. 9.23 is reduced to 5.51.

President.—Coming to Stores and Supplies there really is no reason why the expenditure on stores and supplies should vary according to output and there is very little scope for economy by an increase in the output, but I find a very considerable difference between the actuals and the estimates?

Mr. Venkatanaranappa.—Stores and Supplies in 1930-31 included coal burnt under boilers.

President.—Take the very last year, 1932-33—Rs. 47,817; that is about Rs. 4 per ton. Your estimate is 1.02 but the total figures are about the same?

Mr. Venkatanaranappa.—The total figures are about the same, Rs. 48,000 and Rs. 40,000. The output has increased only in the blast furnace and stores and supplies used in the blast furnace do not depend upon the output. In fact operations would be easier by running the furnace to full capacity instead of closing it down off and on as we are doing now.

President.—I have not understood the position. Your expenditure on stores and supplies in respect of pig iron on an output of 11,762 tons works out to Rs. 4 on pig iron.

Mr. Venkatanaranappa.—Yes. The total expenditure on stores and supplies on the whole plant is about.....

President.—This item refers not merely to the blast furnace but to all the departments?

Mr. Venkatanaranappa.—Yes.

President.—Under pipe foundry you have got sand, plumbago, stores and so on.

Mr. Venkatanaranappa.—We have got water supply alongside the boilers.

President.—Water supply does not come under stores and supplies. That cannot materially affect the position and account for this very big difference, Rs. 4 and Re. 1.

Mr. Venkatanaranappa.—That is due to the divisor being different; in one case the divisor is 11,000 and in the other 28,000.

President.—When you speak of water supply you mean supply of water to the works as a whole. That is included in Stores and Supplies?

Mr. Venkatanaranappa.—Whatever stores and supplies are used for the pumps and motors.

President.—What I am suggesting is that the proportion of stores and supplies which is used in connection with your water supply scheme must be a very small part of the expenditure that you show here against stores and supplies?

Mr. Venkatanaranappa.—We have given all the details.

President.—What I want you to explain is this: I put it to you that practically all the stores and supplies shown here is stores and supplies which you use in respect of your pig iron or blast furnace?

Mr. Viswanath.—We have given the figures for the whole plant excluding pipe foundry, we have given you the actuals.

President.—Where do you show the actuals?

Mr. Venkatanaranappa.—You will notice under Chemical plant—supplies Rs. 4,000.

President.—These items of stores and supplies represent all stores except those used in connection with the pipe foundry.

Mr. Venkatanaranappa.—Yes.

President.—And of which the expenditure charged to the blast furnace was somewhere about a fourth.

Mr. Venkatanaranappa.—Yes.

President.—It is only in respect of that item that the cost per ton of pig will remain the same. With regard to others?

Mr. Venkatanaranappa.—They won't remain the same even there.

President.—There won't be any material reduction.

Mr. Venkatanaranappa.—There won't be any material increase.

President.—If you spend Rs. 10,000 on your blast furnace in respect of 11,000 tons of pig, in respect of 20,000 tons of pig you must have a correspondingly bigger expenditure.

Mr. Venkatanaranappa.—No, it will be the same.

President.—Would it?

Mr. Venkatanaranappa.—Yes, because we make it only from one blast furnace and because the output is increased.

President.—What are these stores?

Mr. Venkatanaranappa.—Oil waste, grease, oxygen cylinders, etc.

President.—I should have thought that all these would come under repairs and renewals.

Mr. Venkatanaranappa.—Not oils and waste. They are all stores.

President.—As far as I understand, repairs and renewals represent both labour and materials.

Mr. Venkatanaranappa.—Yes, where something breaks, we replace it or repair it, but stores are separate. The stores comprise material such as shovels, cleaning forks for slag handling and things of that sort.

President.—Let us come now to the pipe foundry. Salaries and wages vary from Rs. 7-24 to Rs. 13-04 during the three years per ton.

Mr. Viswanath.—That is again due to reduction in output. That has also been divided by the pig iron production. The figures are fairly constant. The divisor is common. We have reduced it to per ton pig iron basis.

Mr. Venkatanaranappa.—That accounts for that.

President.—These figures do not give us any basis for discussion.

Mr. Venkatanaranappa.—Yes except the total figures.

President.—To get a correct idea, you ought to take the total expenditure in the pipe foundry and divide it by the total expenditure under the cast iron pipes.

Mr. Krishna Rao.—That is given in our estimate.

President.—I want the actual figures.

Mr. Venkatanaranappa.—I can give you the output of three years. First year it was 8,786, second year 8,360 and third year 9,472 tons.

President.—Let us take the aggregate figures. The output of cast iron pipes in the first year was 8,785 and in the third year it was 9,472 and there was an increase from 1-04 to 1-53.

Mr. Venkatanaranappa.—Yes.

President.—That would be more or less right.

Mr. Venkatanaranappa.—Yes.

President.—I do not think it is worth while discussing the pipe foundry figures, because the average do not represent anything in particular. The average cost that you give here in respect of pig iron, does not represent the cost according to your allocations. I should like to know precisely on what system of allocation is the cost of pig in each of these years arrived at.

Mr. Venkatanaranappa.—That we have in the balance sheet.

President.—Will you show me the reference?

Mr. Venkatanaranappa.—In the year 1931.

President.—What do you call the year 1931 is the year ending June, 1931?

Mr. Venkatanaranappa.—Yes. The pig iron net was 8,520 tons and the cost as we have worked out is Rs. 4,22,000.

President.—That is on your system of allocation.

Mr. Venkatanaranappa.—Yes, that is roughly Rs. 50.

President.—What it practically means is the losses that you debit entirely to pig in the first statement, if those losses were distributed over all the products on the basis of your allocation, then the resultant figure would be this on pig iron.

Mr. Venkatanaranappa.—Yes.

President.—That gives an average of Rs. 48-8.

Mr. Venkatanaranappa.—Yes more or less.

President.—Similarly where is the figure for 1932?

Mr. Venkatanaranappa.—3,108 tons; Rs. 1,71,000.

President.—It is about Rs. 55.

Mr. Venkatanaranappa.—Yes. For the other year it is 572 tons—Rs. 32,500.

President.—It is Rs. 56-8.

Mr. Venkatanaranappa.—Yes.

President.—So that on your allocation the cost have varied in these years from Rs. 48-6 in 1930-31 to Rs. 55 in 1931-32 and Rs. 56-8 in 1932-33.

Mr. Venkatanaranappa.—Yes.

President.—That variation in the cost of your allocation is to be accounted for largely by the reduction in output.

Mr. Venkatanaranappa.—Yes, very largely.

President.—The total output of pig was 19,681 in 1930-31, 15,146 in 1931-32 and 11,602 in 1932-33.

Mr. Venkatanaranappa.—There was also one other factor. In the year in which we blew out the blast furnace, we made only 11,000 tons. The furnace was working very irregularly for the previous three months. In the year in which we had 11,000 tons, the lining became very weak and the operation was very unsteady and even so we had to keep the furnace in operation, because we had to fulfil certain orders and the bricks were not ready.

President.—But for that circumstance?

Mr. Venkatanaranappa.—The output would have been slightly more and the expenditure would have been a little less.

President.—The reduction would be accounted for partly by that.

Mr. Venkatanaranappa.—Yes. There was also an increase in expenditure which did not correspond to the output. If the lining was in good condition, even for the production of 11,000 tons the expenditure would not have been as high as it is.

President.—It would have been more or less what it was in 1931-32.

Mr. Venkatanaranappa.—Yes.

President.—Rs. 55.

Mr. Venkatanaranappa.—Yes.

President.—To some extent the increase in cost is to be explained with reference to the fall in the value of bye-products.

Mr. Venkatanaranappa.—Yes.

President.—I find from your figures the price of acetate in 1932-33 was only Rs. 75 as against Rs. 113 in 1930-31.

Mr. Venkatanaranappa.—Against that we have got the charcoal from the forest at a lower price in 1932-33.

President.—Did it make up?

Mr. Venkatanaranappa.—To some extent it did. I have to work out the figures and see.

President.—It won't wholly make it up.

Mr. Venkatanaranappa.—But the variation won't be so great. The real factor was the reduced output.

President.—There has been no change in your system of allocation during these three years.

Mr. Venkatanaranappa.—None at all.

President.—So that the figures for all these years are comparable figures.

Mr. Venkatanaranappa.—Except when we started the pipe foundry and began to debit some of the overhead charge to the pipe foundry, to that extent there has been variation.

President.—When did the pipe foundry start operating?

Mr. Venkatanaranappa.—June, 1926.

President.—During the past three years there has been no change largely in the system of allocation. The figures are therefore comparable.

Mr. Venkatanaranappa.—Yes.

President.—Before I leave this subject of acetate of lime, you are estimating a price of Rs. 100 for the future as against Rs. 75 which you realised in 1932-33.

Mr. Venkatanaranappa.—Because there has been a slight improvement in the price since then. We have actually obtained the rate since.

President.—Are you realising now Rs. 100?

Mr. Venkatanaranappa.—I think the last sale we made was at Rs. 100.

President.—How long ago?

Mr. Venkatanaranappa.—About six months ago.

President.—You are estimating a permanent fall in the value of acetate as compared with three years ago.

Mr. Venkatanaranappa.—We have been advised that it is more or less permanent.

President.—Looking at your chart in 1929-30 there was a very big fall. The price of acetate of lime fell to Rs. 75 in 1929-30 as far as I can make out, and it went up to very nearly Rs. 120 in 1930-31.

Mr. Venkatanaranappa.—Yes.

President.—There has been a drop again in 1931-32.

Mr. Venkatanaranappa.—Yes and a further drop in 1932-33.

President.—You are sure there is not likely to be a revival hereafter of the kind that occurred as between 1929-30 and 1930-31.

Mr. Venkatanaranappa.—Even that took the price up to Rs. 130.

President.—When did the synthetic products come into the market?

Mr. Venkatanaranappa.—1929-30. That fall is due to the synthetic products. The sudden rise was due to the use of acetic acid for artificial silk. There was an increasing demand for artificial silk. As a matter of fact the Chemical papers put it that there was an overnight revival of the demand for acetate of lime. That collapsed. There are other processes for making artificial silk.

President.—Acetate of lime is not used.

Mr. Venkatanaranappa.—Yes in one process acetic acid is used, but there are other processes.

President.—I come to the question of your steel estimates. I will take it on the basis of your maximum output of steel which is 20,000 tons which is equivalent to a production of 28,000 tons of pig in your works.

Mr. Venkatanaranappa.—Yes.

President.—The cost at which pig iron is entered in your estimate of steel costs, on that basis of output, is Rs. 37.8 and that Rs. 37.8 is made up of charcoal at Rs. 27.6, ores and flux Rs. 6.3 and operating costs Rs. 3.9.

Mr. Venkatanaranappa.—Yes that is the net operating costs.

President.—What you call the net operating costs in that connection is the operating costs after credit is taken for blast furnace gas.

Mr. Venkatanaranappa.—Yes.

President.—It includes all the standing charges in your works cost.

Mr. Venkatanaranappa.—Yes.

President.—It includes also provision for re-lining.

Mr. Venkatanaranappa.—Yes.

President.—The credit that you take for blast furnace gas in your estimate is Rs. 5.18. That is correct.

Mr. Venkatanaranappa.—Yes.

President.—So that your gross cost is Rs. 9.08 as against a gross cost in Tata Iron and Steel Company's works of Rs. 4.4. That is to say their net cost is Rs. 2.9 and the credit that they get is Rs. 1.5.

Mr. Venkatanaranappa.—That is based on the price of coal and ours on the price of wood.

President.—The credit that you take for blast furnace corresponds to the general price of fuel in your area. That is what it amounts to.

Mr. Venkatanaranappa.—Yes.

President.—Have you spent more on your fuel?

Mr. Venkatanaranappa.—We have debited fuel to the boilers at that price. So we take the credit at that price which in the end works out all right.

President.—The gross operating cost on your estimate exceeds the gross operating cost of pig iron in the Steel Company's works by about Rs. 46.

Mr. Venkatanaranappa.—It is 28,000 tons as against 600,000 tons.

President.—That is due to the difference in output.

Mr. Venkatanaranappa.—Yes. Their output is 20 times more than ours.

President.—Rs. 27.8 is the cost at which you debit. That is lower than any cost that you have realised so far which is largely due to the increase in output.

Mr. Venkatanaranappa.—Yes.

President.—It also assumes that you will be able to sell 800 tons of acetate at Rs. 100 per ton.

Mr. Venkatanaranappa.—Yes. I think in one year we went down to Rs. 41 or Rs. 43 when we made 21,000 tons. In that year, the main by-product was selling at Rs. 140 or Rs. 150 a ton I mean the acetate.

President.—The estimates that you give in your representation are based on the estimates prepared by Messrs. Marshall and Raabe.

Mr. Venkatanaranappa.—Yes.

President.—Chiefly based on those of Mr. Marshall.

Mr. Venkatanaranappa.—Mr. Raabe had the material before him when he reviewed it.

President.—I suppose on the whole his figures represent the more accurate estimates of the two.

Mr. Venkatanaranappa.—Yes. Mr. Marshall's estimates were prepared at Bhadravati in consultation with us. We went into each item.

President.—Mr. Raabe's was a later estimate which was based on a consideration of the earlier estimates.

Mr. Venkatanaranappa.—Yes, and the other figures that we had from Germany and England.

President.—So that your estimated costs are based more upon Mr. Raabe's than Mr. Marshall's.

Mr. Venkatanaranappa.—Both are the same.

President.—There is not very much difference.

Mr. Venkatanaranappa.—No.

President.—Pig iron is charged at Rs. 36 per ton.

Mr. Venkatanaranappa.—Yes.

President.—And scrap at Rs. 27.

Mr. Venkatanaranappa.—In our estimates we have taken it at Rs. 27.

President.—Suppose you had to buy 8,000 tons of scrap in the market, could you depend upon getting your supplies of scrap at this price of Rs. 27?

Mr. Venkatanaranappa.—The current prices in Bangalore, Madras and Trichinopoly and the railway contracts have been round about Rs. 22 or Rs. 23 delivered at Bhadravati. We have ourselves purchased at Rs. 22 or Rs. 23.

President.—Of course, you have been buying very small quantities so far.

Mr. Venkatanaranappa.—Yes, but the railways have been selling fairly large quantities and the sales have been round about Rs. 22 or Rs. 23.

President.—Suppose you had to buy scrap on this scale, say a quantity of 8,000 tons, which would be your main sources of supply?

Mr. Venkatanaranappa.—Railway workshops.

President.—Which are the railways?

Mr. Venkatanaranappa.—M. & S. M. and S. I. R.

President.—Principally?

Mr. Venkatanaranappa.—Also N. G. S. and Mysore Railways.

President.—I have no figures about N. G. S. and Mysore Railways but I should think as far as quantities are concerned, the principal sources would be M. & S. M. and S. I. Railways.

Mr. Venkatanaranappa.—Yes.

President.—We issued a circular to the Indian Railways asking for quantities of scrap that they sold and the prices at which they sold. The figures that we have got from the Madras and Southern Mahratta Railway and the South Indian Railway are these. The average yearly sale on the basis of the last three years for the Madras and Southern Mahratta Railway was 14,260 tons taking all classes of scrap including things like rails, axles, etc., and the average price realised by them for their scrap, taking all classes of scrap together, was Rs. 30-2-0. If rails and axles were left out, the average price would be Rs. 28-11-0. That is the sort of scrap that you would use.

Mr. Venkatanaranappa.—It also includes high speed steel scrap and condemned machinery.

President.—What would be the price of that?

Mr. Rao.—We purchased at Rs. 10 a cwt.

President.—Would that amount to a considerable quantity?

Mr. Rao.—We bought 10 cwts. but that would raise the average.

President.—It must be very negligible.

Mr. Venkatanaranappa.—It also includes machinery which is scrapped, and is sold as scrap.

President.—But the bulk of the scrap would be quite inferior material.

Mr. Venkatanaranappa.—Yes.

President.—Much the greater part of it would be inferior material.

Mr. Venkatanaranappa.—Yes.

President.—I shall now give you the South Indian Railway figures. Their total sales of scrap on a yearly basis were 6,870 tons at an average price of Rs. 27-6-8. If you left out double headed rails and other classes of rails and axles, the average price would be Rs. 24. The point that I want to get at is this. It is really unnecessary for your purpose to get rails, axles and so on. You can use ordinary scrap.

Mr. Venkatanaranappa.—Yes.

President.—If you left out these better classes of scrap, the quantities available with regard to the Madras and Southern Mahratta Railway would be 5,000 tons and the others would be rails, axles, etc. In the case of the

South Indian Railway, the quantity of other scrap is 2,960 tons say about 3,000 tons. As far as these two railways are concerned, they would be in a position to give you scrap of ordinary class. Between them the maximum that they can give is the maximum that you want. That is the position.

Mr. Venkatanaranappa.—There are also other kinds of scrap that are coming into the market. With regard to the railway scrap may I explain the position? Merchants buy the scrap wholesale from railways. Then, they sort out the material. I know that even dogspikes, bolts and nuts are picked out as useful material and what is left behind is sold. We have had offers made to us anywhere between Rs. 20 and Rs. 23.

President.—But that is not the point. You want 8,000 tons of scrap. Now that is the total quantity of other scrap that the railways can offer. There is not very much selection left.

Mr. Venkatanaranappa.—I was for the moment thinking of the price.

President.—For the other scrap, the lowest price is Rs. 24 in the case of the South Indian Railway and Rs. 27 in the case of the Madras and Southern Mahratta Railway. That is at the works, and if delivered at Bhadravati, the figure would be higher. As regards freight, do you get the condemned material rate?

Mr. Venkatanaranappa.—Rs. 2 from Hubli and Rs. 4 from Perambur and from Arakonam Rs. 3.

President.—You can take an average of Rs. 3.

Mr. Venkatanaranappa.—Then it would be about Rs. 31. As regards the South Indian Railway, we would get the home material rate up to Jalarpet and from there it will have to be at 1/10th pie per maund mile. That is about Rs. 5. So, it will work up to Rs. 31 or Rs. 32 more or less if we take these figures. There is also a large quantity of scrap available in the bazar. I do not know how they get it.

President.—When you want these large quantities of scrap, you cannot depend on the bazar supply.

Mr. Venkatanaranappa.—That quantity is available. I think also about 30,000 to 40,000 tons is being exported from Marmagao, Negapatam and Madras to Japan. All that is available.

President.—Are they correct figures?

Mr. Venkatanaranappa.—They are rough estimates.

President.—If you take the export figures as given in the trade returns over a period of four or five years, you cannot get a higher figure than 50,000 tons for the whole of India at an average price of somewhere about Rs. 28.

Mr. Venkatanaranappa.—The reason why I place some reliance on these figures is that whenever a merchant exports scrap to Japan he sends out an enquiry for pig iron to make up the tonnage. He writes and says that he can take pig iron as he has space for 3,000 or 3,500 tons if we sell pig iron at a very low price.

President.—What I am thinking is this. The export figures are shown under the heading of old iron and steel. I have not the slightest doubt that much the greater part of it must be steel scrap; otherwise the average price won't be so high as Rs. 27-8-0. If the total quantity available for export in the whole of India does not exceed 50,000 tons, I rather doubt whether in South India which is not the main source of supply of scrap in India, you would have such a high figure as 30,000 tons.

Mr. Venkatanaranappa.—Some scrap comes from Hubli and we also get the G. I. P. railway scrap *via* Raichur.

President.—That will put up your freight.

Mr. Venkatanaranappa.—If we get scrap at Rs. 15 in Bombay

President.—You won't get it at Rs. 15. For the Great Indian Peninsula Railway the average figure is Rs. 23-2-0. For ordinary scrap it is Rs. 19-4.

Mr. Venkatanaranappa.—That would again make it Rs. 31 at Bhadravati,

President.—It would be about Rs. 30.

Mr. Venkatanaranappa.—Yes. The quantities that we are now purchasing we are getting at Rs. 23 or Rs. 24.

President.—You have been taking it in small quantities. The moment your steel proposition materialises, you will have to depend upon a continuous supply of scrap and then the position would be different.

Mr. Venkatanaranappa.—By which time, the railways would begin to spend money and there would be more scrap available from them. These are lean years and they cannot afford to spend money.

President.—They won't be so ready.

Mr. Venkatanaranappa.—Yes, now to sell condemned materials as they would be later on when they have more money. The price of scrap has gone down in the last three years.

President.—Another factor which you will have to take into account is the competition which is rapidly growing from re-rolling mills. It is another factor which may push the price of scrap up. In certain areas, the tendency has already begun.

Mr. Venkatanaranappa.—So far we have not got any at this end. Of course it depends on what the Negapatam rolling mills will take. They are not equipped to roll scrap and so in this area there is no re-rolling mill.

President.—In South India, there is no re-rolling mill using scrap?

Mr. Venkatanaranappa.—No, and the one that is going to be started will not in all probability use scrap. As a matter of fact Mr. Rajam has enquired whether we would be sell him billets.

President.—If he cannot make satisfactory arrangements with the Tata Iron and Steel Company regarding billets and if in the meantime there is a duty on billets, I should not in the least be surprised if he decided to re-roll scrap. Now the difference between your position and that of the Tata Iron and Steel Company in respect of scrap is that a rise in the price of scrap would affect you adversely and it would not affect the Tata Iron and Steel Company because they are sellers of scrap, so that if there is an increase in the demand for scrap, your relative position as compared with the Tata Company will on the whole deteriorate. It is very little use for you to think of using larger quantities of scrap in order to reduce the cost of your metallic charge because the whole point of your scheme is to make use of your pig iron.

Mr. Venkatanaranappa.—If we increase the output beyond 20,000 tons which is not likely for some time to come, then only we can think of using scrap; otherwise there will be enough pig iron.

President.—The further difficulty is if you want to use more scrap whether you can get that quantity at a reasonable price.

Mr. Venkatanaranappa.—Quite.

President.—Now I want to compare the final estimated cost that you have arrived at with the costs of the Tata Iron and Steel Company. For that purpose, I take your estimates which you give. I will take your manufacturing cost on a production of 20,000 tons. Your cost is Rs. 85-17 and as you have probably seen, the works cost of bars in the Tata Company's representation is Rs. 60, which gives a difference on the works cost of Rs. 25-17.

Mr. Venkatanaranappa.—Yes.

President.—Taking the fair selling prices, the fair selling price that you have given here is based upon the average of the initial cost and the final cost, but I will take Rs. 85-17 and add the financial charges to that. That gives you a fair selling price of Rs. 126-08.

Mr. Venkatanaranappa.—Yes.

President.—As against a selling price estimated by the Tata Iron and Steel Company of Rs. 97 for bars, the difference being Rs. 29-08, say about Rs. 29,

Mr. Venkatanaranappa.—Yes.

President.—That then is the position which we have to consider. What would be the position of your works during the period of protection as compared with the Tata Company's? If you are prepared to deduct from your financial charges the whole of your profit, and include only depreciation and interest on working capital, then you could reduce the selling price by approximately Rs. 20.

Mr. Venkatanaranappa.—That is true.

President.—It will reduce the difference against you to Rs. 9.08 say Rs. 9.

Mr. Venkatanaranappa.—Yes.

President.—Therefore if we decide to base the measure of protection on the figures given to us by the Tata Iron and Steel Company, taking their present figures and not the figures which may be reduced by us later on, you can compete in your market against Tata's fair selling price of bars provided (1) you can buy your scrap at Rs. 27 up to 8,000 tons, (2) your acetate can be sold at Rs. 100 up to 800 tons and the other by-products as you suggest in your estimates, (3) your estimates of manufacturing costs are realised fully and (4) you are willing to restrict your production to the extent to which Tata's average freight to your area exceeds Rs. 9 per ton of steel. That again is subject to the proviso that Tatas will not sell at anything less than the fair selling price in the freight disadvantage areas. They have claimed an average freight disadvantage of Rs. 9. If that enables them to sell at less than Rs. 97 f.o.r. Tatanagar in freight disadvantage areas that of course will upset the calculations. These are the conditions under which you can stand competition from the Tata Iron and Steel Company in your area. That would be a fair summary of the position?

Mr. Venkatanaranappa.—With regard to the freight disadvantage I may say one thing and that is that Tatas are not selling any sections in the portions of the area which we have marked out as ours. The freight advantage we have in certain portions of the territory is much more than Rs. 6 or Rs. 9. For instance if we take Hubli, their freight is Rs. 45 and ours would be about Rs. 3.

President.—We have to look at the position on the basis of the average freights to your market for the Tata Iron and Steel Company and the average freight advantage that you have. We have no means of estimating it but it is clear that assuming Tatas sold their bars at a price corresponding to their fair selling price ex-works Tatanagar, then the surplus that you can make over your works costs and depreciation will depend on the difference between their freight disadvantage and 6 or 9 rupees.

Mr. Venkatanaranappa.—Yes.

President.—To what extent can you in the future reduce your costs below the estimates that you have given. Are there any directions in which substantial reductions are possible?

Mr. Venkatanaranappa.—The main item is this. As soon as the scheme regarding hydro-electric scheme being extended to the works is sanctioned by Government, it will mean a saving of at least one lakh of rupees, taking the difference between what we have got to pay to the electrical department and the cost of fuel which is required for the whole plant.

President.—Per ton of finished steel on an output of 20,000 tons how much is that?

Mr. Venkatanaranappa.—Per ton of finished steel it is Rs. 5.

President.—That is to say the whole benefit of the reduction in the cost of fuel is credited to steel?

Mr. Venkatanaranappa.—Yes; or taking it on 28,000 tons it will be about Rs. 4 if you give a proportionate credit.

President.—Supposing your pig iron cost was brought down by Rs. 4, is there any other direction in which reduction is possible? What stage has the electric scheme reached?

Mr. Venkatanaranappa.—They have got the scheme ready. It comprises supply to other towns also but the major part of the consumption will be at Bhadravati.

President.—From the time of the sanction what time do they want?

Mr. Venkatanaranappa.—About one year and that is the time we want for installing our plant.

President.—What other improvements do you consider possible?

Mr. Venkatanaranappa.—There is the plant which we have in contemplation for the manufacture by the direct process of acetic acid for which there is a local demand; that will increase the credits from by-products.

President.—What is it used for?

Mr. Venkatanaranappa.—For rubber, for artificial silk and other industries. India alone uses about 100 to 150 tons and we propose to make 300 tons. If we instal the plant we will get a surplus of about Rs. 60,000 after meeting depreciation and interest. That is of course a very conservative estimate.

President.—That gives you about Rs. 3 per ton of steel?

Mr. Venkatanaranappa.—Yes.

President.—What else?

Mr. Venkatanaranappa.—Then in regard to charcoal in these estimates we have taken forest charcoal at Rs. 26, but that is because the burning in the forest has commenced only during the last year or a year and a half and we are meeting with some difficulties which are gradually being overcome. My own estimate is that we might get that charcoal at less than Rs. 20.

President.—That is Rs. 6 per ton of charcoal.

Mr. Venkatanaranappa.—Which is more or less Rs. 5 per ton of iron. Since we made this representation we have reduced the labour in the pipe foundry to a very large extent by making some changes.

President.—That is not connected with the question of steel.

Mr. Venkatanaranappa.—That is so.

President.—We are going to deal with steel on a separate basis for tariff purposes.

Mr. Venkatanaranappa.—These are the three main items that I see. Then there is another thing: the estimates of Messrs. Marshall and Raabe are based on the fact that we would take all the pig iron into the open hearth furnace in cold state, but a good proportion of it will be blast furnace metal direct.

President.—What sort of provision have you got to make?

Mr. Venkatanaranappa.—The coal consumption will be less.

President.—Is there any further equipment that you have got to have?

Mr. Venkatanaranappa.—He wanted to be on the safe side and made a provision for melting cold pig iron. We have got the plant.

President.—Do you estimate any reduction on that account?

Mr. Venkatanaranappa.—There will be a small reduction. The reduction may be about a rupee per ton. Then we have based our costs on a price of coal at Rs. 27 but the price that we are paying for our coke from the Bengal Iron Company is now Rs. 25 per ton.

President.—As against that if the restriction scheme materialises prices will again go up in the pitsmouth?

Mr. Venkatanaranappa.—In our case it is more the freight than the price.

President.—If you are able to save on your freight?

Mr. Venkatanaranappa.—The saving is on the price and freight both.

President.—At present you ship it by rail. Where do you buy your coal?

Mr. Venkatanaranappa.—From Bengal *via* Murmagoa.

President.—You rail to Calcutta and then ship to Murmagoa?

Mr. Venkatanaranappa.—Yes, we have special freight. This price of Rs. 27 has been based by the all rail route.

President.—Actually your shipments *via* Murmagoa have cost you how much less?

Mr. Venkatanaranappa.—Rs. 18-8-0; coke at Bhadravati has cost us Rs. 25.

President.—As against your estimate of

Mr. Venkatanaranappa.—Rs. 27.

President.—Why did you not try this before?

Mr. Venkatanaranappa.—We use very small quantity of coal at present.

President.—You estimate a possible reduction of Rs. 6 on your coal?

Mr. Venkatanaranappa.—On steel it will be less.

President.—What is the amount of coal that you use for your steel plant?

Mr. Venkatanaranappa.—15 tons daily. That would be a saving of roughly a rupee a ton. Messrs. Marshall and Raabe provided for burning of coal in the re-heating furnace but we now propose to burn pulverized charcoal.

President.—That brings the whole up to Rs. 13; that is to say if you can in the first place realise fully the estimates by the engineers and in addition to that you can realise all the possible further economies that you anticipate then your competitive position would be satisfactory?

Mr. Venkatanaranappa.—Yes.

President.—But it all depends on these assumptions?

Mr. Venkatanaranappa.—Any estimate that could be made before the factory actually starts operations can only be based on the experience that we have had so far and the best advice obtainable and I think that is what we have done.

President.—I should like to understand your position in regard to the market available for your steel products. You have sent us a map. As far as I can judge from this map the market that you are expecting is practically the whole of the Madras Presidency, the Mysore State and the Deccan, barring the coastal area.

Mr. Venkatanaranappa.—Yes.

President.—The coastal area would measure about 50 to 100 miles from the main ports?

Mr. Venkatanaranappa.—Yes.

President.—Have you made any estimates of the market available in this area for bars of standard sections and smaller sections?

Mr. Venkatanaranappa.—For standard sections we have made estimates two or three times and checked it with railway figures. We have not investigated the markets in the Northern Circars and Hyderabad.

President.—What is the figure that you have got in your investigations?

Mr. Venkatanaranappa.—In Mysore State alone the demand has varied from 8,000 to 12,000 tons of protected bars, 12,000 tons before the depression and 8,000 after the agricultural depression. The lowest is 8,000 tons.

President.—That is for all kinds of bars?

Mr. Venkatanaranappa.—All protected bars—all imported from the Continent. In our estimate for Mysore we have excluded bars purchased from England by the Gold mining companies and other importers. In the Southern Marhatta country the demand is about 14,000 tons.

President.—Is that the depression figure?

Mr. Venkatanaranappa.—Yes.

President.—That again is protected bars?

Mr. Venkatanaranappa.—Yes.

President.—That gives you 26,000 tons.

Mr. Venkatanaranappa.—As a matter of fact the Mysore Industries and Commerce Department have been compiling statistics taken from the railway figures and it shows that during the last year or two the quantity of bars imported from Jamshedpur was about 9,000 tons and also girders and heavy structurals. But the latter is a very small quantity.

President.—9,000 tons including bars as well as heavy structurals?

Mr. Venkatanaranappa.—Yes; about 5,000 to 6,000 tons of heavy structurals. Only two years ago Tatas were not selling any bars in Bangalore at all.

President.—If you take the figures relating to the depression period then you get 8,000 for Mysore, 14,000 for the Southern Marhatta country and, say, 5,000 from Tatas.

Mr. Venkatanaranappa.—They are all consumption figures.

President.—The figures that you give for Mysore and Southern Marhatta country I presume are not consumption figures but import figures. What is the use of taking Tatas separately?

Mr. Venkatanaranappa.—I told you that was another check we had.

President.—Between the two taking current figures you have a total market for 22,000 tons.

Mr. Venkatanaranappa.—Some of the Madras markets have been taken there; Hyderabad, Northern Circars, Salem, Coimbatore, and so on.

President.—Have you any figures for small bars?

Mr. Venkatanaranappa.—Recently we tried to compile some figures.

President.—Can you tell me how you collected these figures?

Mr. Venkatanaranappa.—We sent out our salesmen. So far as the Mysore State is concerned it was not very difficult because most of the supplies are made through Bangalore as the centre and from these merchants who purchased either imported material from Madras or from Jamshedpur and supplied to all the outlying stations, we got the figures. We also sent people to practically all the district headquarters and important centres and had figures compiled about the consumption. Then we compared that with what the Director of Industries had compiled from the railways. The M. & S. M. Railway gave us facilities to go into their books; we had that check for the Mysore consumption. I can't say the same thing of the Southern Marhatta country but knowing the character of the country as I do that figure of 14,000 tons might also be nearly correct. There are two agricultural implement factories in Kirloskarwadi and Satara and between them they consume about 1,500 tons.

President.—They get it now from near Bombay?

Mr. Venkatanaranappa.—Yes.

President.—Do they come now within your market area?

Mr. Venkatanaranappa.—Kirloskarwadi is near Miraj below Poona. I will give you these freight figures. The old freight from Jamshedpur was Rs. 32-11-0 to Kirloskarwadi; Rs. 17-6-0 from Bombay and Rs. 7 from Bhadravati.

President.—Up to Kirloskarwadi.

Mr. Venkatanaranappa.—Yes.

President.—That is your special freight.

Mr. Venkatanaranappa.—Not the 1/10th pie but the ordinary freight allowed to us without the rebate.

President.—Let me see what the position is with regard to freights. You are not charged class 2.

Mr. Venkatanaranappa.—No. Madras and Southern Mahratta Railway have given special freights corresponding to 1/6th to 1/7th pie on pig iron castings, and acetates.

President.—That is .16?

Mr. Venkatanaranappa.—Yes, roughly.

President.—Against .42 which is the standard class rate.

Mr. Venkatanaranappa.—Yes.

President.—That is your ordinary rate.

Mr. Venkatanaranappa.—Yes and that agreement continues until abrogated.

President.—It is 1/6th.

Mr. Venkatanaranappa.—Then again from time to time, they have been giving us on the transport of 20,000 tons outward only a rebate down to 1/10th pie per maund per mile for the period of two or three years.

President.—How is that calculated? Supposing you are able to send 20,000 tons from your works on their railway in any one year, then on your shipments over the whole of their railways, you will get a rebate in respect of those finished products.

Mr. Venkatanaranappa.—Yes, the difference between what we have paid and 1/10th pie.

President.—Have you been able to ship 20,000 tons?

Mr. Venkatanaranappa.—We have obtained the rebate regularly but the period expires in March 1931.

President.—Then you get a rebate which is adjusted at the end of the year.

Mr. Venkatanaranappa.—Yes.

Mr. Natesan.—You actually got it?

Mr. Venkatanaranappa.—Yes for four or five years.

President.—You are calculating on the assumption that these costs will apply to steel.

Mr. Venkatanaranappa.—Not the 1/10th pie. The ordinary freight.

President.—16.

Mr. Venkatanaranappa.—Yes, I believe there will be no difficulty.

President.—On that basis your freight to Kirloskarwadi is Rs. 7-6-0 as against the freight from Bombay of Rs. 17-6 and Rs. 32-11-0 from Jamshedpur.

Mr. Venkatanaranappa.—Yes, Rs. 32-11-0 at the old B. N. R. rates. To Madras and Marmagosa they have given a rate which is slightly less than 1/7th. It is Rs. 6.

President.—Slightly less than .16.

Mr. Venkatanaranappa.—Yes, because of export business.

President.—That is irrespective of the rebate.

Mr. Venkatanaranappa.—We get a rebate on that also.

President.—This figure of Rs. 6 is irrespective of the rebate.

Mr. Venkatanaranappa.—Yes.

Mr. Wiles.—Is this heavy rate due to the change of gauge?

Mr. Venkatanaranappa.—It is the ordinary class rate and the distance.

Mr. Wiles.—They have to break gauge at Poona.

Mr. Venkatanaranappa.—They add a terminal and possibly transshipping charge.

President.—That is also included in your Rs. 17.

Mr. Venkatanaranappa.—Yes.

President.—To what extent is the market which you have mapped out here supplied through the Madras port?

Mr. Venkatanaranappa.—Practically the whole of the Mysore State and the portions of Madras,

President.—Take the area round about Raichur which is met from Madras.

Mr. Venkatanaranappa.—Yes.

President.—If you draw a line

Mr. Venkatanaranappa.—From Wadi, Raichur, Guntakal and Bellary, the rest would come from Bombay.

President.—Much the greater part of it is supplied from Madras.

Mr. Venkatanaranappa.—Yes.

President.—The total area that you give for your market is 115,000 sq. miles. Out of that 100,000 sq. miles would be supplied by the Madras port?

Mr. Venkatanaranappa.—Yes, the Southern Maharatta Railway.

President.—If you draw a line from Raichur to some point in North Kanara through to the ports in the Madras Presidency

Mr. Venkatanaranappa.—There would be about 8,000 square miles.

President.—So that much the greater part of it is supplied from Madras.

Mr. Venkatanaranappa.—Yes.

President.—I was trying to look at it this way: the import of bars taking both protected and unprotected from Madras during the past three years, if averaged, would mean 24,604 tons.

Mr. Venkatanaranappa.—To which we have got to add 5,000 tons.

President.—And if you add 5,000 tons from Tata's

Mr. Venkatanaranappa.—It will be much more. During the last two years Tata's have been making intensive effort to capture the market in that area and the imports have fallen as the result of that.

President.—In that case you have already allowed for it by taking an average. In 1929-30 the imports into Madras of bars were 36,976. I haven't got the Madras figures for 1932-33. Last year I took in this particular period 1931-32 when the imports were 17,342. So if you take 36,000 tons for the first year and 17,000 for the last year, to some extent you have made allowance for the bigger shipments from Tatanagar.

Mr. Venkatanaranappa.—Yes. 17,000 is due to the fact that Tata's have sold at least 12,000 to 14,000 tons during that year.

President.—I rather think that much the greater part of the decline is due to general depression.

Mr. Venkatanaranappa.—It is true, but Tata's have increased their sales in that territory and it cannot be less than 10,000 to 12,000 tons.

President.—If you take the area which is supplied by the Madras port, the total consumption including Tata's of bars is not likely to exceed 30,000 tons.

Mr. Venkatanaranappa.—At present yes.

President.—If to that you add about 5,000 tons for that part of your market which is supplied from Bombay.

Mr. Venkatanaranappa.—No, that part of the market absorbs a larger quantity. It is the area where the industries have been developed. There is a lot of cotton ginning going on. I think the absorption in that territory is much more.

President.—Cotton ginning does not consume very much in the form of bars.

Mr. Venkatanaranappa.—There are other industries also. As I said, Kirloskarwadi and Satara between them take 1,500 tons.

President.—Making the most optimistic estimate I will give you a figure of 35,000 to 40,000 tons, the best demand for the whole of that area, that is to say taking not merely your own market, but also the market in the extreme south which is now left.

Mr. Venkatanaranappa.—Yes, included in those red lines.

President.—Taking the whole Peninsula, the Mysore State and the Southern Maharatta country, the whole of that might mean a market of 35,000 to 40,000 tons.

Mr. Venkatanaranappa.—Yes.

President.—I think that is a reasonable estimate.

Mr. Venkatanaranappa.—Yes.

President.—There are four people who want to have a finger in this pie. There is the Tata Iron and Steel Company; there is the Mysore Iron Works with their projected plant; there is the Indian Steel and Wire Products with their small bars and there is this proposed rolling mill at Negapatam. Four of you would get an aggregate market in this area of about 35,000 to 40,000 tons. That is the position.

Mr. Venkatanaranappa.—There is the fifth, the importing merchants.

President.—Assuming we are able by means of adjustments of tariffs to keep out imports, than that is the position?

Mr. Venkatanaranappa.—Yes.

President.—Have you ever tried to look at your proposition. You were present at the time when we examined the Negapatam rolling mills. They estimate a fair price of somewhere about Rs. 117. Assuming billets at the present import duty they would get their billets at Negapatam at Rs. 82. What they contemplate is some arrangement with the Tata Iron and Steel Company by which their billets could be delivered at more or less the same price at which they could import.

Mr. Venkatanaranappa.—I believe Mr. Rajam said that he would be satisfied if he got his billets at Rs. 30 less than the fair price fixed for the bars.

President.—Rs. 5 for profit and depreciation and the rest of it. That would mean Rs. 117.

Mr. Venkatanaranappa.—Yes.

President.—That is the price at which he can supply against your fair price of Rs. 126. He has a total capacity of two shifts of 24,000.

Mr. Venkatanaranappa.—That is what he told you.

President.—So that the market is not ample. It would be rather a scramble then.

Mr. Venkatanaranappa.—For certain portions of the territory, it would be a scramble, but not in other portions. The western half of Mysore and the Southern Maharatta country would not suit anybody but Bhadravati.

President.—It is not the most prolific part of the market.

Mr. Venkatanaranappa.—I believe it is the best market. Even taking our present experience we are selling more pig iron in that territory than anywhere else.

President.—On the information that we have it is very difficult to determine precisely how the total consumption we have estimated would be distributed in the various markets.

Mr. Venkatanaranappa.—We have done some work in that line and this is based on the impressions gained. That is a very much richer country than the rest.

President.—Which exactly is the area?

Mr. Venkatanaranappa.—Top portion (Map shown).

President.—You mean the Deccan area?

Mr. Venkatanaranappa.—Yes.

Mr. Natesan.—You have had some contacts with the Kirloskarwadi people.

Mr. Venkatanaranappa.—Yes. They have been buying pig iron regularly ever since we started operations.

President.—How much steel do they consume?

Mr. Venkatanaranappa.—Their estimate is 1,000 tons of steel bars, flats and things like that.

President.—Which they would use for agricultural implements.

Mr. Venkatanaranappa.—That of course is in a normal year.

President.—Their output has been considerably reduced recently.

Mr. Venkatanaranappa.—Yes.

President.—It is difficult to carry this question of market any further. That approximately is the position. The market is 35,000 to 40,000 tons and there are likely to be four works trying to supply that market.

Mr. Venkatanaranappa.—It is really 3, because the Tata Iron and Steel Company and the Wire Nail Company between themselves form one. They supplement each other and they don't compete.

President.—What I was thinking of is that this 35,000 to 40,000 is for both protected and unprotected. Jamshedpur would be supplying protected bars in your area and the other people would be supplying unprotected bars which comes to the same thing.

Mr. Venkatanaranappa.—There are really 3 competing, Bhadravati, Negapatam and Jamshedpur.

President.—If you consider Tata Iron and Steel Company and the Steel Wire Products as one, it is a big one.

Mr. Venkatanaranappa.—Yes. They don't compete amongst themselves.

President.—But then both classes of sections are included in our estimate of the market.

Mr. Venkatanaranappa.—Yes.

President.—Now I come to the question of your pipes. I presume you were present at the discussion of this question with the Bengal Iron Company.

Mr. Venkatanaranappa.—Yes.

President.—Since it happens that the Bengal Iron Company represents much the biggest part of the output of cast iron pipes, it would be reasonable in fixing a tariff rate to base our figures on their costs of production where you assume a total market, say, of 20,000 tons and you supply 8,000 tons and the others 12,000 tons.

Mr. Venkatanaranappa.—Their's is certainly the bigger output.

President.—They have a much bigger capacity than yours.

Mr. Venkatanaranappa.—Yes.

President.—So that when we are fixing a uniform tariff rate in this country, we have got to take into account the cost of production of the largest works.

Mr. Venkatanaranappa.—I do not know if that is correct. You have got to protect the weakest.

President.—You can do that only by asking the consumer to pay the Bengal Iron Company far more than what they want or deserve.

Mr. Venkatanaranappa.—If the country is to be self-sufficient, it is not only the bigger producer, but also the smaller producer who has got to be afforded protection.

President.—Under a policy of discriminating protection the consumer looks in at almost every corner. Supposing we proceeded for argument's sake—the matter is still under the consideration of the Board—on the Bengal Iron Company's costs, subject to further scrutiny, I consider that the fair selling price at port would be approximately Rs. 100 per ton.

Mr. Venkatanaranappa.—Including financial charges?

President.—Including everything, fair selling price at port.

Mr. Venkatanaranappa.—I don't believe that it includes financial charges.

President.—Works cost is round about Rs. 78, Depreciation Rs. 8, Profit Rs. 7, Average freight disadvantage Rs. 7, Total Rs. 100. These figures are subject to further scrutiny. Approximately those are the figures that we got from the Bengal Iron Company by a discussion with them.

Mr. Venkatanaranappa.—I was present then, but I rather feel that the freight disadvantage and the other figures will have to be increased.

President.—The freight disadvantage for the Bengal Iron Company or for your Company?

Mr. Venkatanaranappa.—For the Bengal Iron Company.

President.—I would like to base the freight disadvantage on your figures.

Mr. Venkatanaranappa.—You cannot take our figures for one thing and for pig iron take the Bengal's. That would represent nobody.

President.—If the Bengal Iron Company accept our suggestion with regard to freight disadvantage and you object, then my reply to your objection is that I will take your figures.

Mr. Venkatanaranappa.—I do not believe Mr. Harmer accepted it. I think he is going to submit to you a note.

President.—All these figures are subject to the note he would give us.

Mr. Venkatanaranappa.—If you take the low cost of pig iron at which they are supplied, you have got to take the freight and other disadvantages consequent on their making it in one corner of the country.

President.—But then there are various corners of the country where there are very considerable freight disadvantages. There is no getting away from that, because the demand for cast iron pipes does not always arise as in the case of other commodities at port centres. The demand for cast iron pipes is a demand in the interior of the country. With regard to other commodities like piecegoods and so on or even bars, the biggest demand is in the port areas, but in regard to a commodity like cast iron pipes it looks to me in the future that bigger market is going to be in the interior rather than in the ports.

Mr. Venkatanaranappa.—It is very difficult to say.

President.—Unless the Bengal Iron Company can produce very strong evidence to the contrary, I should be inclined to think that a figure of Rs. 7 as freight disadvantage would be very reasonable.

Mr. Venkatanaranappa.—If you want them to give the freight disadvantage, which I believe Mr. Harmer will, during the last three years, that will show a very much bigger freight disadvantage. I know from their sales and from our experience.

President.—If a figure of Rs. 100 is arrived at as a fair price at port then on your figures the financial charges will not be met.

Mr. Venkatanaranappa.—No.

President.—You will cover only your works expenditure.

Mr. Venkatanaranappa.—Yes, not even depreciation.

President.—I understand you don't anticipate any freight advantage on your cast iron pipes.

Mr. Venkatanaranappa.—As we said, it is very difficult to say. We have ignored it because we do not know where the demand will be.

President.—So that the extent to which you can cover any financial charges depends on the freight advantage if a fair price of Rs. 100 is ultimately arrived at.

Mr. Venkatanaranappa.—Yes.

President.—That position is subject to further consideration in the light of further evidence with regard to the freight disadvantage which may be supplied by the Bengal Iron Company or by you. You can consider this question independently of the Bengal Iron Company.

Mr. Venkatanaranappa.—You would base it on their pipe foundry with pig iron at Rs. 30, but nobody else gets pig iron at Rs. 30.

President.—With regard to both cast iron pipes and steel, the only thing that can be done in respect of the Mysore Iron Works is to give them such benefit as they may derive from a duty fixed with reference to the cost of production of larger concerns in the same line in other parts of the country.

Mr. Venkatanaranappa.—If you take Bengal's present costs, that will be all right. There however you want to differentiate. You say you will take freight, depreciation and interest on capital that will be put up by a new company for manufacturing pipes.

President.—Do you want us to include in the cost the interest of Rs. 46 per ton?

Mr. Venkatanaranappa.—I am not saying that. Don't take any overhead and other expenses which Bengal is incurring at present; take them on the basis of a new company which would start to manufacture pipes. The Bengal Iron Company are getting pig at Rs. 30 because they have entered into an agreement with the Indian Iron and Steel Company; which in time is due to the capital they have sunk and their other relations.

President.—Suppose we made a different suggestion to the Bengal Iron Company, we will take their cost of pig iron at the fair selling price of pig iron which may be calculated for the Tata Iron and Steel Company.

Mr. Venkatanaranappa.—At what they are selling in India.

President.—Not at what they are selling in India but their fair selling price.

Mr. Venkatanaranappa.—That would be much the safest way. Would this new Company get pig iron at Rs. 30 if a company was formed to-day? Let us take neither Bengal nor Mysore.

President.—I don't want any new concern to come into the country because there is no scope. The only point of that argument is that their capitalisation is large; that they want much higher financial charges than what we arrive at on a fair capitalisation. It is in the interests of the country at large that they ought to reduce their capitalisation. You have no business to give a fellow the benefit of his over-capitalisation.

Mr. Venkatanaranappa.—That is right. But it is purely due to the circumstances that they had a blast furnace and that they had an understanding with the Indian Iron and Steel Company that they could get pig iron at Rs. 30.

President.—We cannot give the Bengal Iron Company a fair selling price based on the financial complications through which that Company has passed. It is very exceptional from the financial point of view.

Mr. Venkatanaranappa.—You cannot take pig iron at the figure at which they get on account of these exceptional circumstances and put on it the manufacturing charges and the capital charges of a new company.

President.—As a matter of fact, it is a very fair proposition because the Bengal Iron Company are not making their pig iron and they are buying. We allow them a price corresponding to what may be regarded as a fair selling price for pig iron including the works cost, depreciation and return on capital. You cannot put it on a more reasonable basis than that.

Mr. Venkatanaranappa.—You are taking advantage of both. That is my point.

President.—No, I am not. The only point which is open for consideration in my opinion is the figure which has to be taken for freight disadvantage.

Mr. Venkatanaranappa.—There I should be able to furnish you information. Mr. Harmer will furnish you information as to what has been the actual disadvantage during the past three years.

President.—On this question of steel pipes, you make a definite suggestion that whatever duty we propose for cast iron pipes should be applied to steel pipes also.

Mr. Venkatanaranappa.—Yes.

President.—Before I come to that, you remember we discussed the question of price of imported pipes. The average of the various c.i.f. prices that the Begal Iron Company gave us worked out to Rs. 70. It is precisely the figure that you gave as the c.i.f.

Mr. Venkatanaranappa.—Yes.

President.—I suggested to the Bengal Iron Company that the normal price for imports from Japan may be taken at approximately Rs. 90.

Mr. Venkatanaranappa.—Of course, it is very difficult to arrive at a correct figure because when they are selling at a low price like that, we do not know on what it is based. Rs. 70 was not really on very low exchange either.

President.—Rs. 70 was based on quite a low exchange. It is the average of all the 1933 figures when exchange was varying between 80 and 90 all the time, so that it really corresponds to the present rate of exchange. There is no getting away from it.

Mr. Venkatanaranappa.—It is not much lower than the corresponding price.

President.—It represents the present rate of exchange.

Mr. Venkatanaranappa.—There is no reason why we should assume Rs. 90 as a reasonable figure for their imports.

President.—Because Rs. 90 was the figure at which imports came from Japan when the exchange was round about 127.

Mr. Venkatanaranappa.—There was no import of cast iron pipe.

President.—The argument I used with Mr. Harmer was that the figure which he gave for March, 1932, represented probably an order placed with Japan in January, 1932.

Mr. Venkatanaranappa.—It is not the case. The quantity was sold from stock which I believe has not yet been cleared. That is the information I have.

President.—I rather gathered that Mr. Harmer accepted the suggestion.

Mr. Venkatanaranappa.—I know. It was in Bombay that material was received.

President.—What is your suggestion that if exchange were normal, the price would be better than Rs. 90?

Mr. Venkatanaranappa.—It is very difficult to say.

President.—From your point of view it is better to take a lower figure.

Mr. Venkatanaranappa.—Yes, when we are prepared to sell materials at that low price. They offer pig iron at Rs. 30 or Rs. 35 while they are buying large quantities.

President.—The earliest figure that you give for c.i.f. price for Japan is June, 1932. That is in your replies. My recollection is that the earliest c.i.f. price that you give is June, 1932, which represents depreciated exchange.

Mr. Venkatanaranappa.—Yes.

President.—I cannot base anything on that.

Mr. Venkatanaranappa.—In June, 1932, it was Rs. 78.

President.—In the absence of any definite evidence on that point, this is as much as I can do. If you prefer to take the figure of Rs. 100 or Rs. 110 as the price of imports from Japan if exchange was normal I am quite willing to adopt the suggestion.

Mr. Venkatanaranappa.—If the exchange was normal, I don't believe that Japan would export any pipes at all.

President.—Even when the exchange was normal, cotton piecegoods came from Japan.

Mr. Venkatanaranappa.—Pipes were not coming in before.

President.—This is a new line of business apparently.

Mr. Venkatanaranappa.—Yes.

President.—With regard to the United Kingdom prices, the trade figures give prices which show that the average price in 1933 is from Rs. 130 to Rs. 170, but the figure you have given is Rs. 114.

Mr. Venkatanaranappa.—That is based on actual quotations.

President.—How recent?

Mr. Venkatanaranappa.—Middle of 1932. That is more or less the price that they quoted for July recently.

President.—Can you give us figures?

Mr. Venkatanaranappa.—I can get you figures for July.

President.—That is just two months ago.

Mr. Venkatanaranappa.—Yes, I can get the figures for July.

President.—Is that a quotation for cast iron pipes?

Mr. Venkatanaranappa.—Cast iron, steel, Hume and all sorts of pipes.

President.—Imported cast iron pipes?

Mr. Venkatanaranappa.—Yes. I shall get you figures for imported cast iron pipes.

President.—You give a price of Rs. 96 for Continental?

Mr. Venkatanaranappa.—Yes.

President.—Are there any imports of cast iron pipes from the Continent?

Mr. Venkatanaranappa.—Only quotations and not imports.

President.—I cannot see any imports from the Continent.

Mr. Venkatanaranappa.—These quotations are given by firms for *Pent a Mourson* pipes which are French.

President.—As far as cast iron pipes are concerned, it is perfectly clear to me that the real source of competition comes from Japan. There is no getting away from it. That is the real trouble.

Mr. Venkatanaranappa.—Competition from the Continent has also reduced the prices that we would otherwise get.

President.—Have there been any imports during the past 2½ years?

Mr. Venkatanaranappa.—Not in any considerable quantity.

President.—The position is this. As far as cast iron pipes are concerned the whole market is supplied by India.

Mr. Venkatanaranappa.—Yes.

President.—You have to quote specially low prices in anticipation of low prices from Japan.

Mr. Venkatanaranappa.—Yes.

President.—As far as cast iron pipes from United Kingdom are concerned they are all special classes.

Mr. Venkatanaranappa.—I do not know if they are special classes but the prices are high.

President.—The prices are very high; cast iron pipes cannot be quoted in this market at that high figure unless they are of a class which is special.

Mr. Venkatanaranappa.—They are not of any special class. They are ordinary British standard pipes.

President.—There is nothing special about them.

Mr. Venkatanaranappa.—Wherever there is a tender, we all quote.

President.—The average price is Rs. 130 to Rs. 170 during the first four months.

Mr. Venkatanaranappa.—I cannot account for it.

President.—I am unable to understand it. I can understand it on the basis that these pipes are of special class but if you say they are not, then I cannot understand it.

Mr. Venkatanaranappa.—They are water supply pipes; they are not of special classes. But that figure might possibly be due to some spun pipes having come in the interval. That requires to be examined.

President.—We are going to investigate that question with the Collector of Customs.

Mr. Venkatanaranappa.—If spun pipes have come, their price is more by weight. The spun pipes weigh less than the ordinary cast iron pipes per foot length. The figure of Rs. 130 which you meet with might probably be due to that. I believe they got one order for spun pipes recently.

President.—Is that a large order?

Mr. Venkatanaranappa.—I don't think so. It was a fairly small order.

President.—That is about 15 tons. The lowest price that I get is Rs. 130.

Mr. Venkatanaranappa.—We have met with quotations in various tenders which work out to about Rs. 114 c.i.f.

President.—Even on the basis of Rs. 114 c.i.f. there is no case for anything except a revenue duty.

Mr. Venkatanaranappa.—Not unless you want to work up to the Bhadravati fair price.

President.—Coming to the question of steel pipes, you propose that the duty on cast iron pipes should be applied also to steel pipes.

Mr. Venkatanaranappa.—Yes, not if you are not increasing the duties. If you are leaving it at the ordinary revenue duty, I don't want any change having regard to the discussion that is going on now—if you are not prepared to accept this.

President.—You get the benefit of that against any steel pipes which may be imported from Japan.

Mr. Venkatanaranappa.—So far Japan has not sent any.

President.—There is no knowing what may happen.

Mr. Venkatanaranappa.—Somebody said that there was a large consignment of bars coming from Japan.

President.—You agree, don't you, that there are various classes of steel pipes which do not really compete with cast iron pipes?

Mr. Venkatanaranappa.—Those are pipes which are required not for water supply but for other purposes.

President.—Pipes for house connections and so on—galvanized pipes.

Mr. Venkatanaranappa.—They come I think under a different item. We are not talking of galvanized pipes.

President.—Not pipes of 2" and less.

Mr. Venkatanaranappa.—There is a difference between galvanised pipes and cast iron pipes.

President.—Take it on the basis of dimensions.

Mr. Venkatanaranappa.—We don't want an increased duty on galvanized pipe at all.

President.—Take pipes which are 2" and less in dimensions. Do you have cast iron pipes competing with steel pipes of those dimensions?

Mr. Venkatanaranappa.—No, it is only the bigger pipes we are concerned with.

President.—Then there are certain special classes of steel pipes, for which no cast iron pipes can be substituted. If it is considered that protective

duties should be made applicable it would be necessary to have tariff classifications which would differentiate between water supply pipes and others. It would have to be a fairly elaborate classification.

Mr. Venkatanaranappa.—Yes.

Président.—There is another point which I want to raise. Have you any information about prices of imported steel pipes. If you suggest competition, obviously competition must be effective on the price factor.

Mr. Venkatanaranappa.—Yes.

Président.—Have you any information about that?

Mr. Venkatanaranappa.—I will give you the Delhi prices. I may even get them here.

Président.—If you will pass on the information to the Secretary, we will be obliged.

Mr. Venkatanaranappa.—Yes. There was very severe competition. Anticipating that the competition would be keener than it was, the Bengal Iron Company quoted a price much lower than was actually found necessary. I shall give you the figures later.

Président.—What about the asbestos pipes? Where do they come from?

Mr. Venkatanaranappa.—I think one consignment came from England.

Président.—When did that come?

Mr. Venkatanaranappa.—The Stores Department purchased it. A small quantity also went to Gwalior.

Président.—It was a recent order?

Mr. Venkatanaranappa.—The Stores Department purchased last year.

Président.—Asbestos pipes are used for more or less the same purposes as cast iron pipes.

Mr. Venkatanaranappa.—This is a comparison of the prices of pipes delivered at Gwalior.

Président.—That is per foot length?

Mr. Venkatanaranappa.—Yes. That can be the only kind of comparison because the weights won't help us. That is just to indicate how low the price is.

Président.—I think what we ought to try and get is the comparative c.i.f. prices.

Mr. Venkatanaranappa.—We can work it out from that.

Président.—Do you know the freight from Bombay to Gwalior?

Mr. Venkatanaranappa.—I will have it worked out and sent to you.

Président.—I want to get the prices on this basis: taking the price per foot of both asbestos pipes and steel pipes, convert it to a tonnage basis.

Mr. Venkatanaranappa.—So far as that particular tender is concerned they purchased asbestos pipes even though the price of cast iron pipes quoted was lower because the military department specified asbestos pipes. I wrote to the Stores Purchase Department that we were rather surprised that they had purchased at a higher price, but they said the military department specified asbestos pipes.

Mr. Wiles.—Talking of asbestos pipes, how do you justify your claim for a duty on a much cheaper substitute? It has got no relation to your works costs at all?

Mr. Venkatanaranappa.—The prices that we have here are not very much cheaper and asbestos pipes can be substituted for cast iron pipes.

Mr. Wiles.—If that is true, you are proposing to prohibit in a way the use of a convenient and cheaper substitute, in order that your product which may not appeal so much as the others may have the field.

Mr. Venkatanaranappa.—Because it comes in at a lower price. It has not proved to be so good for water supply purposes. If it appeals to the purchaser he will pay a higher price and get it.

Mr. Wiles.—In that case the question ought to right itself: if it is not suitable for the purpose people won't buy it?

Mr. Venkatanaranappa.—Because it is cheaper I suppose people do buy.

Mr. Wiles.—I don't quite understand the justification for prohibiting what I might want to buy—a cheaper substitute—except on general and wider considerations that would apply to the steel industry generally.

Mr. Venkatanaranappa.—This is part of that.

Mr. Wiles.—I would like to know a little more clearly what is the exact relation in regard to the bye-products. I understand that the invention of the synthetic process has practically destroyed your bye-product market as it stands to-day.

Mr. Venkatanaranappa.—There are two factors that have entered the present position; one is the manufacture of these products by the synthetic process. This has only reduced the price that we get; but for that we would sell the acetate of lime at Rs. 240 a ton and the adoption of the synthetic process has reduced the price. On top of that, we have the present depression when there is no demand for these products. It is the combination of these two that is responsible for the present position.

Mr. Wiles.—Do you believe that the market will recover?

Mr. Venkatanaranappa.—Up to a point.

Mr. Wiles.—Will you ever be able to compete with the synthetic process in cheapness?

Mr. Venkatanaranappa.—If we can get to the price of Rs. 100 or Rs. 120 we will be able to compete. The synthetic process has already reduced the price to the level it can; I don't think there will be any further reduction.

Mr. Wiles.—You intend to maintain your processes then on a smaller scale?

Mr. Venkatanaranappa.—Yes because the military department have put up a plant for the manufacture of acetone out of acetate of lime and we want to maintain our plant also and manufacture acetate of lime to the extent they require it.

Mr. Wiles.—What exactly do they use it for?

Mr. Venkatanaranappa.—For the manufacture of acetone.

Mr. Wiles.—What about these other people who are taking formaldehyde?

Mr. Venkatanaranappa.—Even acetic acid and methanol will be continued to be manufactured by us.

Mr. Wiles.—That demand has not been affected by the synthetic process?

Mr. Venkatanaranappa.—No. At one time we got about Rs. 2-8 per gallon for methanol. As a matter of fact when the scheme was originally formulated the price of our bye-products was so good that we expected a very good revenue from that.

Mr. Wiles.—Coming to your capital outlay, I notice that you have added to your block account some expenditure on the investigation of the "hydro-electric scheme".

Mr. Venkatanaranappa.—That has subsequently been transferred to Government. That was not the Sivasamudram electric survey but the Jog survey.

Mr. Wiles.—How do you justify that being added to your block account?

Mr. Venkatanaranappa.—That was added because we did the work and subsequently it was transferred to Government and that expenditure has been or will be removed from the block. The work is now done by the Electrical Department.

Mr. Wiles.—Similarly your "steel investigations": I suppose that this was incurred in connection with your proposal to establish a steel works?

Mr. Venkatanaranappa.—Yes. It includes the half ton electric furnace that we have. We purchased a small converter from the G. I. P. Railway. That is included there.

Mr. Wiles.—I don't quite understand your system of account keeping. Take your balance sheet as given here. How do you incorporate in this balance sheet your profit and losses?

Mr. Venkatanaranappa.—Profit and loss from year to year is passed on to the Comptroller's books.

Mr. Wiles.—You balance this under the heads "Drawings from Controller" and "Working advance"?

Mr. Venkatanaranappa.—Yes, and it is transferred to the Comptroller's accounts. The loss is being written off the revenue account of the State from year to year.

Mr. Wiles.—It is included in the budget as expenditure from revenue?

Mr. Venkatanaranappa.—Yes.

Mr. Wiles.—How about this sum of Rs. 27 lakhs? Is that the sum total of your losses?

Mr. Venkatanaranappa.—It is the present working advance including stocks, stores and other materials. It would include one year's credit.

Mr. Wiles.—It would include only one year's output?

Mr. Venkatanaranappa.—Whatever we have at the moment.

Mr. Wiles.—If you make a profit that would be reduced?

Mr. Venkatanaranappa.—Yes.

Mr. Wiles.—From this point of view the reduction in your interest and depreciation charges that you propose is really a subsidy from the Mysore State to the Company, is it not?

Mr. Venkatanaranappa.—I do not quite follow.

Mr. Wiles.—You say the State is content with an interest of 4 per cent.; that is not a commercial interest, nor is the depreciation which you show a commercial depreciation.

Mr. Venkatanaranappa.—The reason why we have given a low depreciation is that our block account includes tramway track over which the depreciation would be $\frac{1}{2}$ per cent.

Mr. Wiles.—Turn to your statement on capital—Statement 3. Suppose we take 2 $\frac{1}{2}$ per cent. on the first item—Rent and Buildings. Is it a fair commercial depreciation or what figure have you taken on the rest?

Mr. Venkatanaranappa.—We have worked it out. I will send you a statement if you want it of the different charges. It has varied from $\frac{1}{2}$ per cent. to 10 per cent.; for instance 10 per cent. on retorts and things like that and one per cent. on railway track. I will give you the details. We had a discussion at the last enquiry and the Board also felt that 4 per cent. would be fair.

Mr. Wiles.—Do your detailed estimates work out at about 4 per cent.?

Mr. Venkatanaranappa.—Yes. There has already been some money spent on mining development on which the depreciation would be very small. The total works out to about 4 per cent.

Mr. Wiles.—There are other items where depreciation would be nothing at all, such as steel investigation?

Mr. Venkatanaranappa.—Yes. The land was worth practically nothing.

Mr. Wiles.—Apart from your losses then your conclusion would be that what I call the subsidy of the State to the Company is confined to the difference between the commercial rate of interest and the interest they are actually prepared to receive?

Mr. Venkatanaranappa.—From one point of view it is so.

Mr. Wiles.—Do your estimates include any figures for selling organisation?

Mr. Venkatanaranappa.—No. That we deduct from the sales realization just as we deduct railway freight and charges like that.

Mr. Wiles.—In calculating your costs surely it would be an item to be taken into consideration?

Mr. Venkatanaranappa.—It is not a part of the costs. It is a part of the return that we get, and we reduce the return by the selling expenses.

President.—When you calculate your fair selling price of Rs. 129 for steel bars and then work it out to a comparable c.i.f. basis, that assumes that apart from the railway freight question and Port Trust and clearing charges your realisation would correspond exactly to the import price?

Mr. Venkatanaranappa.—But the importing merchant, before he sells, has got to incur some expenditure also.

President.—Which is very different from Tata's assumption?

Mr. Venkatanaranappa.—I know. We are not spending more than what the importing merchant is doing.

Mr. Wiles.—If you were a dividend paying company would you regard it differently then or would you still regard it as a return? In effect it is an increase in your costs which you would have to show in your balance sheet.

Mr. Venkatanaranappa.—We would regard it just the same. In calculating the net return at Bhadravati we exclude this.

Mr. Wiles.—You don't include it as your overhead charges?

Mr. Venkatanaranappa.—It is not part of the management nor part of the production. By the same token we would have to include freight from Bhadravati to say Madras. It is much more reasonable to look at it as selling expenses than part of the cost.

President.—If you make no allowance in your fair selling price for your selling expenses then to that extent your net realisation will be lower.

Mr. Venkatanaranappa.—I am not arriving at the market price but the corresponding c.i.f. price because the merchant who imports will have to take it to the storehouses and sell even if he does it himself.

President.—Therefore your point is that your realisations are not likely to be affected on this account?

Mr. Venkatanaranappa.—That is my point. The other point raised by Mr. Wiles is, which is the correct way of showing it whether under manufacturing and overhead charges or as a reduction of receipts. I rather feel that it is better to deduct it from receipts; it is a part of the sales expenditure.

President.—In our discussion on the need for protection you argue that protection must really be carried on so long as there are any small works requiring help.

Mr. Venkatanaranappa.—If the object is to make the country self-sufficient it really means that.

Mr. Wiles.—That means to say that you can never really dispense with protection. So long as there are small works being opened, it is almost certain that they will work at a loss for the first year or two and you would hold that Government must either help them by a system of bounty or must maintain protection.

Mr. Venkatanaranappa.—But for the very great depression through which we are passing, there would have been developments during the last 10 years which would have met the requirements of the country to a very large extent. Even to-day on account of the protection, Tatas are meeting quite a bit of the requirements of the country in respect of all products except bars and sheets. After all, it would not be a very long period provided the natural conditions were favourable. It was because the last period of protection was unfavourable for the starting of new industries that there has been no development. If the object of the Legislature is to really make the country self-sufficient, then they ought

to go on till that is done and if protective duties work as a hardship, then the help must be by means of bounty or some other method.

Mr. Wiles.—I understand your point, but it means, in practice, if the consumer is not to be unduly burdened, there must be somebody continually enquiring into the works cost of almost every small works and see that they are really working at a reasonable cost.

Mr. Venkatanaranappa.—If the Legislature has that object, it has got to be done. It is the last marginal producer that has got to be protected.

Mr. Wiles.—It is the last marginal producer whose costs must be continually inspected?

Mr. Venkatanaranappa.—That stands to reason. His costs will be higher.

Mr. Wiles.—That is "indiscriminate" protection.

Mr. Venkatanaranappa.—I don't want the protective duties. The protective duties might be removed and some other help might be given to him.

Mr. Wiles.—If you are going to give a bounty, you will be getting into a greater quagmire. You cannot give a bounty to every little individual that comes and asks.

Mr. Venkatanaranappa.—The Legislature must realise that if they are to attain the object in view, they must face the difficulties in the way.

President.—As far as the scale of protection is concerned, that may be based on the circumstances of the most efficient producer.

Mr. Venkatanaranappa.—Yes.

President.—As far as the period of protection is concerned, it must be based on the marginal producer.

Mr. Venkatanaranappa.—I don't say that. If that is more than what the best producer in the country requires, then there must be a combination of bounties and duties.

President.—Then more or less the point is established. There will always be a marginal producer.

Mr. Venkatanaranappa.—Not always.

President.—The moment market expands you have this marginal man with that degree of efficiency always taking his place on the margin.

Mr. Venkatanaranappa.—If you feel that about 95 per cent. of the country's demand is met, you might say "we have reached a stage when we don't want any further development". The people who have already established the industry will also develop. They won't be idle.

Mr. Wiles.—Unless during that period the inefficient works have reduced their costs to approximately that of the most efficient, they would immediately go out.

Mr. Venkatanaranappa.—From the way in which the Tariff Board is working, I think there is no room for an inefficient producer in a protected industry.

President.—That is because we have proceeded on the assumptions very different from what you are suggesting.

Mr. Venkatanaranappa.—No.

Mr. Wiles.—I am trying to realise the difficulty of this question of bounty. For instance take your own case. You say that if the Tariff Board discovers that it is unnecessary, or is unwilling to raise the tariff to a rate which can protect you, but bases it on enquiries into Tata's costs, then the difference between their costs and your costs should be made up in the form of a bounty.

Mr. Venkatanaranappa.—Yes if our costs are found reasonable by the Board.

Mr. Wiles.—The question of reasonableness is rather difficult, because if we held Tata's costs as reasonable in their circumstances, we would also have to hold your costs as reasonable in your circumstances.

Mr. Venkatanaranappa.—That is understandable.

Mr. Wiles.—You have already got a small bounty from the Mysore State, though that doesn't arise out of my particular argument now.

Mr. Venkatanaranappa.—Because we are paying those taxes. The protective duties are being paid by the Mysorean, quite as much as by any British Indian.

Mr. Wiles.—The bounty might not be met out of particular taxes. It would be from the general revenue.

Mr. Venkatanaranappa.—We are paying Customs revenue. The object of raising these duties is to protect and these taxes are being borne by the residents of the Native States and I do not know why the industry in the Native State should not benefit. You have, I dare say, noticed to-day that the Viceroy has said in his banquet speech in Mysore, "It is my sincere hope that the labours of the Tariff Board will result in restoring prosperity to your silk and iron industries".

Mr. Wiles.—It is nice to hear that he has not forgotten us.

Mr. Venkatanaranappa.—We are paying these protective duties and other Customs revenue and in Federation the Customs revenue will be a central revenue.

Mr. Wiles.—You are assuming of course that the bounties would be paid by the enhanced customs duties.

Mr. Venkatanaranappa.—It must be.

Mr. Wiles.—If by such enhancement the customs duties come down to *nil*, where is the bounty to come from?

Mr. Venkatanaranappa.—Customs duties will come down to *nil* at a time when India is producing all her requirements, then no bounty would be required.

President.—It would be coming in diminishing quantity.

Mr. Venkatanaranappa.—In the year in which the customs duties are high it is really so because of the fact that the intentions of the Legislature have not been realised and to that extent the money realised must be formed into a fund out of which the bounty should be given.

Mr. Wiles.—You restrict the bounties to the amount of the increase in customs revenue out of the protective duties?

Mr. Venkatanaranappa.—Yes. During the last seven years if the conditions were favourable for new industries to be started, it might be that protection would not have been required for quite a long time. So the amount that has already been paid by the consumer should be utilised for helping the industries. It is really a charge on the consumer which is expected to benefit the Indian industries, but not to benefit the Government of India.

Mr. Wiles.—We have already had considerable difficulty over that.

Mr. Venkatanaranappa.—Nothing good can be done without facing difficulties.

Mr. Wiles.—How do you propose to give this bounty? Is it to be given to everybody that produces so many tons of steel?

Mr. Venkatanaranappa.—That is for the Tariff Board to go into.

Mr. Wiles.—I am asking what your views are.

Mr. Venkatanaranappa.—That you recommend that the difference between the fair selling price arrived at by you for our works minus the fair selling price for Tata's will have to be given as a bounty.

Mr. Wiles.—Does that mean that the Tariff Board must make an intensive enquiry into every works before we give a bounty?

Mr. Venkatanaranappa.—You have been doing it.

Mr. Wiles.—Taking the works large and small, would it not become an impracticable proposition?

Mr. Venkatanaranappa.—I do not know if it would be impracticable. We are maintaining accounts on a commercial basis. It would not be very difficult to go into it.

Mr. Wiles.—I don't quite understand your paragraph 36 where you refer to the extra cost borne by your works, Rs. 1½ lakhs a year. What does it mean?

Mr. Venkatanaranappa.—If the tramways had been constructed for the Mysore Iron Works by a railway company as part of their system, just as Tata's ore lines were constructed by the Bengal Nagpur Railway, and if a special rate had been given on these lines, then there would have been a saving of Rs. 1½ lakhs.

Mr. Wiles.—Have you any reason to suppose that the Tata Iron and Steel Company are not paying a commercial rate on that line?

Mr. Venkatanaranappa.—Until recently they were paying 1/15th pie per maund on that line.

Mr. Wiles.—Are you suggesting that it is not a commercial rate?

Mr. Venkatanaranappa.—Not that. Supposing these tramways had also been constructed as part of the Indian railway system and the special rates that we are now enjoying had been given to us, we would have saved. We are now working the tramways as part of our works.

Mr. Wiles.—If there is a loss, somebody has got to bear it. If you do not bear it, the general public would have to bear it.

Mr. Venkatanaranappa.—If the tramways we are working were worked as part of the bigger system then there might not be the same loss. Apart from that, our expenditure would have been reduced. If the Indian railways construct a line for a commercial concern and work it at certain freights, then to the extent to which those rates are less than the cost which the concern would themselves have to face if they worked the lines, it is a help given to that Company.

Mr. Wiles.—I am not in a position to say to what extent the railways would be prepared to make a subsidy.

Mr. Venkatanaranappa.—The extent of which might be difficult to calculate.

Mr. Wiles.—They might conceivably have less overhead charges, even if they make it a commercial proposition.

Mr. Venkatanaranappa.—Yes.

Mr. Wiles.—You are asking that the revenue duty should be removed as regards "machinery".

Mr. Venkatanaranappa.—Until recently machinery was duty free and when that was proposed to be imposed, the Legislature threw it out and Sir George Schuster practically accepted it, but the Legislature negatived some other proposals of the Finance Department and then Government had to restore the original position without any change. The justice of it was accepted by the Government of India also. Having regard to these discussions I rather feel that that should be done.

Mr. Wiles.—You are aware that certain fabricators in India have asked for an enhancement of the duty on machinery. How would it affect your Company?

Mr. Venkatanaranappa.—10 per cent. on the steel plant would mean Rs. 2 lakhs more capital. If it is Rs. 16 lakhs, it would be Rs. 1,60,000.

Mr. Wiles.—It is for that reason that you are asking for this particular reduction?

Mr. Venkatanaranappa.—Yes.

Mr. Wiles.—In one of your statements you mention bags. What is the weight of a bag?

Mr. Venkatanaranappa.—75 to 80 lbs.

Mr. Wiles.—How many bags to a ton?

Mr. Venkatanaranappa.—28 bags weigh about a ton.

Mr. Wiles.—That is charcoal. That is why you can't compare it with the next column which is wood?

Mr. Venkatanaranappa.—Quite.

Mr. Wiles.—In statement II, there is a curious drop which probably has been explained somewhere. Under Wood Yard the number of monthly rated staff has gone down from 27 to 6.

Mr. Venkatanaranappa.—That is the conversion between the monthly and the daily rate. The handling at the wood yard has been considerably reduced, because of the charcoal burning in coupes. We have reduced the number of men.

Mr. Wiles.—That is for a period of three years.

Mr. Venkatanaranappa.—Yes.

Mr. Wiles.—What do you mean when you say "A portion of the work in the wood yard is now got done by works staff?"

Mr. Venkatanaranappa.—When all the charcoal was obtained from the retorts, the quantity of wood handled in the wood yard was very much higher than now and since that is reduced, we have reduced the number of Supervisors and other people there.

Mr. Natesan.—Your memorandum and the oral evidence given to-day show that you are very optimistic about the future of your concern, particularly if the steel works is started. Am I right in drawing that inference?

Mr. Venkatanaranappa.—Not very optimistic but optimistic.

Mr. Natesan.—You claim superiority for charcoal iron and you told the President that some are prepared to pay a higher price.

Mr. Venkatanaranappa.—It is not a mere claim. It is admitted that charcoal iron is superior to coke iron, even with the phosphorous content such as it is at Bhadravati.

Mr. Natesan.—I have been told by one who is fairly good at these things that Mysore iron judged by chemical analyses has no advantage over iron made from localities where coke is used.

Mr. Venkatanaranappa.—Our phosphorous is lower than what it is in America and in spite of that in America coke iron is selling at about 13 to 14 dollars whereas charcoal iron for 24 dollars. For foundry purpose, we are selling our iron in America at 24 to 25 dollars. They pay a better price for it which naturally means that there is superiority. When we were exporting pig iron to England, we were getting a much higher price for charcoal pig iron. Japan is paying a much higher price for our iron which naturally shows that it is superior.

Mr. Natesan.—I will leave that point there. It will be for the experts to decide. With regard to cast iron pipes you claim special superiority.

Mr. Venkatanaranappa.—Not for ordinary cast iron pipes.

Mr. Natesan.—You don't.

Mr. Venkatanaranappa.—Except that we claim that our pipes could be used where the pressure is greater and ordinary cast iron pipes are not used. In Bangalore it has been so used and our claim has been confirmed.

Mr. Natesan.—Supposing you had not these friendly arrangements with the Bengal Iron Company, you would have been considerably in difficulties.

Mr. Venkatanaranappa.—I do not know whether we would have been in considerable difficulties. We might have sold a little more, but the net return to both would have been reduced. There would have been an additional factor of competition and the prices would have been much worse.

Mr. Natesan.—You have now heard of Hume pipes made of steel. How will you fare with Hume pipe makers?

Mr. Venkatanaranappa.—Hume steel pipes have just come in. I have not seen any yet and I do not know what their costs are. We will probably know a little more to-morrow.

Mr. Natesan.—You have never thought of that aspect of the question as to how you would fare in competition with the Hume steel pipe.

Mr. Venkatanaranappa.—That doesn't arise in this enquiry, because after all that is internal competition.

Mr. Natesan.—I am asking you purely as a layman. I inspected these works yesterday and so I put that question to you.

Mr. Venkatanaranappa.—There is a move for an understanding between the Bengal Iron Company and the Mysore Iron Works and the Hume Steel Pipe Company.

Mr. Natesan.—That is exactly what I am driving at. If you think it is necessary and just as you have come to an arrangement with the Bengal Iron Company, you might also come to a friendly arrangement with them.

Mr. Venkatanaranappa.—Yes. As a matter of fact negotiations have been opened, but they have not resulted in anything so far.

Mr. Natesan.—How would you fare if the Indian Iron and Steel Company began manufacturing cast iron pipes? These are all things to be considered by businessmen.

Mr. Venkatanaranappa.—By their arrangement with the Bengal Iron Company they are precluded from doing that.

Mr. Natesan.—The suggested arrangement of such a character is not likely to take place at the present time. They will stand by the agreement.

Mr. Venkatanaranappa.—Unless both companies go into liquidation.

Mr. Natesan.—That does not worry you.

Mr. Venkatanaranappa.—No.

Mr. Natesan.—In your representation you refer to some special considerations for the Mysore Iron Works and you have given I think also an estimate of making the wood distillation plant supply the war time needs of the country.

Mr. Venkatanaranappa.—That was at the instance of the Board.

Mr. Natesan.—You say that your claim is reinforced by the fact that, should there be another war, you would be of greater service.

Mr. Venkatanaranappa.—Yes.

Mr. Natesan.—That is to say, Government would not be put to the necessity of starting a separate factory and you yourself would be able to supply.

Mr. Venkatanaranappa.—Yes.

Mr. Natesan.—That is the purport of your claim in paragraph 36.

Mr. Venkatanaranappa.—I did not elaborate this aspect because the Tariff Board has already recognised it. So there was no need to elaborate it.

Mr. Natesan.—You have pointed out that while your plant has cost you Rs. 115 lakhs, if the Government of India were to start a new plant altogether, it would cost about Rs. 82 lakhs or something like that.

Mr. Venkatanaranappa.—In the case of the Bhadravati plant, the bulk of the expenditure has been on the by-product plant. If we had thought of making charcoal in the forests and built the blast furnace, our expenditure would have been very much less.

Mr. Natesan.—Your present capital is Rs. 129 lakhs.

Mr. Venkatanaranappa.—About Rs. 130 lakhs.

Mr. Natesan.—Supported by the authority of Mr. Marshall and Mr. Raabe, you think that with an addition of Rs. 15 lakhs you would be able to manufacture steel, at least in one or two lines.

Mr. Venkatanaranappa.—Since that was written we have made further enquiries and investigated the cost of the plant for making smaller sections and hoop iron. That will mean an additional cost of Rs. 1½ lakhs.

Mr. Natesan.—Even that you are prepared to incur.

Mr. Venkatanaranappa.—We are investigating it.

Mr. Natesan.—You are going to work this without having a blooming mill.

Mr. Venkatanaranappa.—Yes.

Mr. Natesan.—Do you think that the work will be quite satisfactory?

Mr. Venkatanaranappa.—Yes.

Mr. Natesan.—I take it that when you contemplate starting this steel branch, you will have some experts too till the thing is put in a perfect working order.

Mr. Venkatanaranappa.—For a year or two, we will get experts from abroad.

Mr. Natesan.—You have thought of it and provided for the same in the budget.

Mr. Venkatanaranappa.—Yes. In the meanwhile we would train our own people also.

Mr. Natesan.—You claim also that you would be more economical with your staff after you have utilised the experts for some time that is necessary.

Mr. Venkatanaranappa.—We pay our staff comparatively low salaries.

Mr. Natesan.—You make the statement that there is no doubt that the Mysore Iron Works have a future, provided the steel plant is established and helped sufficiently to pass through the early years. What is your meaning? I want you to explain the words "helped sufficiently".

Mr. Venkatanaranappa.—That is, with the protective duties we have asked for and bounties. The point is this. My ten years experience of the Bhadravati plant has shown that the difficulties we have met with so far have been in respect of sales; otherwise the operating and other difficulties have been overcome. The sales problem will be solved to a very large extent if we make products for which there is a local demand.

Mr. Natesan.—So, I may assume that you are very much interested in continuing the protection for Tata's.

Mr. Venkatanaranappa.—Naturally.

Mr. Natesan.—Are you for a protective duty on billets?

Mr. Venkatanaranappa.—We have asked for it.

Mr. Natesan.—After your examination to-day by the President, do you still think it necessary?

Mr. Venkatanaranappa.—I would not insist, but I would very much request that it is necessary. After all rolling of scrap would not be a permanent industry and the best thing would be to help.

Mr. Wiles.—Would you not have a market for billets?

Mr. Venkatanaranappa.—If scrap is available and if there is a good market, we might roll billets, especially if Negapatam comes and takes away a share of the market. It might be very much more advantageous to sell them billets at a good price rather than compete with them in that market. I do not know how it will exactly develop but that is a matter we have to go into.

President.—Your real point as far as that is concerned is that if there is no protective duty on billets, then the steel which would be supplied to the South Indian market which you are depending on will be steel made of foreign material.

Mr. Venkatanaranappa.—Yes.

Mr. Natesan.—With regard to market, the President put you a number of questions. I want to ask you whether you think that in the Mysore

territory itself you have exhausted all possible sources of selling your articles.

Mr. Venkatanaranappa.—The point is this. The consumption of iron and steel in India at the present moment is very small. In South India it is much worse and with progress the demand is bound to grow inevitably. I can visualise a time when the bulk, a very large bulk, of the products will be sold within the Mysore State. With the progress that Mysore is making in industries, it may not be very long before the whole output is consumed in the country itself, but it depends generally on the progress made.

Mr. Natesan.—So, from your knowledge and experience you think also that the Southern Mahratta territory could be very well exploited for your purpose.

Mr. Venkatanaranappa.—It would be a very good market for us for the time being.

Mr. Natesan.—May I take it that you are counting a good deal upon it for the success of your enterprise?

Mr. Venkatanaranappa.—So far as geographical situation is concerned, it is the nearest and best market for us.

Mr. Natesan.—Supposing protection is given and that for a certain period.

Mr. Venkatanaranappa.—We have not come to the period.

Mr. Natesan.—Have you definite views upon the period of protection?

Mr. Venkatanaranappa.—We feel that so far as our works is concerned, seven years would be unduly short. It would not give us room to establish and develop. It will take two years before we can have the plant running satisfactorily and for a period thereafter we will have possibly a number of marketing and other difficulties, *i.e.*, for a year or two, so that the full benefit of protection we will obtain for two or three years. Seven years will be very, very short.

Mr. Natesan.—I will put one more question, with regard to another point. You told Mr. Wiles that the citizen in Mysore was also sharing the burden of protection. Will you just explain what you mean?

Mr. Venkatanaranappa.—If there were no protective scheme contemplated for steel, then steel would be coming into the country at the ordinary revenue duties. The extra duty imposed on steel products is paid by the Mysore citizen as much as by the British Indian citizen.

Mr. Natesan.—Is that your point?

Mr. Venkatanaranappa.—During the last 9 years, whether willingly or unwillingly, we have helped Tata's to build-up their industries. We have helped them, it might be, in a small way. We want the same help to our industries when we are developing them.

Mr. Natesan.—Suppose during a further period of protection, if protection is given, your works are not able to make both ends meet, you think that you would be justified in asking that it should be continued from the point of view of the Mysore tax-payer?

Mr. Venkatanaranappa.—No, we don't expect that contingency. As I showed in reply to the President's questions there are a number of points where a further improvement is possible almost immediately. Later on as there is progress, there might be a number of other things and also we will gradually go in for alloy steel and other special products for which we have natural facilities. We have got chrome in large quantities available within 100 miles from Bhadravati which is now being sold at a very low price for export. We could make use of that and go in for stainless steel and high grade products. As to exactly when we will do all that and what the extra return to the works will be, it may not be possible

to say just now, but that it will help the financial situation of the works, there is no doubt.

Mr. Natesan.—Supposing protection is given by the Tariff Board and during that period and at the end of it you find that there is still a small deficit, that is to say the Mysore Government has still to share a small bit of it, do you still think that it is quite justified and that the Mysore citizen will not grumble and ought not to grumble?

Mr. Venkatanaranappa.—I do not know whether he will not grumble, but he ought not to grumble, seeing the indirect advantages to the country.

Mr. Natesan.—What are the indirect advantages which you visualise so far as the Mysore citizen is concerned?

Mr. Venkatanaranappa.—We are affording employment at present, apart from 1,500 people at the works, to about 5,000 people in the forest who are really agricultural labour coming and doing this work—felling the fuel, etc., as a sort of by-industry. I know as a matter of fact in very lean years they have been able to pay their land revenue out of the money that they get here. We afford a steady employment for about 6 months in a year for about 5,000 people during the non-agricultural season and it is a very good thing if industries on these lines could be developed in India.

Mr. Natesan.—Your consolation will be that the British Indian citizen will be sharing a little of the burden of establishing a key industry and the Mysore citizen should not therefore grumble.

Mr. Atha.—It has been mentioned here that the cost of charcoal per ton of iron in your estimate was about Rs. 27 or Rs. 27·6. You realise I presume that that is a very high fuel cost per ton of iron compared with coke.

Mr. Venkatanaranappa.—Certainly.

Mr. Atha.—About four times?

Mr. Venkatanaranappa.—Yes.

Mr. Atha.—That puts you at a disadvantage on iron to start with. Let us call it Rs. 20. Now the proposed steel works will roll about 20,000 tons of bars a year. That is a very small output, of course you realise, compared with any modern works.

Mr. Venkatanaranappa.—Yes.

Mr. Atha.—Even 1,000 tons a day or 300,000 tons a year is a very moderate output now-a-days.

Mr. Venkatanaranappa.—Yes.

Mr. Atha.—The conversion cost of pig iron and scrap into finished bar is affected by the size of the operation.

Mr. Venkatanaranappa.—Yes.

Mr. Atha.—So that the conversion cost in a works as small as yours could not be expected to be as low as that of any works working on a large scale.

Mr. Venkatanaranappa.—Quite so.

Mr. Atha.—Of course it is to be expected that your disadvantage will be something more than the difference in the cost of your raw material. You cannot get away from that.

Mr. Venkatanaranappa.—I agree.

Mr. Atha.—The conversion cost that has been estimated by the engineers whom you consulted is, it is true, higher than the estimated cost in a large works, but I would point out that it is only very little higher.

Mr. Venkatanaranappa.—These estimates have been based on the information available at Bhadravati as to costs and other data, like rates of wages, etc. We have spent as a matter of fact some ten days over the

estimates. Mr. Marshall, Mr. Krishna Rao and myself have gone literally into every little detail including the number of bricks and their cost. We have taken the actual quotations and the prices that we have been paying. We have done the work with an amount of care which is rather difficult to describe. I don't think, barring general statements and conclusions, if you can give any other standard by which we can prepare an estimate which would be considered more reliable.

Mr. Atha.—You have I don't doubt gone into it with care. I only wanted to point out that the high cost of fuel will persist right through the works.

Mr. Venkatanaranappa.—We have not ignored it at any stage.

Mr. Atha.—The high cost of conversion would affect you in your steel.

Mr. Venkatanaranappa.—We have taken that into consideration. As I pointed out in my replies to the President we have taken the figures at a higher level than the present cost of coal and other materials. If anything, we have tried to err on the safe side—not on the optimistic side.

Mr. Atha.—I don't doubt that but I wanted to call attention to the points I mentioned.

Mr. Venkatanaranappa.—That is a disability which has always existed and of which we are quite aware.

Mr. Atha.—By your calculations you have arrived at figures which are quite close to actual figures attained at much larger works. It is rather surprising.

Mr. Venkatanaranappa.—I have been told by German engineers that with the kind of plant that they are going to give us our costs as now estimated must be considerably reduced. They are considerably less in German plants of this size I understand and if so, there is no reason why that should not materialize here eventually. Both Krupps and Demys have given us figures which show that the German cost is Rs. 12 as against our estimate of Rs. 20.

Mr. Atha.—The estimates made by the engineers are on the basis of producing bars.

Mr. Venkatanaranappa.—Yes.

Mr. Atha.—Practically the same class of bars are already produced by Tata's and other companies.

Mr. Venkatanaranappa.—We have also some sections which Tata's are not producing.

Mr. Atha.—But generally the range is the same.

Mr. Venkatanaranappa.—That is the range that is required in the Indian market. Of course, we have both based on that.

Mr. Atha.—From statements that have been made it is obvious that it is a very competitive line.

Mr. Venkatanaranappa.—So far there has been very little competition in South India from these concerns and as I pointed out in my replies earlier, competition would not be effective at any time in certain parts unless a rolling mill was started in Hubly for instance.

Mr. Atha.—I was wondering whether you had considered the possibility of not making bars which others are making but other products and thus avoiding such severe competition?

Mr. Venkatanaranappa.—In the last two months we have been investigating the possibility of making bars which are at present unprotected and also hoops. As I told Mr. Natesan, the extra cost would be about Rs. 1½ lakhs. The cost of manufacture would not be substantially different. I was going to say that as soon as a decision is reached we may write to the Tariff Board about our manufacturing hoops when we will want a protective duty on hoops also. At present I think hoops come in at 20 per cent.

Mr. Atha.—You mean hoops and strips.

Mr. Venkatanaranappa.—Yes. There is a good demand for them in Bombay.

Mr. Natesan.—I think now the whole quantity is being imported to the extent of Rs. 40 lakhs.

Mr. Venkatanaranappa.—India is not making any at all. In the leanest year Bombay has taken 20,000 tons.

President.—What exactly is your proposition?

Mr. Venkatanaranappa.—We should reduce the quantity of bigger sections of bars and go in for hoops.

President.—When would you start actually?

Mr. Venkatanaranappa.—You would have reported by that time.

President.—Then there would have to be a fresh enquiry.

Mr. Venkatanaranappa.—I do not know whether that is necessary.

President.—You would have to have a different mill altogether.

Mr. Venkatanaranappa.—The same mill with additional rods and machipery for rolling it into bundles.

President.—I rather thought that the capital expenditure estimated some years ago by Tata's for a hoop and strip mill was a very much more considerable figure.

Mr. Venkatanaranappa.—They were thinking of a new plant altogether.

Mr. Atha.—A modern hoop and strip mill would cost you far more than you have contemplated spending and the tonnage of steel you can make would not be sufficient to feed it.

Mr. Venkatanaranappa.—We are not thinking of a continuous strip mill. We want only some additional stands.

Mr. Atha.—Really what you are proposing is to add one or two stands in the merchant mill.

Mr. Natesan.—With a view to making a beginning in that line?

Mr. Venkatanaranappa.—And also to take advantage of the market.

President.—I must say frankly that if your proposal is that on that account the protective duty should be applied to hoops and strips then the question would arise whether a consumption of approximately of the order of 40,000 tons should be burdened for the sake of a thousand tons that you will make.

Mr. Venkatanaranappa.—If we made 1,000 tons I would not ask for protection at all. If we gain for it, we propose to make about 8,000 tons; that would be the minimum.

President.—In that case you would practically drop your present project. Your idea is to roll 20,000 tons of steel sections and you are proposing to make 8,000 tons of hoops and strips.

Mr. Venkatanaranappa.—And 5,000 to 6,000 tons of unprotected bars; that would be divided in the proportion of 30,30,30.

President.—It is for you to consider your own proposals. If a protective duty was applied to hoops and strips, the biggest market for that is Calcutta and Bombay and a mill working there on a larger scale than your proposed mill would find it easier to absorb practically the whole market at a much smaller cost than yours, if we impose a protective duty and offer an inducement to protective investors. If you go in for hoops and strips you will be competing in a market which does not exist, whereas in the case of bars protected and unprotected you have a local market in respect of which you have a freight advantage.

Mr. Venkatanaranappa.—We have got to examine the markets more thoroughly before we decide on these extensions.

THE TATANAGAR FOUNDRY COMPANY, LIMITED,
and
THE BENGAL INDUSTRIES ASSOCIATION.

Evidence of Messrs. N. N. RAKSHIT and H. P. BHATTACHARYA,
recorded at Calcutta on Friday, the 22nd December,
1933.

President.—Gentlemen, we have invited both of you here this morning because the issues that you raise in your representation are to a large extent similar and we thought it would be convenient both for you and for us if we examined you together.

Mr. Rakshit.—We have no objection, Sir.

President.—The first and probably the most important question that arises from your representation is the price at which pig iron is being sold and we are very anxious to get as clear an idea as possible of the position with regard to pig iron prices in India and we want your assistance particularly on that point. First tell me what is the price at which you get your pig iron for the purpose in which you are interested at present?

Mr. Rakshit.—At present I am interested in manufacturing cast iron sleepers and I am getting my pig iron at Rs. 30 per ton for graded pig iron.

President.—What is graded pig iron? Is it basic pig iron?

Mr. Rakshit.—No. There are five grades of pig iron; all of them are foundry iron and of course after that comes basic pig iron. And that basic pig iron can also be used in foundries.

President.—When you speak of graded pig iron and a price of Rs. 30 per ton what particular grade are you thinking of?

Mr. Rakshit.—Nos. 2 and 3; but one thing I must make clear that I am always prepared to have lower grades also if I can get them cheap. Previously I used to get them cheap but now I can't get them.

President.—You are prepared to use basic pig iron?

Mr. Rakshit.—Yes.

President.—Rs. 30 is the price at which you get Nos. 2 and 3?

Mr. Rakshit.—Rs. 30 plus Rs. 1-9 as freight.

President.—Freight from where?

Mr. Rakshit.—That is rather anomalous because nobody pays the freight but I am charged freight on my supplies.

President.—What is the ground on which this freight is charged?

Mr. Rakshit.—I understand that this pig iron is purchased from the Indian Iron and Steel Company by Government, but the delivery of it to us is given from the Tata Company's Works at Jamshedpur and they calculate freight from Burnpur to Tatanagar and charge that to us.

President.—You are making these cast iron materials: Government supplies you with the raw material and Government get the material from the Indian Iron and Steel Company: do Tatas get it from the Indian Iron and Steel Company and supply it to Government and then Government supply it to you?

Mr. Rakshit.—No. Tatas supply from their own Works on account of Government. I think the two companies have some sort of arrangement between themselves for the supply of pig iron to firms like ours.

President.—When Tatas supply foundry pig iron at your works they would charge the price that the Indian Iron and Steel Company would charge

including the freight which is chargeable from the Indian Iron and Steel Company's works to Tatanagar?

Mr. Rakshit.—Yes; that is the position.

President.—That comes to Rs. 31-9.

Mr. Rakshit.—Yes.

President.—Do you object to these prices?

Mr. Rakshit.—My position is this: that if that price is charged to all foundries engaged in similar trade then I have no objection.

President.—This differentiation troubles you because they are your competitors?

Mr. Rakshit.—Exactly so.

President.—Has this been the price at which you have bought foundry pig iron in recent years or has the price been higher?

Mr. Rakshit.—Before this arrangement with Government I used to get good pig iron at Rs. 30 and off-grade at Rs. 22-8 per ton.

President.—What is off-grade?

Mr. Rakshit.—That is worse than basic pig iron. There are five elements in the pig iron: sulphur, phosphorus, manganese, silicon and carbon. These elements are generally injurious to general castings and when these are out of proportion to the good elements then this pig iron is called off-grade.

President.—If you take No. 3 foundry pig, can you give me the analysis?

Mr. Rakshit.—Yes. Silicon 175, that is 1.75 per cent.; phosphorus is .35, sulphur .05, manganese 1.00 and the total carbon is about 3.80. That is the general analysis of No. 3.

President.—Give me the analysis of basic pig iron.

Mr. Rakshit.—All the other elements are the same but silicon is below 100. That is the only difference.

President.—That is to say foundry pig iron has a silicon content which is either 1.5 or above?

Mr. Rakshit.—Yes.

President.—And basic is generally below?

Mr. Rakshit.—Below 100.

President.—If it is 1.25 for example?

Mr. Rakshit.—It would be considered No. 4 according to their previous catalogue, it wouldn't be basic.

President.—As far as basic is concerned phosphorus, sulphur, manganese and carbon are more or less the same?

Mr. Rakshit.—Phosphorus is the same in all grades. There is a little difference, but that does not matter for foundry purposes.

President.—The other elements do not matter. Now let us take the off-grade: what is the analysis of the off-grade?

Mr. Rakshit.—Sulphur sometimes goes up to .12 and manganese can go up to 2.00.

President.—And carbon?

Mr. Rakshit.—Carbon is a constant factor; it always goes with the silicon.

President.—What is the silicon content of the off-grade?

Mr. Rakshit.—It may be 100 or it may be more than 100.

President.—I suppose what really matters in regard to off-grade is sulphur and manganese?

Mr. Rakshit.—Yes, but there is also low manganese pig which is off-grade.

President.—This off-grade is entirely unsuitable for your purposes?

Mr. Rakshit.—No; I can use anything, whether it is basic, high sulphur or anything and I will purchase rather a decent quantity of off-grade from the Steel Company if I can get it cheap.

President.—We have been told by Tatas that the arrangement for sales of pig iron now is on this basis that the Indian Iron and Steel Company generally supply foundry iron and the Tatas generally supply basic and they also tell us that the Indian Iron and Steel Company sell in the main to engineering firms and the Tatas sell in the main to small foundries and the price at which they sell to small foundries is somewhere in the region of Rs. 30 per ton. I think I had better read the statement and make it quite clear:—
 “The principle underlying the arrangement for sales in India is that the sales not allotted to Mysore shall be divided between the Tata Iron and Steel Company on the one hand and the Bengal Iron Company on the other. As the Bengal Iron Company is not producing iron within this group it will be referred to in this note as the Company. These conditions have been in force for several years and there is no proposal for a change on either side. For sales to the Indian Stores Department and the Railways this equal division is effected by mutual agreement. The remainder of the sales is made by the Indian Iron and Steel Company to larger engineering firms and those to the smaller foundries by the Tata Iron and Steel Company, as the demand from the latter is almost entirely for basic iron which grade is more conveniently supplied by the Tata Iron and Steel Company than the other grades. This also is sold at a much lower price than the other grades but the Company is prepared to supply the smaller foundries at the same price as basic iron suitable iron for specific purposes if a generous demand arises and if it is established that basic iron cannot satisfactorily be used. In fact the price of basic iron is uncontrolled except by the Tata Iron and Steel Company.” The point they appear to me to make there is this: they generally sell basic iron to small foundries and sell it at a price which is apparently considerably lower in the main than foundry iron. But if supposing a demand arises from a small foundry for foundry iron as distinct from basic iron and if it is found that basic iron cannot be used for the purpose for which it is wanted then they are prepared to supply foundry iron at practically the same price at which they sell basic iron. What have you to say to that?

Mr. Rakshit.—Basic iron is absolutely unsuitable for small foundries; for their castings it is absolutely unsuitable; for these castings we require high silicon pig iron.

President.—The difference between basic iron and foundry iron consists in the silicon content?

Mr. Rakshit.—Yes.

President.—The lower the silicon content may I take it the harder the iron?

Mr. Rakshit.—Not only harder, the fluidity of the metal is much less. I will explain how basic iron is not suitable to small foundries. The metal after melting we have to pour in moulds and it has to run in the mould in the molten condition; it requires travelling for a considerable distance. These moulds are within two beds of sand and the molten metal is expected to run in rather wet sand. The phosphorus percentage in the basic pig iron being .35 the molten metal cannot run to the extent that the high silicon iron can run.

President.—Your point is this that as far as the fluidity of the metal is concerned foundry iron is much more suitable for your purpose?

Mr. Rakshit.—It is essential for our purpose. I will give you an example. Take rain water pipe; it is $\frac{1}{4}$ of an inch in thicknesses, 6' in length and 3" in diameter, or 4" or 6", but the thickness of the metal is only $\frac{1}{8}$ " and if we use basic pig iron, after melting it gets cold before it can travel so far, whereas graded pig iron with a silicon content of 250 can travel the whole length of many feet.

President.—Give me the main classes of castings which you make in your works.

Mr. Rakshit.—Here I am not speaking of my works but I am speaking of the small foundries.

President.—What are the bulk of the products manufactured in small foundries in Bengal?

Mr. Rakshit.—Rain water pipes, soil pipes, sanitary fitting utensils and ornamental building materials.

President.—In all these cases you think it is essential to have foundry iron?

Mr. Rakshit.—Absolutely.

President.—Is there any kind of castings made by these foundries for which basic iron is used?

Mr. Rakshit.—None at all. But so far as I am concerned I can use anything because if there is any deficiency in the silicon content I can make it up by adding ferro-silicon which these small foundries can't.

President.—So far as you are concerned therefore since you have the the necessary equipment you are in a position to use any kind of pig iron?

Mr. Rakshit.—Yes.

President.—As far as small foundries are concerned, because the necessary equipment is lacking, it is essential that foundry iron should be supplied to them?

Mr. Rakshit.—Yes, it is not possible for them to improve the pig iron and then use it.

President.—Accepting your position that foundry iron is essential for small foundries, are they able to get their foundry iron at a price corresponding to this figure of Rs. 30 that you give?

Mr. Rakshit.—No.

President.—What is the price at which foundry iron is now obtained by small foundries, say in Calcutta? Why is it that you are able to get it at Rs. 30 f.o.r. Tatanagar and these small foundries can't get at that price?

Mr. Rakshit.—I am working there as an associated company to the Tatas with a specific understanding and I am consuming very large quantities of pig iron.

President.—Is there any agreement between you and the Tata Iron and Steel Company?

Mr. Rakshit.—No. It is only an understanding. There was a correspondence between ourselves and Tatas that they will supply us with pig iron at a competitive basis and my competition is with Messrs. Burn and Company and the Bengal Iron Company.

President.—I think that as far as you are concerned, if you are able to get your foundry iron at a price of Rs. 30 f.o.r. Tatanagar, you have no complaint.

Mr. Rakshit.—I am not getting it for all classes of articles. I am only getting this pig iron to manufacture cast iron sleepers.

President.—When you are making materials for Government railways?

Mr. Rakshit.—Yes.

President.—For other requirements at what price do you get pig iron?

Mr. Rakshit.—I have not yet started, because the price of pig iron has to be actually settled.

President.—Have there been any negotiations between you and the Steel Company?

Mr. Rakshit.—Yes. There is an embargo on us that I am not permitted to manufacture any kind of pipe and its fittings.

President.—You cannot manufacture?

Mr. Rakshit.—No. There was a specific understanding between the Steel Company and ourselves that we would start manufacturing cast iron pipes and fittings. But at the time of granting the lease they have inserted a condition that I am not permitted to manufacture cast iron pipes and fittings.

President.—Is it part of your lease contract?

Mr. Rakshit.—Otherwise they cannot enforce that condition.

President.—I was wondering whether that condition was enforced in this way that if you wanted pig iron for the purpose of cast iron pipes, there is no proviso. There is an embargo. Have you got the agreement here?

Mr. Rakshit.—No.

President.—You might send us a copy.

Mr. Rakshit.—I will send you a copy of the original arrangement. I actually asked their permission to manufacture all classes of pipes, especially high pressure pipes which the Bengal Iron Company is manufacturing, but after that in the agreement there is an embargo that I will not be permitted to manufacture those things.

President.—Kindly send us copies of both the agreement and the correspondence.

Mr. Rakshit.—Yes. If pig iron is given to us at a cheaper price, I can compete with imported articles and I can export cast iron materials.

President.—Have you made any cast iron pipes?

Mr. Rakshit.—Not there. Prior to that.....

President.—Prior to what?

Mr. Rakshit.—Prior to our going to Tatanagar.

President.—When did you go to Tatanagar?

Mr. Rakshit.—In December, 1926. Prior to that I was engaged in the manufacture of rain water pipes. I was a predecessor to this gentleman in Sikdar Iron Works.

President.—Where was your works?

Mr. Rakshit.—In the suburb of Calcutta.

President.—Then you used to make pipes?

Mr. Rakshit.—We are practically the pioneers in manufacturing pipes and our firm collapsed on account of the establishment of Eastern Light Casting Company.

President.—The Eastern Light Casting Company is connected with the Bengal Iron?

Mr. Rakshit.—They are subsidiary concerns. One condition is this that the Eastern Light Casting Company got pig iron from the Bengal Iron Company at Rs. 30 per ton, whereas the Sikdar Iron Works used to get at Rs. 65 per ton.

President.—Let me understand your position. As far as the price of pig iron supplied to you for such products as you are in a position to manufacture now, you have no complaint?

Mr. Rakshit.—For the sleepers I have no complaint. For the component parts I have a complaint.

President.—The component parts of sleepers?

Mr. Rakshit.—Yes.

President.—What is the complaint?

Mr. Rakshit.—There is a tiebar. It is a component part in a sleeper. That tiebar the Tata Iron and Steel Company supplied to Messrs. Martin and Company at Rs. 100 per ton and to me at Rs. 110 per ton at Tatanagar.

President.—This tiebar is steel?

Mr. Rakshit.—Yes.

President.—That is supplied to you by the Tata Iron and Steel Company at Rs. 110 delivered at your works?

Mr. Rakshit.—Delivered at the station.

President.—It is supplied at Rs. 100 to Messrs. Martin and Company.

Mr. Rakshit.—F.o.r. Calcutta,

President.—Have you any idea of the sort of basis on which this differentiation is made?

Mr. Rakshit.—I do not know. Originally the price was the same.

President.—How long ago was the price the same?

Mr. Rakshit.—There is a short history about tiebar. Tiebar used to come here as sleeper fastening. In your previous recommendation to the Legislature that tiebar was not excluded from the railway materials subject to 10 per cent. *ad valorem* duty. So Messrs. Burn and Company used to import those tiebars as sleeper fastenings. There was a specific duty of 10 per cent. *ad valorem*. I submitted a memorandum to the then Commerce Member, Sir George Rainy. Then that portion of the legislation was modified. I think it was in 1930. The tiebar was charged the ordinary revenue duty. I have done that with the definite understanding from the Steel Company that I would be allowed to manufacture tiebars for all these Companies.

President.—Are you in a position to manufacture tiebars?

Mr. Rakshit.—Yes, I have got a plant. By mutual arrangement of these suppliers of sleepers, I had supplied all their tiebars in one year and they supplied me other fittings. In 1932 the price of tiebar charged by the Steel Company was the same to me as well as to the Bengal Iron Company. After that Burn and Company are compelled to buy tiebars from Tatas.

President.—Because the duty was higher?

Mr. Rakshit.—Tiebars are excluded from the sleeper fastenings. This year my price is increased, I do not know why, to Rs. 110. I am not in a position any more to manufacture tiebars. This time I have to buy from Messrs. Henry Williams.

President.—When you supply sleepers to Railways, you are expected to supply sleepers with all these fittings?

Mr. Rakshit.—Yes.

President.—Therefore you buy them from Messrs. Henry Williams.

Mr. Rakshit.—Only this time I have to purchase from Messrs. Henry Williams if their specification is accepted by the Railway Board.

President.—There is a difference in price of Rs. 10 for tiebars supplied to you and tiebars supplied to Indian Iron and Steel Company?

Mr. Rakshit.—It is a little over Rs. 13.

President.—Taking the freight charges into account?

Mr. Rakshit.—Yes.

President.—Practically it is a difference of Rs. 13.

Mr. Rakshit.—Yes. That means 3 annas in each sleeper.

President.—Did you attempt any negotiation with the Steel Company on this point?

Mr. Rakshit.—Yes.

President.—What happened?

Mr. Rakshit.—Their Sales Manager refused to alter his decision. I made a representation to Mr. Dalal. He assured me that he would go through the whole correspondence and would consider this point later on.

President.—How long ago was this differentiation in price first brought into existence?

Mr. Rakshit.—In 1932.

President.—What time of the year?

Mr. Rakshit.—Actual date and month, I haven't got here.

President.—About the middle of the year.

Mr. Rakshit.—I shall send you the correspondence that passed between ourselves and the Steel Company on this subject.

President.—This question of tiebar is the question of price at which steel products are supplied by the Tata Iron and Steel Company.

Mr. Rakshit.—Yes it is so important to me that if this question is not settled, I shall have to shut down. I won't be able to run the factory in competition with Messrs. Burn and Company and the Bengal Iron Company.

President.—Are you able to get these tiebars from Messrs. Henry Williams at a lower price than from the Steel Company?

Mr. Rakshit.—Yes, but the specification is quite different. They re-roll the old rails and make tiebars. That requires special permission from the Railway Board. Messrs. Henry Williams have asked for that.

President.—You are not yet certain whether it will be accepted.

Mr. Rakshit.—I had a talk with the Chief Controller Mr. Wrench. He said he had no objection to that. Of course officially we have not yet got the permission.

President.—Are you getting these fittings from Messrs. Henry Williams at practically the same price at which Burn and Company are able to get from the Steel Company?

Mr. Rakshit.—It may be at the same price; may be a little less, but not higher.

President.—Coming back to the question of pig iron, so far as the price at which pig iron is supplied to you for the purpose of sleepers, you have no complaint?

Mr. Rakshit.—No.

President.—Your complaint as regards pig iron is this that you are not able to get foundry iron for things like cast iron pipes, because you are simply not allowed to make them.

Mr. Rakshit.—Besides cast iron pipes we can manufacture agricultural implements.

President.—Are you doing anything in that line? As far as cast iron pipes are concerned, you are not allowed to manufacture?

Mr. Rakshit.—Yes. There are other articles I can manufacture. As I have shown in my foundry I have practically purchased all the machinery for manufacturing rice hullers and sugarcane crushing machines and unless the price of pig iron is settled, we will not be able to manufacture these.

President.—Suppose you are able to get for agricultural implements at Rs. 31-8, will that be suitable to you?

Mr. Rakshit.—Yes.

President.—Would there be any difficulty about it?

Mr. Rakshit.—So far as the Indian market is concerned, there will be no difficulty, but for export purposes, I want pig iron at the export price.

President.—For purposes of export of any manufactured articles?

Mr. Rakshit.—Yes. I used to send cast iron pipes outside India.

President.—What kind of cast iron pipes?

Mr. Rakshit.—Rain water pipes.

President.—That is in the days when you did work here that you were able to export?

Mr. Rakshit.—Yes. Other foundries can also export—they can send rice bowls to Rangoon—if they get better facilities.

President.—I will come to the question of export later. I want you to tell me about the small foundries. Are they getting foundry iron at Rs. 30?

Mr. Rakshit.—They are getting good graded pig iron at about Rs. 50.

President.—Good graded, is it No. 1 or No. 2?

Mr. Rakshit.—Up to No. 3.

President.—No. 3, at what price they are able to get?

Mr. Rakshit.—Not below Rs. 50. I do not know the recent price.

President.—This is the Trade Journal of 14th December, 1933. Pig iron foundry No. 1 f.o.r. Calcutta in full wagon loads at Rs. 55; No. 2 Rs. 52 and No. 3 Rs. 49. That is f.o.r. Calcutta full wagon load.

Mr. Rakshit.—That is also the recent price. 1932 prices were Rs. 68 Rs. 65 and Rs. 64.

President.—For No. 3 foundry iron?

Mr. Rakshit.—Yes.

President.—Do these small foundries purchase foundry iron from the Indian Iron and Steel Company or from the Tata Iron and Steel Company?

Mr. Rakshit.—They used to purchase from both the Companies.

President.—What do they do at present?

Mr. Rakshit.—I do not know.

President.—Do you know, Mr. Bhattacharji?

Mr. Bhattacharji.—I have no definite information on that point.

President.—If the information that the Tata Company has given us is correct, then it would appear that the Tata Iron and Steel Company are the main responsible for supplying pig iron to the smaller foundries.....

Mr. Rakshit.—That may be the recent arrangement, but originally people purchased from both the places, and the price was the same.

President.—Do you contest this statement?

Mr. Rakshit.—I contest to this extent that the basic iron is absolutely unsuitable for these small foundries.

President.—I am arguing on that basis now. I am accepting your contention for argument's sake that for these small foundries in Calcutta it is essential that the foundry iron rather than basic iron should be supplied.

Mr. Rakshit.—Yes.

President.—Here the Steel Company says that they are prepared to supply to these small foundries at the same price as basic suitable iron, by which I mean foundry iron for specific purposes if a genuine demand arises and it is clear that the basic iron cannot satisfactorily be used. To your knowledge has this statement ever been found untrue. That is to say if a small foundry wanted pig iron, it went to the Tata Iron and Steel Company and said "here is a particular purpose for which we consider foundry iron is essential. We want you therefore to give us foundry iron at the same price at which you give us basic iron". Has ever a question of that kind arisen and has the Tata Company refused?

Mr. Rakshit.—Facility has never been given to any foundry. That is my information.

President.—Is that your information, Mr. Bhattacharji?

Mr. Bhattacharji.—By genuine demand we don't understand what the Tata Iron and Steel Company mean. If you go round the west of Calcutta, you will find a large number of small foundries working in these domestic utensils and other castings. If their number and their activities in manufacturing castings do not create a genuine demand, I do not know what will be called a genuine demand. The genuine demand is there, but the small industries are not purchasing from one consolidated source.

President.—These small foundries, do they purchase in the first instance from the manufacturing companies or do they purchase from dealers?

Mr. Bhattacharji.—They have to purchase from dealers, because they do not get pig iron generally from the manufacturing companies. The manufacturing companies are not prepared to supply small quantities.

President.—If the price f.o.r. Calcutta were Rs. 50, what is the sort of price at which small foundries would get? What are the intermediate charges?

Mr. Bhattacharji.—About Rs. 2 to Rs. 2-8 put on to them.

President.—You mean the price at which the foundry would get its iron?

Mr. Bhattacharji.—Yes.

President.—Your point is that the provision contained in the Steel Company's statement is too vague a character?

Mr. Bhattacharji.—Yes.

President.—That is to say, the burden of proof is thrown on the foundry. The foundry has got to prove that for the particular object basic iron will not be suitable and foundry iron is essential. They have got to prove it and whatever proof they adduce has got to be accepted by the Tata Iron and Steel Company. It is open to the Tata Iron and Steel Company to accept it or not.

Mr. Bhattacharji.—Yes.

Mr. Rakshit.—It is a simple thing to test with their experts from what class of iron utensils and other things can be manufactured. Let them manufacture such castings with basic iron in their own foundry and show us the method so that we can profit by that knowledge.

President.—Suppose it was possible for the Tariff Board to make this provision really effective, in the first instance more specific, less vague, in the second instance suppose we were in a position to arrange that the small foundry can establish its case to the satisfaction of an independent authority, that is to say a small foundry is able to establish not to the satisfaction of the Tata Iron and Steel Company, but to the satisfaction of a disinterested party that it is impossible for them to use basic iron for the purpose in question and it wants foundry iron and then on that the Tata Iron and Steel Company supply you foundry iron at the same price at which they supply basic iron, if the provision is put on those lines, would the small foundries be satisfied?

Mr. Bhattacharji.—They would be immensely benefited. That is why in our memorandum we have asked for the appointment of some such independent authority, some such independent control who would decide questions at issue between the Tata Iron and Steel Company and the small foundries with regard to the manufacture of light castings.

President.—We had also a letter from the Indian Iron and Steel Company referring to the same arrangement. They say:—“The present prices at which pig iron is sold is about 25/30 per cent. below the price at which it could be imported into this country and furthermore, we have agreed with the Tata Iron and Steel Company, Limited, that they should sell Low Silicon Iron up to 1.25 per cent. in Silicon at the low price of Rs. 30 per ton in order to assist the small bazar founder with his business”. The point that I want to raise in connection with that statement is this. From what you told me at the beginning of this examination I understood that basic iron has 1.00 or less than 1.00 of Silicon?

Mr. Rakshit.—Yes.

President.—Supposing the silicon content is 1.25 instead of 1.00, would that be suitable for your purpose?

Mr. Rakshit.—If pig iron is strictly within the limit between 1.00 and 1.25, they can use it for heavy castings but the basic iron is from 0 to 1.25.

President.—What I am suggesting is this. For the kind of castings for which you call fluidity is required, I suppose if pig iron which has a silicon content of 1.25 is offered to you, you can use it.

Mr. Rakshit.—For rain water pipes, pig iron with a silicon content of 1.25 is not very suitable.

President.—How much more do you want?

Mr. Rakshit.—It is about 2.00.

President.—Suppose it was arranged that iron having a silicon content of not more than 2.00 was offered to you at the same price?

Mr. Rakshit.—If you fix the silicon content to be between 150 and 200, it would be suitable. If it is from 0 to 125 it will not be suitable. From 150 to 200 it will be suitable.

President.—What I am suggesting is this. In fixing a price arrangement, if all iron up to 200 is sold at the same price as the basic iron, then you are satisfied?

Mr. Rakshit.—Yes.

President.—That is to say, the higher price charged for foundry iron is for iron having a silicon content of 200. If that was the basis, you would be satisfied?

Mr. Rakshit.—0 to 200 would be considered basic.

President.—I do not in the least know about the technical aspect of the question. I am speaking subject to correction.

Mr. Rakshit.—I am prepared to prove. If they say otherwise they will have to prove it.

President.—As far as I can understand the Tata Iron and Steel Company's statement, leaving alone the Indian Iron and Steel Company, it is this that all kinds of iron, not merely foundry iron, having a silicon content of 125 and below, but all kinds of foundry iron, if a genuine demand arises, would be supplied by them to the small founders at the same price as basic iron. That is what their statement appears to me. If that meaning is made effective.....

Mr. Rakshit.—It will be quite all right. There will not then be any grievance.

President.—Your point is that the statement as made now is too vague.

Mr. Bhattacharji.—Very vague.

President.—And there is a good deal of room for evasion?

Mr. Bhattacharji.—Absolutely.

President.—Suppose you get your foundry iron, that is to say, the small founders get their foundry iron at a price in the neighbourhood of Rs. 30, I don't say exactly Rs. 30 but somewhere about Rs. 30, and if at the same time the export price of iron is Rs. 18, you would not consider the margin excessive?

Mr. Rakshit.—No, so far as the Indian market is concerned, it will not be excessive.

President.—That would be a reasonable margin.

Mr. Rakshit.—Yes.

President.—We have seen a statement of prices realised by the Tata Iron and Steel Company over a period of years and we find that the average margin between the internal price and the export price does not exceed Rs. 12. In some cases it is lower than Rs. 12. So, if that was the position, so far as the export price part of the question is concerned you have no complaint.

Mr. Rakshit.—We have no complaint.

President.—That is to say, Mr. Bhattacharji, your Association asks for the stoppage of export of pig iron and as far as I can understand you are suggesting arrangements for the purpose of preventing the sale of pig iron abroad at prices considerably lower than the price at which pig is sold in this country.

Mr. Bhattacharji.—We do object to that because we think that if Indian pig iron was sold cheaper abroad and re-converted there and the foundry products brought back to India, it would mean that the smaller industries here would be affected by an adverse competition for which the iron companies of India were responsible.

President.—I knew that was your point. Suppose the difference between the export price and the internal price was reduced to a margin of Rs. 12 then the danger of Indian pig iron being re-converted by foreign manufacturers and sent back to India is minimised.

Mr. Bhattacharji.—It is clearly minimised.

President.—It is practically eliminated.

Mr. Bhattacharji.—Yes.

Mr. Rakshit.—With port charges and freight on both sides, it will not be possible for them.

President.—You make that statement in your representation on the assumption that the margin would be considerably greater than Rs. 12.

Mr. Rakshit.—Much greater than Rs. 12.

Mr. Bhattacharji.—The figures as they stood in 1932 were Rs. 64 and Rs. 20. If it is Rs. 30 and Rs. 18, then the risk of competition is practically eliminated.

President.—I think I understand the position fairly clearly now. I don't think I can carry the discussion as regards this question any further this morning because obviously it is a matter which we have to take up for discussion with the Tata Iron and Steel Company and if necessary with the Indian Iron and Steel Company. In the meantime we will accept your position that as far as you are concerned your complaint is twofold: first, that under your agreement with the Tata Iron and Steel Company, you cannot make cast iron pipes which are in your opinion a profitable form of cast iron products.

Mr. Rakshit.—High pressure pipes are. The Bengal Iron Company and the Mysore Iron Works are the only people engaged in manufacturing high pressure pipes.

President.—That is your first complaint.

Mr. Rakshit.—Yes.

President.—Your second complaint is regarding tiebars, that is to say, the differential price at which tiebars are supplied to you and your competitors.

Mr. Rakshit.—Those are my complaints.

President.—As far as the small founders are concerned, the whole question is this. They want their foundry iron to be supplied at the same price at which basic iron is now supplied and they want the provision with regard to that to be made as clear as possible and as effective as possible.

Mr. Bhattacharji.—Yes.

Mr. Rakshit.—And thus eliminate all chances of evasion by the bigger manufacturers. These are small factories and their case should be safeguarded. Apart from making castings, they are also making steel articles.

President.—Let me know what they are.

Mr. Rakshit.—These small works, round about Calcutta, are engaged in manufacturing Municipal and District Board bridges which are small and their other requirements such as hand carts, refuse carts, buckets, etc. They used to get in pre-protection days steel materials at practically the same price at which the bigger factories here were getting. Now the bigger factories are getting them at a cheaper price, with the result that these works are practically closed.

President.—Have you any idea of the price at which they have been getting their steel for the purpose of fabrication?

Mr. Rakshit.—I think it was Rs. 140.

President.—For what kind of steel?

Mr. Rakshit.—Tested steel materials—joists, angles, etc.—things that are required for bridges. As regards trough plates, they are using imported ones.

President.—Can you give me an idea of the extent to which these products are also manufactured by the larger engineering firms? Is there much competition?

Mr. Rakshit.—Practically the smaller concerns are now not in a position to manufacture at all. The manufacture has practically stopped, but previously they were doing this business exclusively.

President.—The reason probably why the small founders have stopped manufacturing these things is that the orders for these things have been very considerably restricted as the result of financial stringency of local bodies.

Mr. Rakshit.—They call for tenders for these District Board bridges, but these small works are not in a position to submit tenders on a competitive basis.

President.—Have there been any recent calls for tenders?

Mr. Rakshit.—Yes, by District Boards. For the last two years tenders have of course been very small.

President.—What I am thinking is this. The fact that during the past two years these small fabricating works have been unable to get orders is due to this: not because that the competition of the larger factories is being more keenly felt but because there has been a considerable falling off in the orders for this class of fabricated steel.

Mr. Rakshit.—They are not in a position to quote on a competitive basis, because their steel price is 40 per cent. higher than the figure at which big firms like Jessop's, Burn's, etc., are getting.

President.—The point that troubles me is this. You are a businessman and you understand business methods better than I do. If I am a manufacturer of steel and I have various customers, some of them large and some of them small, in a time of difficulty like this, I should be very anxious to keep on my list of customers people who buy from me on a large scale.

Mr. Rakshit.—It is quite true. That is applicable only when the firm is not asking for assistance from public. When the country is asked to contribute something for the existence of a big concern, it also expects a return.

President.—That is the point of view from which I was looking at it. I don't for a moment wish to say anything which will suggest that I don't realise the difficulty of the small fabricating works. I do realise it, but we are granting protection to the Steel industry on the assumption that the Steel industry must do its business on business lines. As far as I understand business methods, when you have large customers and small customers, it is the usual thing in ordinary business practice to give more favourable quotations to your large customers than to the smaller customers. Looking at it purely from that point of view, there is some justification.

Mr. Rakshit.—I am telling you that in the pre-protection days my factory was in Calcutta. I used to do work in competition with these big firms that imported materials. They are bigger consumers and yet there have been no differences in prices as regards imports. I can tell you the work I have done. In 1924-25 in competition with these big firms I got the order for the Bengal Nagpur Railway Chindwara shed. I did that against the competition of Messrs. Burn and Company and others. There was not much difficulty in getting materials.

President.—You are a large customer.

Mr. Rakshit.—Not in comparison with Messrs. Burn and Company.

President.—You are a big enough customer.

Mr. Rakshit.—No.

President.—You are getting foundry iron at Rs. 30 which shows that the Tata Iron and Steel Company have some regard for you.

Mr. Rakshit.—I don't claim that because I am getting it. I want the same rate for everybody.

President.—These small fabricating works, do they purchase their steel direct from the Steel Company or do they get it through dealers?

Mr. Rakshit.—They will have to get it from dealers.

President.—The prices that they are charged are those charged by dealers.

Mr. Rakshit.—Yes.

President.—Now that raises the question not merely of the Steel Company but also all the dealers.

Mr. Rakshit.—There is competition in the market and there is not likely to be any big difference in price.

President.—I am thinking of the practical difficulty about it. I am trying to put myself in the position of the Steel Company. The big engineering firms give me large orders. They come to me direct. It is worth while for me to do business with them because their orders are so big. As contrasted with these large engineering firms, there are small buyers. When

these large dealers come to me I quote a certain price. These people get their steel from me. But in the case of small buyers it is quite impossible for me to regulate the price at which the small fabricating works should get their steel because they get it from the dealers and not from me direct.

Mr. Rakshit.—There is no difference between dealers.

President.—The only way in which the Steel Company can get over the position is to quote to dealers exactly the same low level of prices which they quote for engineering firms. That means there is a general pulling down of prices.

Mr. Rakshit.—There are several prices. For quotations for a bridge like the Howrah bridge or the Bally bridge, they have to quote a specially low price. Nobody objects to that. For small purposes, the Steel Company gives different quotations.

President.—You don't look at it practically. Let me understand the position. You take the large engineering firms who were giving a continuous stream of orders for fabricated steel—some big and some small. They are placing continuous orders for steel with the Steel Company and on the basis that these people are making a continuous demand for steel on a large scale, favourable quotations are made. Supposing you ask the Steel Company to quote the same price for small dealers as well, it simply means that the Tata Company would not realise anything like the price that we assumed for them.

Mr. Rakshit.—If the monopoly is given to one firm and if it discriminates between big firms and small firms in the matter of price in this way, is there any possibility of the small firms existing?

President.—As a matter of fact in all business there is a considerable amount of discrimination in price. The only thing that we as a Tariff Board are entitled to do is to rule out discrimination on lines other than business lines.

Mr. Rakshit.—There is one thing to be remembered in this connection. You are placing the Steel Company in a position of monopoly and if you give them the power to quote discriminating prices in the name of business where will these small concerns stand? Who will solve their difficulties?

President.—Supposing we are in a position to see that into the Steel industry are introduced a few extra units who would be in a position to offer the necessary stimulus of competition to the Tata Iron and Steel Company, that would automatically eliminate the difficulty that you are thinking of. Supposing for example you have re-rolling mills in this country and they are in a position to supply steel products, you have got an alternative source?

Mr. Rakshit.—You will have to see that there is no combination of these manufacturers. You will have to provide for that in the Steel Protection Act in order that these manufacturers do not combine.

President.—Have you seen any indication of a combination between rolling mills?

Mr. Rakshit.—Messrs. Bird and Company are the oldest rolling mills—Kumardhubi Engineering Company. They have an arrangement with the Tata Iron and Steel Company. In respect of pig iron, there is a combine.

President.—Supposing you had two or three large steel units in the country there would still be the danger of a combine, wouldn't there?

Mr. Rakshit.—Yes, unless you put some conditions that they will not be allowed to combine at least without your consent or the consent of the Government of India. If you do that there will not be any difficulty.

President.—Supposing the only kind of reasonable conditions that we can enforce in the interest of the consumer is that the prices quoted by the steel industry should not be in excess of the fair selling price estimated by the Board?

Mr. Rakshit.—If you say that their fair selling price will be fixed at what they have estimated in their representation, if you fix their price at that we have no grievance.

President.—The point is somewhat different. I would like you to look at the question in relation to a concrete case. You have heard of this Nerbadah Bridge; there has been very severe competition in respect of that bridge. It was very important for the country that an order for such a large piece of bridgework should be executed in this country. An engineering company in this country secured the order in competition with foreign quotations at a very low price. Now in order to enable that engineering company to quote a very low price and keep the order in the country Tatas quoted rolled steel for that engineering company at a price considerably lower than the normal price charged by them for rolled steel. If you come and tell me that at that very low price rolled steel should be sold to you for fabricating work, which fabricating work you do on a very small scale, then you are asking us to prescribe a condition which is altogether antagonistic to business methods?

Mr. Rakshit.—My position is not exactly the same. If I am also a firm competing with the other existing firms in India trying to quote for the Nerbadah bridge, then I say my price should be the same as that of the other firm who secured the order.

President.—In your business supposing you had a customer who placed large orders continuously with you, wouldn't you give him favourable quotations?

Mr. Rakshit.—I would, but in my case there is the chance of that customer going to some other firm who can quote him a cheaper price but I can't go to another firm because it does not exist.

President.—I understand the difficulties of the small manufacturers but what we are anxious is to do hold the scales even between all interests. We are really a Tariff Board which has got to administer the principles of protection on business lines: it won't do for us to be sentimental and what I am anxious to do is to see that justice is done.

Mr. Rakshit.—I am talking of the difficulties of small business people and ask you to do justice to them as well.

President.—I may assure you that we as a Board are very anxious to see that the smaller interests in the country are not made to suffer unduly: we do recognise that under a policy of protection small interests are likely to suffer and we are very anxious to minimise the extent to which suffering is caused to smaller interests.

Mr. Rakshit.—That is all, we want sir. We only want to exist.

President.—I will have this question again discussed with them and see if we can get more light. If you would like to put in a statement about it we would like to have it.

Mr. Rakshit.—Thank you.

President.—Now I come to the question of bounty which you raise. What is the sort of castings which you have exported?

Mr. Rakshit.—I have in mind to export cheap utensils made of cast iron.

President.—What kind of utensils?

Mr. Rakshit.—Boiling pans and other kinds of pots which can be used for cooking purposes.

President.—Where would you send these?

Mr. Rakshit.—I propose to send these to Far Eastern markets.

President.—Is there an adequate demand for these there?

Mr. Rakshit.—We used to send *karais*, ornamental railings, rain water pipes and so on before 1920 to those places.

President.—But I suppose exports have fallen a good deal?

Mr. Rakshit.—Yes, because Japanese materials are coming in to those places. But if I get pig iron at the same price, with Indian cheap labour I shall be able to compete with Japan.

President.—Your proposal really amounts to this, that Tatas and the Indian Iron and Steel Company export pig iron at a lower price and your

contention is this that where a product is manufactured out of pig iron and is exported then the material used for the exported product should also be supplied at export price?

Mr. Rakshit.—Yes.

President.—Suppose that was done, you would not ask for a bounty?

Mr. Rakshit.—That I want for a very short period. It is a new industry in this country; and if some sort of encouragement is given we shall be able to create a market and after that it will be open for everybody.

President.—It is an unfortunate time for trying to create an export market for cast iron products because in these markets there is no tariff barrier and every manufacturer of cast iron products can compete. If manufacturers of cast iron products cannot compete with Japan in our sheltered markets here it seems to me rather unlikely that you will be able to compete in the export market with Japanese products.

Mr. Rakshit.—Our firm is sending about 60,000 tons of scrap steel to far Eastern ports. Our chartered steamers were visiting these ports to deliver these materials and now we have information that there is a market for these domestic articles. Japan has not practically captured this market.

President.—Supposing we decided to recommend a bounty on cast iron products exported from India, we can't restrict it to particular forms of cast iron products; we have to give it to all kinds of cast iron products.

Mr. Rakshit.—You will have to: I am not asking bounty for any particular commodity.

President.—The difference between bounty and a duty is that in the case of a bounty it is an expenditure by Government and, as you are aware, under our financial arrangements the expenditure which Government incurs has got to be reviewed from year to year at budget time: amounts voted by the Legislature in any one year may lapse in another year and further voting is necessary. What I am thinking of is that the burden involved in a bounty on all cast iron products is a burden which would be of an exceedingly indeterminate character.

Mr. Rakshit.—I say, give us a chance for a year, or for two years and then we can have a discussion on that point. Of course in the first two years we won't be able to do anything to an appreciable extent.

President.—What is the amount that will be required?

Mr. Rakshit.—I am thinking that I should be able in the first year to export 5,000 tons, then 10,000 to 15,000 tons.

President.—You suggest a bounty of Rs. 10 a ton. How are we to know that Rs. 10 is the amount that you want? It may be less or it may be more?

Mr. Rakshit.—It is very difficult to say

President.—If the bounty that you require is more than Rs. 10 then to give you Rs. 10 is to throw away the taxpayer's money; if it is less you are placing an excess burden on the taxpayer and he will say we want to be satisfied that the amount of bounty proposed is the amount that you really require. For that we want to know your costs.

Mr. Rakshit.—What we suggest is this, that for the first two years we will incur all expenses ourselves and after that we shall be in a position to submit an estimate to Government, but we want you to keep a proviso. We shall make an attempt ourselves in the first instance and then we shall be able to give you a correct estimate and you in your report keep a proviso for a bounty.

President.—That is our difficulty. We once about seven or eight years ago made a contingent proposal about a bounty with regard to an industry and the Government of India laid down that they had no desire to accept these contingent proposals. They made it perfectly clear that they did not want these conditional proposals. Personally I am not enamoured of making proposals on conditions which may or may not materialise. The Government of India made their intention very clear: that proposal was made in connection with the cement industry 8 or 9 years ago and Government laid down that a bounty will not come into operation unless certain conditions

were satisfied and they said that on that conditional basis it was not in the public interest to accept such a proposal. Personally I should hesitate to make a proposal on those lines and if a conditional proposal is ruled out then the difficulty is that we have no data on which we can estimate the assistance that you require.

Mr. Rakshit.—I will not be in a position to give you any data unless we actually plunge into the business.

President.—Then your best course would be to do business on those lines and then if you find that a moderate amount of assistance might help you to develop the business, then that would be the time for you to approach the Government of India about this.

Mr. Rakshit.—I see that, but other conditions allied to it are that raw materials should be supplied to us at export price.

President.—In this country since the policy of protection began there has never been a case of bounty on exports, so that if we make a proposal of that kind we have to base it on very very strong grounds.

Mr. Rakshit.—We quite understand that and that is why I say that we shall export on our own account for the first year or two, but the raw material required for that purpose should be supplied to us at the export price.

President.—That point I understand. With regard to this subject of the export of cast iron products there are two issues: the first is that the pig iron used in the manufacture of exported products must be supplied at the same price at which pig iron is exported. The other point is that in addition to that a bounty should be granted for the encouragement of the business. Now, as far as the bounty is concerned it seems to me full of difficulties.

Mr. Rakshit.—Yes because I am not in a position to give you any estimate.

President.—So, the only point that we can consider with regard to that is the first point, that if you are able to have a satisfactory arrangement with regard to the price of pig for exported products then it will be possible for you to make an attempt yourselves and then if you see that there is a reasonable prospect of business developing with some assistance, you can make proposals on those lines to Government. As far as we are concerned it is quite impossible to proceed any further.

Mr. Rakshit.—We are prepared to do that if we can get pig iron at the price at which it is exported.

President.—Mr. Bhattacharya, you raise also the question of railway freights. I am afraid there is nothing we can do.

Mr. Bhattacharya.—I had a talk with the Hon'ble the Commerce Member in connection with the railway freights; these small foundries are vitally interested in this question of freights, and I have requested the Commerce Member to come and give an opportunity to the Executive Committee of the Bengal Industries Association to discuss with him what classification of freights we require, and he has agreed to give us a hearing. We shall discuss this matter with the Hon'ble Member in near future.

President.—The Hon'ble Member in regard to this question will act as the Railway Member and not as Commerce Member. We are not concerned with the railway question.

Mr. Bhattacharya.—The Hon'ble Member, I don't know in what capacity he will act, told me that he will discuss the question of freights with us.

President.—You also raise the question of export of steel in addition to the question of exports of pig iron. I do not know if you wish to press those points. I may tell you what the position is. If you look at page 4 of your representation the first one is of exporting billets and bars. Personally I think there is very much less danger hereafter of billets being exported from this country partly because it seem unlikely that the Ottawa agreement under which the sheet bars used to be exported will be continued, and in the second place as far as sheet bar and billets exported other than

under the Ottawa agreement are concerned I believe actually the surplus reaped by the Steel Company on these over their works costs has been so inconsiderable that I personally doubt whether it would worth while going on with it. In addition to that there are a number of re-rolling mills which are likely to come into existence in the country and the demand for billets from these mills may make it better worth their while to supply their billets to these re-rolling mills rather than to send them abroad. I am inclined to think purely as a result of natural-economic conditions the difficulty you are thinking of would disappear and it is unnecessary to make any specific legislative provision for that. The other question that you raise is with regard to scrap in paragraph 3 of your representation. I am not personally sure that the kind of scrap that Tatas export is scrap which can be used by small industries at all. It is scrap of a very different character. I have had it considered by our Technical Adviser and I am inclined to think that the scrap which is exported by Tatas is not scrap which can be conveniently used by cottage industries; that is to say it is scrap which is used for re-melting rather than re-rolling or for smithy work. The Tata Iron and Steel Company have sent to us a detailed statement of the kinds of scrap that they export and on an analysis of the statement that they have given it seems to us fairly clear that by keeping that scrap in the country neither the cottage industry nor the Steel Company will benefit. We will look into this question further but that is the sort of provisional conclusion we have arrived at.

Mr. Wiles.—Has your Association been able to collect any figures of the consumption of pig iron in past years?

Mr. Bhattacharji.—We have not been able to collect any accurate figures, but we have really based our argument on the general conditions of requirements of the small industries round about Calcutta.

Mr. Wiles.—Their total demand would be very small, I suppose.

Mr. Rakshit.—At present it is 30,000 tons, but previously it was 100,000 tons throughout India. I am not speaking about the total consumption of pig iron in Bengal alone.

Mr. Wiles.—To-day in India you put it at 30,000 tons?

Mr. Rakshit.—Yes excluding of course railways' requirements.

Mr. Wiles.—On what do you base this estimate? Is it guess work?

Mr. Rakshit.—It is not guess work. I shall be able to submit the actual figures to you. I have collected all these figures.

Mr. Wiles.—We would like to know what the previous consumption was.

Mr. Rakshit.—I shall send you the figures later on.

Mr. Wiles.—If you can give us an idea of what the consumption was of the small foundries to-day, it would be useful.

Mr. Rakshit.—Yes.

Mr. Wiles.—When you talk of the blast furnaces being closed down, the reason, I take it, is not so much the fall in the demand from local people, but the fall in the world demand. The blast furnaces in India were chiefly erected to supply the foreign market. The Indian market as compared with the foreign market is very small and the reason that the blast furnaces had to be closed down is due to the fall in the world demand. The export of pig iron has gone down by more than 50 per cent.

Mr. Rakshit.—But my contention is that the consumption of pig iron in India can be developed and it is neglected. So if it is encouraged from the very beginning, the blast furnaces, in my opinion, can be run.

Mr. Wiles.—That is why I want to have these figures. If the export figures have never been very large, then the probability of the demand increasing more than ever before is not very great. If there has been a demand in the past, it is rather a different thing from creating a new demand.

Mr. Rakshit.—It is the idea of certain people that it has reached the position from where it cannot be increased, but the fact isn't that. If the

foundries in India are encouraged, they will be able to consume more than they are using now.

Mr. Wiles.—When you have a large works like the Tata Iron and Steel Company consuming its own pig iron, it is inevitable that somebody must suffer. You cannot have Tata's consuming 500,000 tons of pig iron and at the same time all the little works remaining in the same condition as they were.

Mr. Rakshit.—They are not taking the business of any smaller foundries, but they can supply the requirements of the smaller foundries. That is my contention.

Mr. Wiles.—But do not their products compete with anything which the big firms turn out?

Mr. Rakshit.—Pig iron is not manufactured by anybody except the Bengal Iron Company, the Indian Iron and Steel Company and the Tata Iron and Steel Company. The whole country is dependent on them. When these three blast furnaces were started, they had also taken into consideration the question that India can consume more quantity of pig iron than actually it is now consuming.

Mr. Wiles.—Is it a fact or not a fact that the steel products have tended to supplant the old iron?

Mr. Rakshit.—Requirements of cast iron?

Mr. Wiles.—Yes.

Mr. Rakshit.—No, it is not, because cast iron is required for the manufacture of machineries, pipes. These things are still manufactured out of cast iron.

Mr. Wiles.—When you talk of the artificial raising of the price of corrugated sheets, what remedy do you propose?

Mr. Rakshit.—The corrugated sheet is required by the cultivators. They have to pay to the Steel Company or to Government Rs. 83 as duty.

Mr. Wiles.—You know the reason of that was the protection of the Indian industry. You cannot give protection to the Indian industry without raising the price. Have you got any remedy for this particular complaint of yours? Is it possible in your opinion to reduce the price of corrugated sheets?

Mr. Rakshit.—We ordinary people cannot understand the benefit of giving exorbitant protection to a particular firm at the cost of all poor people. The nationalism in that or the politics behind it, we don't understand.

Mr. Wiles.—Protection was never intended to be given to one firm. I should not regard it from that point of view.

Mr. Rakshit.—So long as there is only one firm, we have to say it is one firm which gets protection.

Mr. Wiles.—You are opposed to giving that firm protection?

Mr. Rakshit.—Protection to the extent of Rs. 83 in a material of Rs. 100, in my opinion, is absolutely exorbitant.

Mr. Wiles.—Can you explain why you think it is exorbitant? Have you read the representation?

Mr. Rakshit.—Because manufacturers in other countries can manufacture at such a low price, that they can afford to pay Rs. 83 duty and export.

Mr. Wiles.—You don't understand why it should be so.

Mr. Rakshit.—Yes in my opinion there is some defect in the administration or machinery.

Mr. Wiles.—You have not got any cut and dried remedy to suggest?

Mr. Rakshit.—How can I? It is impossible for me.

Mr. Wiles.—You leave it to us to do our best.

Mr. Rakshit.—Yes. It is only the grievances we are putting forward.

Mr. Natesan.—Both of you, Gentlemen, have given us your views fully in this memorandum which you have supplied to us and you have also

explained many points in full in answer to the questions put by the President and my colleague. I would like, however, to satisfy myself on one or two points. Not only yourself, but others have stressed that the smaller industries suffer. I take it your chief contention is that foundry iron should be supplied at a reasonable price to smaller industries..

Mr. Rakshit.—Yes.

Mr. Natesan.—I want to understand as a businessman and I am sure you will also help me in stating the position more clearly than I am at present able to grasp. Supposing the Board having been deeply interested in preserving these small concerns as far as possible, is anxious as the President has rightly pointed out, to be just to Tata's and they wish to adopt a certain procedure which will have both these objects in view, my fear is even if the Board takes every possible precaution that the benefit of giving a lower rate for the foundry iron may not reach the small manufacturers you have in view. As you know they are very large in numbers and necessarily they will have to pass through dealers or middlemen whichever phrase you are accustomed to use. These small manufacturers who want to make kadais and small things are not after all big capitalists. They will have only a small sum. They will try to make some savings in a week and with the possibility of an order in view they will try to purchase such foundry iron as is necessary to meet the orders for the next week. It strikes me that they must go to a dealer.

Mr. Rakshit.—Yes.

Mr. Natesan.—And even if the Board goes out of the way and says that Tata's should give foundry iron at a fairly cheap rate, they will have to fix the quantity?

Mr. Rakshit.—Yes.

Mr. Natesan.—That quantity must be such which may reasonably be expected to be sold by such a big producer as the present Steel Company or any other Steel Company. I still have a fear, even if we reduce the price of the foundry iron, the middlemen or the dealer will have the bulk of it. If you take one small foundry man, he gets a certain order and he makes Rs. 100 worth of materials. Whatever arrangement the Board contemplates, I fear the benefit will not be reaped by the small manufacturer. He must go through a dealer or through a middleman. It may be he may be able to get it at a few rupees less which must be very inappreciable. I may also tell you that the Bengal National Chamber of Commerce gave us evidence yesterday. They themselves are not able to account for the difference. They say foundry iron is sold at Rs. 50 whereas it is exported at Rs. 30. Who exactly is taking the benefit is still a problem staring in our face and I am unable even after hearing you to satisfy myself on that point.

Mr. Rakshit.—The thing is this: there are a number of dealers. There is competition between dealers and dealers. So they cannot take very high prices from the consumers. There are dealers who are also financiers and they certainly take higher prices from the foundry people. You cannot by legislation or by any other means make this country free from the middlemen or the money lender.

Mr. Natesan.—That is exactly the difficulty we have in mind.

Mr. Rakshit.—You cannot help these middlemen and money lender. That is our point of view.

Mr. Natesan.—It is not our object. We must save the small industrialists from the middlemen and the money lender.

Mr. Rakshit.—If you recommend a unit, that is one wagon load, then it will relieve the small foundry owners to a considerable extent.

Mr. Natesan.—May I know what is the smallest unit?

Mr. Rakshit.—One wagon load—that is 20 tons.

Mr. Natesan.—You say if someone asks them to sell 20 tons at a time, they should give at the minimum rate we prescribe.

Mr. Rakshit.—Yes.

Mr. Natesan.—The Company has to sell it. Should it not satisfy itself that it goes exactly to the small manufacturer. In everyday life we have these difficulties.

Mr. Rakshit.—You can make a condition that a wagon load would go to *bond fide* foundry owners.

Mr. Natesan.—The Company will not only have to sell at the minimum price which the Tariff Board may, if it thinks possible, be able to fix, but the Company will have to satisfy itself in every case that it is a *bond fide* small industry. I tell you in times of difficulty in other business whenever it was tried to see that there was no monopoly—especially during the war and a little after when in the sale of kerosene and other things this sort of thing was attempted—I may tell you from personal experience it was always found that middlemen made a large profit. As you know, in the match business a match manufacturer may be quite willing to sell a gross to the dealer at a certain price, but when selling matches in retail he always charges more. I am just trying to give you that analogy to enable me as a man not accustomed to this kind of business to understand the difficulty.

Mr. Rakshit.—The remedy is that the Steel Company have to keep a Sales manager from Bengal who knows the Bengal market conditions.

Mr. Natesan.—There are many Englishmen who are successful businessmen in this country. We shall not go into that at present. I thought you were discussing a principle and the difficulty involved in fixing the price. I want you to help me from that point of view.

Mr. Bhattacharji.—What exactly is your point?

Mr. Natesan.—Supposing the Steel Company was protected, if it were possible for the Board ask them to sell foundry iron at a certain price, then we should have to say that it should be a certain unit. After all they are big business men and they naturally cannot afford to deal in small units.

Mr. Rakshit.—We don't want them to do it.

Mr. Natesan.—What is there to satisfy that it is the small manufacturer who gets this foundry iron?

Mr. Bhattacharji.—My answer is this that the Steel Company has got their sales office here and if the sales office do their job properly, they can certainly find out what is the nature of the order, whether it is going to be consumed by a small manufacturer or whether it is going to be sold by the dealer who poses as a small manufacturer.

Mr. Natesan.—That is putting a responsibility on the Steel Company which will be very difficult for them to carry out.

Mr. Bhattacharji.—They ought to accept that much of responsibility to help the small industrialists.

President.—Mr. Bhattacharji, how far is it possible in a matter of this kind to use the Department of Industries in Bengal? That is to say? Is it possible on a basis of certification by the Director of Industries to solve the question?

Mr. Bhattacharji.—That is the best suggestion provided the Director of Industries takes that much of trouble to investigate the thing and do it. Our idea of the Director of Industries' activities in Bengal unfortunately is not very encouraging.

President.—I have examined the Director of Industries, Mr. Weston in other enquiries. I believe Mr. Weston is very much interested in small industries in Calcutta.

Mr. Bhattacharji.—On the activities of the small industries depend the future of the iron industry of this country. It is not the huge works only like Tata's that will bring economic salvation to this country. The small industries must be provided and it is not a big proposition for Tata's to find out where a particular wagon load of pig iron is going. If they cannot do it. I am sorry that they are not doing proper justice to their sales

policy which is expected to be fair and helpful to the public who are giving the protection.

Mr. Natesan.—As regards your suggestion—the President also mentioned it in another connection altogether—you think that it will be a reasonable basis to proceed upon asking the Department of Industries if necessary and if feasible.

Mr. Bhattacharji.—As the President suggested, there must be an independent body, independent men who will decide all these disputes between Tata's and small industrialists. That is the best suggestion we can accept.

Mr. Natesan.—The only practical difficulty I feel is this: we found at the time of war prices were regulated

Mr. Bhattacharji.—Things were different then.

Mr. Natesan.—Even in normal times it always happens that some men buy at wholesale rates and the benefit does not reach the consumer.

Mr. Bhattacharji.—We are not asking you to lay down the law that one wagon load of foundry iron be sold to anybody and everybody at one and the same rate. The price for such an unit should be fixed only for small industrialists and while selling that one wagon load of foundry iron at that price, the salesman of Tata's or of any other big works must make sure that that wagon load is going for industrial purposes to foundries. It is a very easy job. As business men we do it every day of our life. I do not consider it difficult in any way to find out what is being done with my factory product which I am selling at a concession rate for a particular purpose.

Mr. Natesan.—As a business man yourself you give wholesale rates. I am trying to understand. A man who purchases large quantities get wholesale rates and a man who purchases small quantities doesn't get.

Mr. Bhattacharji.—Please do not ignore the whole idea of supplying the small industries the unit of one wagon load at a concession rate? What is it done for? It is done to help the development of such industries.

Mr. Natesan.—I take it you quote a better rate to a wholesale purchaser and your rates are different to another man who is not a wholesale purchaser.

Mr. Bhattacharji.—Yes, but if I am getting some sort of protection from the Government which means indirect taxation on the public, then I may be bound down by the Government to supply at a concession rate some of my semi-finished materials for reconversion by other persons. If I am not accepting any sort of protection or any sort of bounty, then I am free to do what I like. The whole question that to reduce the price of pig iron for the small industries to Rs. 30 a ton is simply considered from the idea that the small industrialists will get the benefit of that reduced rate. You cannot lay down the rule for the dealers to get identical facilities.

Mr. Natesan.—It has to satisfy itself beyond all reasonable doubt that the benefit will go to the small manufacturers. That is the problem before us.

Mr. Bhattacharji.—The best way is to adopt the suggestion put forward by the President. If the Tata Company cannot find out the small industries in Bengal or in any other part of India, then certainly the Director of Industries of each Province might help them to do it.

Mr. Natesan.—On page 4 you say "if in spite of distressful condition they have to buy corrugated sheets for roofing their huts, they will feel the pinch of the high price". You object to the present arrangement altogether?

Mr. Bhattacharji.—The present arrangement, what do you mean?

Mr. Natesan.—The Ottawa arrangement under which corrugated sheets are sold or you object to the rate of protection?

Mr. Bhattacharji.—We are objecting to the rate of protective duty of Rs. 83 on corrugated sheets. We are not objecting to the Ottawa agreement,

Our whole contention on that point is this that if outsiders can sell in this country corrugated sheets at almost the same price as Tata's are doing after getting protection to the extent of Rs. 83, there must be something wrong somewhere. Tata's ought to be able to sell them cheaper.

Mr. Wiles.—If it is found that Tata's cannot sell them at a cheaper price, do I understand you to mean that the country should be free to import for the benefit of poor consumers?

Mr. Rakshit.—Some restricted quantity should be provided for them and there is another thing. The Steel Company only manufacture about 50,000 tons at present of corrugated sheets, but annually the requirement of Bengal is about 200,000 tons in normal days. Where is the justification for putting that Rs. 83 duty on so much quantity for the sake of 50,000 tons?

Mr. Atha.—You said you were in a position to make tie bars. You don't mean to roll the bars, do you?

Mr. Rakshit.—No. We will only make the necessary holes.

Mr. Atha.—You receive the rolled bar and make it into a tie bar?

Mr. Rakshit.—Yes.

Mr. Atha.—As regards this question of scrap sold by the Tata Iron and Steel Company, quite a number of people have mentioned that. There seems to be an impression that scrap is sent out of the country which is useful here.

Mr. Bhattacharji.—We have heard from the President that that is not the case.

Mr. Atha.—I should like to make the matter clear. The bulk of the scrap sent out—practically the whole of it—is blooming mill scrap, heavy crop ends split and unsound. That would be of no use, as far as I can see to a village blacksmith or any small industry.

Mr. Bhattacharji.—It will be wholly uneconomical to keep the scrap here. The sooner it goes out of the country, the better it is.

Mr. Atha.—Tata's, according to the figures submitted, do sell a large quantity of plate mill and bar mill scrap and so forth to the small industries. It seems that they sell all they can in the country as it is to their advantage to do so. It is only the scrap which is of no use to the small industries that they send out.

Mr. Bhattacharji.—Then, there is nothing to complain about.

SIKDAR IRON WORKS, CALCUTTA.

**Evidence of Mr. K. C. DE, Mr. R. C. PANDIT and Rai Bahadur
BISHANSWARUP, representing the Sikdar Iron Works,
recorded at Calcutta on Saturday, the
23rd December, 1933.**

Mr. Wiles.—You are Mr. De?

Mr. De.—Yes.

Mr. Wiles.—In your representation you have included what purports to be a detailed criticism of the Tata Company's representation.

Mr. De.—Yes.

Mr. Wiles.—You have come to the conclusion that the Tata Company is so inefficient and harmful to the interests of the steel industry that you would even welcome its liquidation rather than the continuance of its protection.

Mr. De.—Inefficiency is their own admission.

Mr. Wiles.—Just answer my question. You have come to the conclusion that the company is so inefficient that you would rather welcome its liquidation.

Mr. De.—Yes, in the interests of the nation and of the industry itself.

Mr. Wiles.—On the other hand you claim that your own industry, your own works, is of such importance that you would regard it—and you do regard it—as a national disaster if the works were to be closed down.

Mr. De.—Yes, and I may submit that my firm is one of the several firms with much more capital that have already closed down due to this protection.

Mr. Wiles.—Your representation referred to your own case. I would like to know Mr. De exactly what your qualifications are for offering a detailed criticism of a steel works. Have you any experience of steel manufacture?

Mr. De.—Does that question arise?

Mr. Wiles.—I am asking you whether you have any experience of steel manufacture.

Mr. De.—I have no personal experience of steel manufacture.

Mr. Wiles.—That makes it difficult for us to take seriously many of your criticisms of Tata's representation. I have read through your representation with great care and I really find in it no indication of any sober or useful criticism.

Mr. De.—I beg to differ from you on that point.

Mr. Wiles.—You state towards the end that you have a grievance against the Tata Company. The grievance is that you were unable to obtain from the steel makers the raw material for your own factory?

Mr. De.—That is my grievance: that is the grievance of all the industries and as an effect of that many firms have closed.

Mr. Wiles.—I would like to know your own personal experience. We have had so much evidence from other people that we must ask you, in dealing with a matter of this sort, to confine yourself as much as possible to personal facts—facts within your own personal knowledge.

Mr. De.—The closing down of firms is within my personal knowledge. My friend Mr. Pandit of Kirtanand Iron Works has lost Rs. 16 lakhs on account of failure to get the raw material.

Mr. Wiles.—I will come to that in a minute. I want to know what the facts are. At the moment, I am dealing with what purports to be a detailed

criticism of Tata's representation, and I find that many of your statements are so contrary to our own experience and our own investigation that I am quite unable to see the utility of most of your criticisms. For that reason I think it would be a waste of time for me to ask my Hon'ble Colleagues to bear with me while I examined you in detail on the points raised in your representation. I will however give you an opportunity of explaining some of your remarks which seem to be of more public interest than others. Take paragraph 18 for instance of your representation. You say—"With our experience of cast iron, engineering and other business in manufacturing we have no hesitation to state that with pig iron at about Rs. 19 per ton the cost of all classes of finished steel allowing liberal expenses in all operations cannot exceed Rs. 40 on an average per ton". What do you mean by that?

Mr. De.—It is clear that is what I think with my experience of cast iron industry. I have no opportunity of making steel. I enquired of the Director General of Commercial Intelligence and Statistics whether there were any figures of costs of production of steel in other countries. I could not get them. I searched for those figures in the Tariff Board's last report and I did not find any. In the absence of any other figure this is what I think. This is the finding of the Tariff Board. The cost of production here is something like Rs. 6.

Mr. Wiles.—You are speaking of establishment charges?

Mr. De.—After pig iron, you have to run through some process to convert the raw material into finished steel. In that, establishment is one of the main factors.

Mr. Wiles.—I am asking you to explain your statement that the cost above metal cannot exceed Rs. 40 per ton.

Mr. De.—That is my opinion.

Mr. Wiles.—You have got no facts on which to base your opinion?

Mr. De.—I could not get any. This is only my submission to the Board.

Mr. Wiles.—Then you go on to say that 25 per cent. for overheads and contingencies should be ample.

Mr. De.—That ought to suffice.

Mr. Wiles.—What do you include in overheads?

Mr. De.—Establishment, contingencies and necessary office expenses.

Mr. Wiles.—That does not answer my question. What items are included in overhead charges?

Mr. De.—Practically all the items that Tata's have shown in their representation.

Mr. Wiles.—What is the figure which Tata's give?

Mr. De.—They have given a figure which seems to me to be high. I think 25 per cent. will suffice.

Mr. Wiles.—That is the maximum figure?

Mr. De.—That is my opinion.

Mr. Wiles.—That is not based on any detailed calculation.

Mr. De.—No.

Mr. Wiles.—From your own experience you say that 25 per cent. ought to suffice.

Mr. De.—Yes.

Mr. Wiles.—What do you mean by 25 per cent. for profit?

Mr. De.—On the production.

Mr. Wiles.—On what?

Mr. De.—On overhead charges and costs of production.

Mr. Wiles.—What is this 25 per cent. to be calculated on?

Mr. De.—On the total cost of production including overhead charges—raw materials, labour, establishment, office expenses, etc.

Mr. Wiles.—That is to say, you will ignore the capital expenditure. You propose to calculate the profit on the main costs of production.

Mr. De.—That ought to provide for it. 25 per cent. ought to include everything.

Mr. Wiles.—You make a very interesting statement about the fear of Japanese competition. I gather that you do not fear Japanese competition yourself.

Mr. De.—Japan is taking pig iron from India. Japan is taking scrap material from India. I have sold a few tons myself only the other day for export to Japan. They are taking pig iron from India. After taking these raw materials from India, they will convert them into steel articles and export them to India paying duties, freight and everything. If any firm is afraid of that competition, in my opinion about the efficiency of that firm there is something wrong.

Mr. Wiles.—Is it not a fact that other industries are very much afraid of Japanese competition?

Mr. De.—In this case, the raw material goes from India.

Mr. Wiles.—Assume that Japan gets the raw materials at a cheap rate?

Mr. De.—Then, Japan has the same advantage as India.

Mr. Wiles.—Your point is that if Japan can get its raw materials at the same price as Indian manufacturers can and therefore if Japan can afford to manufacture them into finished articles and send them back to India, then the Indian manufacturers ought to be able to compete with Japan.

Mr. De.—Whenever the Tata Company raise their capital in England, they say that India possesses best raw materials.

Mr. Wiles.—I am talking of the Japanese competition.

Mr. De.—I am coming to that. If Japan can take the raw materials from India and convert them into finished goods and send them back to India all the way from Japan paying freight both ways in competition with Indian products, then about the efficiency of the Indian firm which is afraid of Japanese competition I have very great suspicion.

Mr. Wiles.—You think there is nothing in the general outcry of competition from Japan?

Mr. De.—Not so far as the steel industry is concerned.

Mr. Wiles.—What about the other industries?

President.—Take cotton.

Mr. De.—I have no experience of the textile industry. I am not in a position to talk about cotton.

Mr. Wiles.—Even taking into consideration the fall in the value of the yen, you still think that the Japanese competition is nothing to be feared in the steel industry?

Mr. De.—I have said I am not in a position to talk about cotton.

Mr. Wiles.—I am not talking of cotton now. I am talking of steel. Even taking into consideration the fall in exchange do you still think that there is nothing to fear in respect of Japanese competition?

Mr. De.—If it is really a question of exchange, then to that extent you can grant protection, but the point whether it is the exchange that affects the industry is one which requires investigation.

Mr. Wiles.—In paragraph 22 you say “In paragraphs 82 and 98 of its representation the Company wants duty on billets so that rolling mills cannot be started in India to compete with Tata products relying on imported billets”.

Mr. De.—Exactly.

Mr. Wiles.—What do you mean by that?

Mr. De.—There are some rolling mills started. One is at Benares which I know. I think it is within the knowledge of the Board that there are others at Ghaziabad, Lahore, etc. If my information is correct, one of the employees of the Tata Company is making these mills at a cost of Rs. 4,000 or Rs. 5,000. There is no efficient machinery. They work in the most primitive way, and market their products

Mr. Wiles.—What are their products?

Mr. De.—Rods.

Mr. Wiles.—Anything else?

Mr. De.—No.

Mr. Wiles.—You are confining your remarks to the outturn of rods.

Mr. De.—Yes.

Mr. Wiles.—I don't gather that from what you say—"These rolling mills in India work in the most primitive way with scraps as raw materials and easily compete with the efficient steel industry of the country".

Mr. De.—Exactly.

Mr. Wiles.—The competition is confined to one small item of the industry viz., bars.

Mr. De.—Yes.

Mr. Wiles.—Do you know what the cost of bars of Tata's is?

Mr. De.—It is in the representation submitted by Tata's.

Mr. Wiles.—What is it? You say the cost of products in these mills do not exceed Rs. 40 a ton. What does that Rs. 40 include?

Mr. De.—Everything; overhead charges, establishment, interest on capital.

Mr. Wiles.—We have been told by the re-rolling mills themselves that they cannot afford to sell their materials under about Rs. 113 a ton. There is considerable difference between Rs. 113 and Rs. 40?

Mr. De.—My information is that the actual cost comes to that?

Mr. Wiles.—I think you are rather vague on what actual cost means. There must be some misunderstanding there. You say your information is Rs. 40; that does not in the least coincide with the information given to us by the re-rolling mills. It seems to me that you must be confusing the cost of production with the total cost of the products which is a very different thing. The cost of production may be even lower than Rs. 40.

Mr. De.—I am talking about the cost of manufacture.

Mr. Wiles.—That is to say including their raw material?

Mr. De.—It does not include raw material. Raw material is rejected scrap, rails

Mr. Wiles.—What does that cost?

Mr. De.—About Rs. 20 to Rs. 30 per ton.

Mr. Wiles.—That is to say, their product costs at least Rs. 80 and that cost of production does not include anything for their overheads. The figures produced by the mills themselves show that you are wrong in making this estimate.

Mr. De.—So far as the re-rolling mills are concerned that is what I think is the figure.

Mr. Wiles.—You are here to give us evidence; we don't want your opinion which is not based on facts but based on hearsay. The Board is here; we have to spend a great deal of time in collecting evidence and we do not want your opinion unless you base it on facts which you have ascertained yourself. I will just quote one or two more instances because, as I said, I find it a little difficult to separate the wheat from the chaff in much of your representation. You say in paragraph 29 of your representation "A little careful perusal of this chapter will convince the Board of the irresponsible nature of the Company's claims". You say the company

has ignored altogether the fall in prices of manufacture. Your point is that the Tata Iron and Steel Company have piled up their losses without setting against them their gains from the fall in the price of stores?

Mr. De.—I mean to say that they say that the result of the fall in prices is only 10 per cent.

Mr. Wiles.—That is a misapprehension. The Company have not said that; that relates to only one small part of their costs.

Mr. De.—That is what they have said in paragraph 29. They say "There will be no serious error in assuming that the average level of prices of stores and supplies during the last six years has been about 10 per cent. below the levels of 1926 and 1927".

Mr. Wiles.—I know that. What I am referring to now is paragraph 27 of the same chapter where they say that apart from this 10 per cent. in certain stores the Company have effected a saving owing to the fall in prices: on coal of 2 crores of rupees and on spelter Rs. 16½ lakhs.

Mr. De.—When they talk of average level of prices of stores whether that includes all stores

Mr. Wiles.—It does not include coal and spelter.

Mr. De.—As regards the price of coal also I may say that Rs. 5-12-0 is much too high.

Mr. Wiles.—In that we have had the advantage of consulting the coal industry; we have already had their evidence on that matter. I am only pointing out now that the 10 per cent. which you estimate as the sole amount that can be set against their losses is not correct because you have got to add to that 220 lakhs of rupees on account of coal and spelter.

Mr. De.—As regards these figures we were not given any opportunity to examine them and so I make a general complaint. The representation is *ex parte*.

Mr. Wiles.—How could it be anything else but *ex parte*?

Mr. De.—The whole nation has to pay for this protection. It is the finding of the Fiscal Commission in paragraph 85 of their report that even in more developed countries, with greater public opinion and all that there has been combinations, there has been political corruptions and that sort of thing.

Mr. Wiles.—How is that relevant to this discussion?

Mr. De.—Regarding the correctness of their estimates, in the absence of these being properly checked

Mr. Wiles.—Is not that what the Tariff Board is here for?

Mr. De.—If I understand it aright under the Government of India resolution we have a right to express our views before the Board.

Mr. Wiles.—I am asking your views.

Mr. De.—I am told to give evidence and not express my views.

Mr. Wiles.—I do not want your opinion unless you can prove that it is based on facts. If you have any views which are worth anything you must be able to prove that they are based on facts.

Mr. De.—I respectfully submit that in this particular case nobody can produce any proof because it is a monopoly concern and we can't get any information.

President.—You are not suggesting, are you, that the Fiscal Commission in its proposals implied that every member of the public interested in the industry should have an opportunity of examining the costs of the company?

Mr. De.—I have never said that. The Tariff Board has been given power by the Fiscal Commission's report to give these industries help—I am not speaking of this industry alone.

President.—What the Fiscal Commission contemplated was that it will be a public enquiry; the Fiscal Commission did not contemplate that the enquiry should be undertaken by every member of the public.

Mr. De.—I respectfully submit that my reading of the Fiscal Commission's report is that the Tariff Board enquiry will have to be in public and every member of the public who is interested in the steel industry as a consumer will be given an opportunity to express his views, to say things publicly before the Board and it would be for the Board to decide. Neither the Fiscal Commission nor the Legislature nor the Government of India have said anything about the mode to be followed by the Board. That is left entirely to the Board. My submission is that in the enquiry that is being held in this respect where do we come in? We do not know anything.

President.—The point really is this. With reference to the question raised by my colleague, the extent to which people in your position can help the Board in a public enquiry which the Board is conducting is to give the Board the benefit of your views on matters on which you are in a position to supply facts and figures. Where you express opinions on matters with reference to which you have no facts and figures you are not offering any real help to the Board. This is the point my colleague has raised and it is perfectly correct.

Mr. De.—I submit one thing in this respect that on these figures of theirs we can't help the Board in coming to a conclusion.

Mr. Wiles.—Let me come back to my point. I understood you to say, rather to complain, that this was an *ex parte* statement; what I said was it must be *ex parte*. The Board is here to hear *ex parte* statements. Tatas have made their own case; it must be *ex parte* and we want your help to point out anything in this representation which is exaggerated or based on other than facts. But you do not give us any help by merely giving us suspicions. That is why I am asking you to keep your evidence to matters which are within your knowledge, so that we can investigate; if you don't confine yourselves to matters within your own knowledge you are hindering us, you are not giving us help. You don't help us by giving us vague hearsay.

Mr. De.—This is my practical experience for the last six years.

Mr. Wiles.—I just asked you a few questions which you could not answer from your practical experience because you have no definite knowledge about them. I want you to give us information which as an iron manufacturer you can give us. I won't go into any further details of your criticism because it is quite obvious that you have not the necessary experience of the steel trade to qualify you to give information on details.

Mr. De.—What do you mean by experience? I am a cast iron founder I belong to an engineering firm.

Mr. Wiles.—I will come to your own engineering industry now. On the general question you have raised some criticism quite rightly about certain extraneous expenditure of the Tata Iron and Steel Company which you think is improper. You have every right as a member of the public to criticise this expenditure but I would like you to explain if you will the object of making this criticism. I would like to ascertain whether you really understand the situation. For instance you have accused the Tata Iron and Steel Company of spending vast sums on what you call charity. I would like you to explain that; why do you consider this expenditure as unreasonable?

Mr. De.—The Steel Company in their prospectus bind themselves for that particular industry; I have not got an opportunity of examining the details but my opinion is that it is extravagant and illegal.

Mr. Wiles.—I may tell you at once that I have examined the prospectus and their articles of association and there is nothing of illegality in it. There is no ground for assuming that it is illegal.

Mr. De.—The Company say that for removing the superstition of the aborigines they have spent several lakhs of rupees. Is that the function of the steel industry?

Mr. Wiles.—I think you are exaggerating it. What they said is that their amenities in the town including water supply, their schools, their medical attendance are available to the surrounding aborigines.

Mr. De.—They say the simple aborigines are being freed from the clutches of superstition, medical aid being granted free, thousands of sufferers flock to Jamshedpur for treatment. That is their own statement. What I can't understand as a practical businessman who has spent 25 years in business, is how the steel industry that has to come to the Tariff Board and the public with a beggar's bowl can justify this sort of expenditure.

Mr. Wiles.—The aborigines do come and work in Tatas; are they not to be treated?

Mr. De.—If they are employees I have nothing to say.

Mr. Wiles.—It certainly does not say that these aborigines are not employees in their own works.

Mr. De.—I would refer you to paragraphs 64, 65 and 70 of my representation. There are some other paragraph also, viz., 39 and 46.

Mr. Wiles.—In fact you think the Company spend too much on their civilising activities?

Mr. De.—The Company can very well go on civilising the whole of India if they please. My objection to that is that the other industries should not be ruined to enable them to do that.

President.—The point you are trying to make out is that in so far as the Tata Iron and Steel Company provides amenities for other than its employees they should not be debited to the cost of manufacture?

Mr. De.—Exactly.

President.—I do not know whether you realise the extent to which an industry in the situation of the Tata Iron and Steel Company at Jamshedpur is compelled by circumstances to provide certain amenities for its employees which are not necessary in more civilised areas.

Mr. De.—I respectfully submit that the supplementary memorandum that I have submitted to the Board explains that. I am telling that this Company is only a member of a group of Companies which are taking advantage of protection at the cost of a number of Indian enterprises engaged in the steel industry.

Mr. Wiles.—I am very anxious to get your opinion. If you answer my question, we shall be able to get on much quicker. Have you taken any objection—I am not quite certain from this representation—to the provision of amenities for its employees?

Mr. De.—There must be a limit to the amenities of employees. We, as small industrialists, give certain facilities to our men.

Mr. Wiles.—Where would you put the limit?

Mr. De.—I will refer you to paragraphs 39 to 46 and paragraphs 64 to 70 of my representation: "These purely extra industrial services undertaken by the company for the comfort of all the inhabitants of Jamshedpur Tata employees or not. The capital expenditure of such welfare activities as housing, drainage and sanitation, water supply and education, medical relief, markets and shopping facilities, roads building loan and the like comes to the staggering figure of Rs. 1,68,00,000. The expenditure on maintenance cost another Rs. 10 lakhs a year." They have built model towns for teaching the Municipality their functions.

Mr. Wiles.—Is it your suggestion that the Jamshedpur town should be handed over to a Municipality to be administered?

Mr. De.—Let Jamshedpur town take care of itself.

Mr. Wiles.—It can't take care of itself, because it belongs to the Jamshedpur Company.

Mr. De.—There must be a limit. If Tata's have done this without asking the nation to bear the cost, probably I will have no complaint.

Mr. Wiles.—Where would you put the limit?

Mr. De.—They must restrict themselves to what is actually necessary.

Mr. Wiles.—Would you be prepared to accept the views of the Royal Commission on Labour?

Mr. De.—Yes.

Mr. Wiles.—Have you read the Report of the Royal Commission on Labour? Is there anything here in this list which you consider beyond the scope of the recommendations of the Royal Commission on Labour?

Mr. De.—That is the very admission of the Company. The Company goes beyond all conscience. I will come to that in a minute. On page 6 of their representation they say: "The rules of the company allow of payments on a scale much higher than that laid down in the Workmen's Compensation Act. The rules governing the grant of leave to workers are more generous than in any other Indian industry". In the same page they say: "It may be claimed that there is no industrial concern in India which offers such generous leave terms". On page 7 they say: "It may be claimed that there is no industrial concern in India and hardly any public body that has such liberal provident fund provision for its employees". It has also been shown how the Company treats its labour more liberally than has been granted even by others. Other tangible benefits are conferred by the Company in the shape of model town and housing. The treatment of labour is frequently in advance of the standard recommended by the Royal Commission on Labour. On page 17 they say: "The company supplies free ice and soda water to all the workers inside the works. This much appreciated service entails the running of a soda water factory inside the works to produce the thousands of dozens of bottles of soda water consumed every day. The cost last year was Rs. 1,21,000".

Mr. Wiles.—You object to all these activities?

Mr. De.—I say it is an extravagance and it is illegal and I shall have to see whether it is allowed by the prospectus. So far as I can see it is not justified to incur all this expenditure in their present financial conditions. The total amount paid on account of accidents was Rs. 37,634 whereas under the Act only Rs. 7,555 were paid. Is it not a criminal folly to spend such a lot of money.

Mr. Wiles.—Certainly not. I can answer that straightaway. You use the strong word "Criminal", because they have gone a little far in providing amenities to their labour?

Mr. De.—I don't say that. Amenities are to be allowed, but not when there is discrimination in amenities. As I have shown there has been discrimination in favour of certain community.

Mr. Wiles.—What do you mean by that?

Mr. De.—I mean by this that the Company is run for the interests of their European employees, for the interests of the European loan, for the interest of the European firms and Tata's is only one of the group taking advantage of the Fiscal Commission.

Mr. Wiles.—Are the European concerned in the Workmen's Compensation Act?

Mr. De.—I have not said that.

Mr. Wiles.—You have. Are the Europeans concerned in the free supply of boots?

Mr. De.—No.

Mr. Wiles.—Are the Europeans concerned in any of these items which you have just read out?

Mr. De.—These are very small items.

Mr. Wiles.—Then why are you making so much fuss about them?

Mr. De.—A dairy farm is run of supplying milk, cream, etc., at cost price.

Mr. Wiles.—Three times in this Report you have complained about the supply of free boots.

Mr. De.—I have not mentioned about it.

Mr. Wiles.—You object to the supply of free boots?

Mr. De.—That is only one out of many.

Mr. Wiles.—I am quoting you "Free boots is an example of the extravagance of the Tata's administration".

Mr. De.—That is only one out of many. If you stress that, it is putting me in a very awkward position.

Mr. Wiles.—You have made a very great point of that. Do you wish to withdraw it?

Mr. Pandit.—It is not stated to which class of workmen free boots are supplied.

Mr. Wiles.—Have you ever tried to work on red hot iron on bare feet? I saw these free boots when we went to Jamshedpur. I also thought it was curious that free boots were supplied. I went and asked why. I have found that it is a hardship for an Indian labourer to walk on red hot iron with his bare feet.

Mr. De.—That is only one out of so many points.

Mr. Wiles.—You don't expect the Tata Company to supply free boots.

Mr. De.—Have I made stress on that particular point?

Mr. Pandit.—I am making this enquiry: How the people are asked to walk on red hot iron. I do not know in what process.

Mr. Wiles.—I am not a technical man. Mr. Atha knows these facts.

Mr. Atha.—In many places in the steel furnace.

Mr. Pandit.—I have worked steel furnace and I have not incurred such a large expenditure for boots. In the large railway foundries where they handle melting iron, I don't think there is so much expenditure for boots.

Mr. De.—In the cast iron industry, we don't supply free boots.

Mr. Natesan.—You have not incurred a large expense. So you have thought it necessary in the interests of labour as an act of humanity to incur some expense.

Mr. De.—Yes.

Mr. Natesan.—What was the number of people employed in your works?

Mr. De.—About 100 people.

Mr. Natesan.—This firm employs nearly 20,000.

Mr. De.—Not all walking on red hot iron.

Mr. Natesan.—May I ask whether you supplied free boots for all your hundred people? Here the number is large.

Mr. De.—We don't grudge that expense on boots.

Mr. Wiles.—I understand your point. I don't think we need go into it further. You think that Tata's have gone too far in the supply of amenities to their employees. We will leave it at that. In paragraph 61 you say: "The Company has demanded Rs. 11 lakhs as interest on working capital probably by working capital the Company means its foreign loan at 7½ per cent.". Why do you say that?

Mr. De.—That is what I find. That 7½ per cent. is a foreign loan.

Mr. Wiles.—Why should you assume that it is their working capital? What do you understand by that?

Mr. De.—The capital required to work a factory is working capital.

Mr. Wiles.—The foreign loan is a very small loan.

President.—You are not suggesting that that loan is being used to finance the current working capital?

Mr. De.—It was really used for working capital. They will have to borrow this particular amount.

Mr. Wiles.—Whether they borrow or not, money is locked up in stocks.

Mr. De.—I think I have understood the provision of interest to mean the interest on loan.

Mr. Wiles.—At what rate of interest are you able to borrow money for your working capital?

Mr. De.—At the present moment we have closed the works.

Mr. Wiles.—You are not borrowing.

Mr. De.—Nobody in the market will give us.

Mr. Wiles.—The Tata Company propose to claim 6 per cent. on their working capital. There is no question of foreign loan at all. There is one paragraph in which I think I can probably wholly agree with you.

Mr. De.—I thank you to that extent, you agree with me on one point at least.

Mr. Wiles.—In paragraph 75 you say that provision by protection against strikes is going too far. That is my own personal view.

Mr. De.—Yes.

Mr. Wiles.—I will pass on to the cast industry. Your grievance, if I understand it rightly, is that you have been unable to obtain from the industry your raw materials at what you consider to be a reasonable rate. Now I should like to hear a little more about it. What are the products you turned out?

Mr. De.—It is an industry that was established in 1879. We have got a machine shop.

Mr. Wiles.—Is it chiefly iron?

Mr. De.—Steel is the only protected industry.

Mr. Wiles.—Do you fabricate steel?

Mr. De.—We are fabricating. I have got a fairly big machine shop. I invite the members—it is only 3 miles—to inspect my factory and see its condition and what we are capable of doing.

Mr. Wiles.—What was your main industry?

Mr. De.—Cast iron and steel fabrication.

Mr. Wiles.—Which was the larger part of your industry?

Mr. De.—That is difficult to say. That depends upon the demand.

Mr. Wiles.—I am referring to the demand in the past.

Mr. De.—Both cast iron and steel fabrication.

Mr. Wiles.—It is about half and half?

Mr. De.—Cast iron will be little more than half. We are doing more cast iron products.

Mr. Wiles.—Is your complaint this that you cannot get pig iron at reasonable rates?

Mr. De.—Not only at reasonable rate, but we cannot get pig iron at all.

Mr. Wiles.—What does that mean?

Mr. De.—Tata's will sometimes say "we haven't got it in stock and we can't supply you". If we criticise their action in the papers, it becomes a grievance.

Mr. Wiles.—What sort of pig iron do you want?

Mr. De.—We want foundry grade pig iron.

Mr. Wiles.—That is not ordinarily supplied by Tata's?

Mr. De.—Yes.

Mr. Wiles.—Have you ever bought pig iron from the Indian Iron and Steel Company? Have they also refused to supply?

Mr. De.—Yes.

Mr. Wiles.—That seems very strange.

Mr. De.—Even they didn't supply basic pig iron.

Mr. Wiles.—This is in 1929?

Mr. De.—Yes.

Mr. Wiles.—You were told that they had not enough pig iron?

Mr. De.—That is basic pig. We simply criticised their action in the Press.

Mr. Wiles.—That is a personal matter.

Mr. De.—Sikdar Iron Works claim to be the oldest Indian works.

Mr. Wiles.—Your grievance is a personal matter. You claim that they are treating you differentially.

Mr. De.—That is their general treatment with everybody. Lot of firms have closed down. My friend sitting here on the right Mr. Pandit of the Kirtanand has lost Rs. 16 lakhs for not being able to get pig iron.

President.—When you were refused by the Tata Iron and Steel Company the supply of iron you wanted in 1929, then the only alternative source of supply would be imports.

Mr. De.—Yes.

President.—What I mean to say is if the Indian supply of pig iron is not sufficient, the only way for the Indian manufacturer of cast iron products can get his supplies is to import them, but if you had turned to that alternative source of supply, your position would not have been any better even if there had been no import duty on pig iron.

Mr. De.—If there had been no import duty on pig iron, the rates would have been a little less.

President.—In those days the import duty on pig iron was 10 per cent.

Mr. De.—On tariff valuation.

President.—Tariff valuation of Rs. 70. Take it at about Rs. 7. Supposing the whole of that was remitted, even then you would not have been able to get any imported pig at below Rs. 60.

Mr. De.—The question does not come in that way.

President.—I am trying to clear up a doubt that I have.

Mr. De.—That is not our grievance.

President.—What I am suggesting is this: supposing the Tata Iron and Steel Company for any reason find it impossible to supply pig iron to a producer who wants pig iron, the only way in which the situation could be remedied is by making imported pig iron available.

Mr. De.—Yes.

President.—Therefore the utmost that Government can do is to remove the import duty on pig iron. Supposing that had been done, even then, I take it you would not be able to get your pig iron at much below the price at which you would get it from the present combine.

Mr. De.—We can't get it below the present combine rate. The present combine fix their price taking the port price, plus freight. They have two or three rates, one for the industries at port and another for industries situated in inland.

Mr. Wiles.—When did you cease to import pig iron?

Mr. De.—It was never imported.

Mr. Wiles.—From whom did you get it before the Protective Act came in?

Mr. De.—We took over this firm after its liquidation in 1928. So, I can speak from 1928.

Mr. Wiles.—Is it your complaint that you cannot get your raw material or you cannot get it at a reasonable price?

Mr. De.—My complaint is not that we cannot get the raw material at all or at a reasonable price. My point is this. There is a pig iron trust between Tata's and other manufacturers of pig iron. Some of their subsidiaries get this pig iron at a rate which makes it impossible for any other industry in India to compete with them or stand in any healthy competition in the manufacture of cast iron materials. My grievance is that Tata's are not interested in cast iron products. They have no interest—they restrict themselves to steel manufacturing yet they keep the rate of pig iron high to help other members in combine who come in competition with us. Sikdar Iron Works had markets throughout India, Burma, Ceylon, Singapore and other places before. We have no market now.

Mr. Wiles.—What exactly is your claim? I should like that to be made clear.

Mr. De.—My claim is that there should be no discrimination between one firm and another. I am not speaking of European and Indian firms. I may be misunderstood. That is not my grievance. Europeans have come here to stay and I have no grievance against them. My point is that there must not be discrimination.

Mr. Wiles.—Is not there bound to be some discrimination between supplies of large tonnage and the small supplies required by the bazar foundries?

Mr. De.—I have heard about that discrimination.

Mr. Wiles.—Just answer my question.

Mr. De.—An industry in a monopolistic position and depending for its existence upon protection must not make any discrimination between two industries.

Mr. Wiles.—Whether they supply in wagon loads or not.

Mr. De.—Nobody asks them to supply one or two tons.

Mr. Wiles.—Please remember that I am not so well acquainted as you with your trade. But assume I know nothing. Just answer me from the beginning. Is it your demand that even a small foundry using 1 cwt. of pig iron should be able to obtain the raw material without any discrimination at the same rate as any other large foundry using thousands of tons?

Mr. De.—That is a hypothetical question. There is practically no foundry that cannot purchase one wagon load of pig iron.

Mr. Wiles.—That does not quite agree with the information we had yesterday.

Mr. De.—I am speaking from my experience. I am telling you there is not a single foundry that cannot purchase pig iron in wagon loads. There may be cottage industries which could not take in wagon loads.

Mr. Wiles.—I understood from the evidence given us yesterday that there were a very large number of small village foundries which required pig iron in quite small quantities.

Mr. De.—The Tariff Board might very well ignore them.

Mr. Wiles.—You don't want us to take any notice of small foundries.

Mr. De.—So far as my information goes, these firms requiring one or two tons carry on mainly out of scrap and they can get one or two tons of pig iron.

Mr. Wiles.—Your opinion is that we need not worry about them.

Mr. De.—Quite.

Mr. Pandit.—There are not many small foundries.

Mr. Wiles.—Then your demand comes down to this. There should be no discrimination between big pipe making factories and people of your own capacity.

Mr. De.—My submission is this that if there was no discrimination, then Sikdar Iron Works would have competed with all these big firms.

Mr. Wiles.—What was your total demand of pig iron?

Mr. De.—Eight to ten thousand tons. That is our capacity. That is all we can do.

President.—8,000 to 10,000 tons a year?

Mr. De.—That is not our present capacity.

Mr. Wiles.—You said just now that these iron producing Companies were refusing to give you raw material because you criticised them in the Press?

Mr. De.—It is not exactly that.

Mr. Wiles.—I am only quoting your words which you used just now.

Mr. De.—This particular letter was the result of that.

Mr. Wiles.—You don't wish to press that point.

Mr. De.—Not exactly that. My complaint is much bigger than that.

Mr. Wiles.—I want to get to the bottom of it because the whole of your representation shows that you are smarting under a sense of grievance. I want to know if your grievance is that you have been treated out of spite in very unjust manner.

Mr. De.—I have not been able to express it properly, and it has been misunderstood by you.

Mr. Wiles.—Perhaps I have. If an arrangement could be made whereby pig iron could be supplied to all the larger foundries without discrimination, then you would be able to obtain your raw material.

Mr. De.—Yes.

Mr. Wiles.—You don't wish to express any opinion as to the price at which you should be able to obtain your raw material?

Mr. De.—I don't care what the price is. Let the price be Rs. 50. Let that be the price to all—even to exports to Japan. There are two other firms manufacturing pig iron. They are solely engaged in castings. There is a combine at present. The steel industry is a monopoly of Tata's, Cast Iron is the monopoly of Bengal Iron. Pig iron is the monopoly of Indian Iron. These industries have been divided amongst these people. The consequence is the evil effect on the industries as a whole and I am here before the Board to represent that. That is my practical experience. Even as regards structural steel you can take my experience. I am for the time being managing Sikdar Iron Works and I am also proprietor of Messrs. K. C. De and Company, a firm of Engineers and Contractors, at Patna. I have myself employed more than 1,000 men working directly under me. I have been 20 years in the business—and fairly successful in that. If I had not been under the clutches of the protected industry, I would have been a different man to-day. Now I stand next to insolvency court and that is due to Tata's.

President.—While I do not want for a moment to minimise the difficulty of your position I should like to understand it a little more clearly. The whole question arises from your point of view in connection with protection granted to the steel industry. Suppose no protection had been granted to the steel industry, would your position have been different?

Mr. De.—Certainly.

President.—There would have been a combine still.

Mr. De.—There would have been a steel industry in the country.

President.—There would have been a combine in respect of pig iron all the same.

Mr. De.—It would have been a different position. If the national resources of India are exploited without any chance of an industrial development, we can probably get the legislature to pass a law. There would be some remedy. But there is this protection and there is this Tariff Board. I respectfully submit that this is an institution of the legislature. We industrialists, even educated men among them, know very little of the importance of that institution. We do not know anything. If I had known,

and if I had not taken over the Sikdar Iron Works, I would have been a different man. This gentleman Rai Bahadur Bishanswarup was the Chief Engineer and Secretary to the Government of Bihar and Orissa. Without knowing the significance and the importance of the Tariff Board, we took over this firm. We invested a lot of money and everything has gone now. With the greatest difficulty all these six years we have been going to Tata's, representing our point of view to them, writing about them in the press and criticising them. We have not got any remedy. Before this tariff enquiry, we approached even the Chambers of Commerce and all came to nothing. Here is a letter which I circulated all over India.

President.—It was a letter which you circulated all over the country.

Mr. De.—Yes.

President.—The point of that was that you wanted to bring home to the public that you were in difficulty with regard to getting your supplies of pig.

Mr. De.—I wanted to bring out the difficulty arising out of protection granted to Tata's and the combination of the three firms.

President.—What I am anxious to understand is this. Let us clarify the issues. That is the only way of getting to the bottom of it. There are two matters involved. The first is the question of protection and the second is the question of combine.

Mr. De.—Yes.

President.—Against which are you complaining?

Mr. De.—Let me not be misunderstood. We are not here as free traders. We are out and out protectionists. We want that utmost protection should be given to the industry. If I had my own way, I would not allow a pound of foreign steel to come into India.

President.—You don't object to protection as such.

Mr. De.—Not at all.

President.—Well then, your objection is to the existence of a combine in this industry.

Mr. De.—My submission is this. This privilege of protection has been grossly abused by Tata's.

President.—That is what I want to understand. You don't object to protection as such.

Mr. De.—No.

President.—There are only two matters against which you can possibly complain. One is that Tata's are being given assistance by the public which they don't deserve and the second is that there is a combine which makes it impossible for works like yours to survive.

Mr. De.—Quite.

President.—If you are not objecting to protection as such may I take it then that your complaint is against the existence of a combine in this industry?

Mr. De.—I have very clearly pointed that out in my supplementary memorandum.

President.—I have not had time to study it.

Mr. De.—May I read out the relevant portion? This is what I have said:—“Taking advantage of this ignorance a group of exploiters, mostly foreign, have combined to exploit the whole nation and its resources and Messrs. Tata and Company are only a member of this group.”

President.—If that is the point, I understand your position to be this that you are really objecting to the combine but the aspect to which you particularly object is that it is a combine in the hands of non-nationals.

Mr. De.—I would not care whether it is in the hands of nationals or non-nationals.

President.—Then you are really objecting to the combine. Both for my purpose and for your purpose we ought to get a clear idea.

Mr. De.—“From our following submissions it will be clear to the Board that the objects of Fiscal Commission and Tariff Board have been defeated by Messrs. Tata and Company entering into a number of agreements and combinations with some firms detrimental to the interests of Indian consumers, indigenous Indian enterprises and Indian shareholders.

2. Further Fiscal protection to the industry in terms of Tata's representation with the present management and its combinations, in our opinion, will mean,—

- (a) Protection not to the industry but to Tatas and a few firms in cast iron and engineering industries.
- (b) Payment directly to Tatas in the shape of tariff duties on their products two crores of rupees annually for the next seven years and a few more crores to these firms in alliance with Tatas by the Indian nation.
- (c) Ruin of the existing Indian enterprises in cast iron and engineering industries and retarding the development of steel, cast iron and engineering industries.
- (d) Aiding a few firms to monopolise these industries.
- (e) Adding further burden on the famished groaning millions, struggling indigenous enterprises and the share holders.

3. A large industry like the Steel industry cannot be efficiently managed by borrowed intelligence and we respectfully submit Messrs. Tata and Company are the products of national sentiments and national ignorance. The whole nation would have been benefited if the Steel industry had been under open management of British enterprise with British capital instead of under the cloak of a national name. In that case the nation should not have been called upon to pay for the luxury of a national industry which is actually in disguise working for the interests of the foreigners to whom a national name has been lent for a consideration.”

President.—You have explained that you are not a free trader.

Mr. De.—Quite.

President.—You are not complaining of the fact that the present pig iron combine is in the hands of non-nationals. As I understand it, your position is this. If I am not correct, you tell me. The real point of your grievance is this that under the shelter of protection, a monopoly has grown up. You don't object to the continuance of protection provided the evils of monopoly are removed: that is to say the monopolistic position of the protected industry and its results. That is what you are complaining about.

Mr. De.—Yes.

President.—What you want the Tariff Board to do is while it continues to give protection, if it is necessary on an examination of facts and figures, you want us to devise measures which would prevent the evils resulting from monopoly.

Mr. De.—That is our position.

President.—Let me understand the position from the point of view of your industry. What precisely is the kind of monopolistic evil you are complaining about. As far as your own industry is concerned, it is the manufacture of cast iron and fabricating steel.

Mr. De.—Yes.

President.—But you are mainly interested in cast iron.

Mr. De.—In both.

President.—Let us take first cast iron. As far as I can understand the situation there are only two ways in which a monopolist can abuse his position under the Steel Protection Act in respect of iron. He can either sell at unreasonable prices or he can withhold supplies. You are complaining about both.

Mr. De.—He can act in combination with the other manufacturers of pig iron.

President.—The result would be either of these two. Are you complaining about both, that you cannot get supplies and that if you do get them at an unreasonable price?

Mr. De.—Yes.

President.—Let me take the price factor; have you been purchasing pig iron recently?

Mr. De.—My works have stopped working for more than a year.

President.—What is the last date?

Mr. De.—We did not get any replies to our letter to Tatas; but recently when the Tariff Board was about to sit and they found there would be grievances and complaints which would be put before them I received the following letter from the Tata Iron and Steel Company through the Secretary, Bihar and Orissa Chamber of Commerce:—"We notice from your Annual Report, page 29, that your Chamber has placed on record a resolution expressing dissatisfaction with our sales policy. We should like to know exactly what the grievances complained of are in order that we may go into and rectify them. We have noted the examples mentioned on pages 24 and 29 in the speeches of Mr. K. C. De and Mr. H. B. Chandra respectively. We should like to have an opportunity of discussing this matter with you and these gentlemen sometime early next week, and shall feel obliged if you could arrange for an interview with them, preferably on Wednesday, the 13th instant." That letter is dated 8th September, 1933.

President.—And a conference was held? Will you tell me briefly what happened?

Mr. De.—I wrote back to say "I do not follow what enquiry you mean in your letter under reply. You are fully aware of our grievances against the Tatas and I think you do not want me to repeat same". After all what was the use of a conference? The resolution was there.

President.—I want to bring the discussion down to a practical point. My point is a specific point of fact—what was the last date on which you purchased your supplies of pig iron?

Mr. De.—I placed an order on them and they said they would supply basic pig iron which is an absurd proposition.

President.—You consider basic pig iron is entirely unsuitable for your purpose?

Mr. De.—Yes. That is used for particular purposes.

President.—For the particular purpose that you have in view basic pig iron is unsuitable and therefore you asked for foundry iron?

Mr. De.—Yes.

President.—What answer did you get?

Mr. De.—We got their quotation; it was Rs. 55 to Rs. 49.

President.—Round about Rs. 50 was the lowest figure that you got from them?

Mr. De.—Yes. That was for No. 4.

President.—What was the price quoted for No. 3?

Mr. De.—Rs. 53 per ton.

President.—On what date?

Mr. De.—Recently, 1st November, 1933.

President.—Did this offer come from the Tata Iron and Steel Company or the Bengal Iron Company?

Mr. De.—From the Tata Iron and Steel Company No. 2 was offered at Rs. 52 a ton.

President.—Foundry iron you were offered at Rs. 52 at your works?

Mr. De.—F.o.r. Calcutta.

President.—Did that offer come from the Tata Iron and Steel Company or the Indian Iron and Steel Company?

Mr. De.—From Tata Iron and Steel Company. There is a combine.

President.—Actually the quotation that you got was from the Tata Iron and Steel Company and they offered you No. 2 pig iron at Rs. 52. Tell me at what price could you have purchased economically if you wanted to carry on your business?

Mr. De.—At the present rate of manufacture the rate should not exceed Rs. 25.

President.—Supposing the outside limit was fixed at somewhere about Rs. 30 would you consider that reasonable?

Mr. De.—I should say Rs. 25. They export to Japan at Rs. 20.

President.—Rs. 25 to Rs. 30 is the sort of price that you can afford to pay, if you want to run your concern. Now let us get to the question of supplies. You also feel that at various periods when you wanted pig iron for your business you failed to get your supplies?

Mr. De.—That was an isolated case.

President.—Actually this sort of failure of supplies has occurred only rarely and you don't consider it worth discussing. Then the question is one of price and your point is that if your supplies of foundry pig iron could be made available at somewhere about Rs. 30 or less than Rs. 30 per ton, would you be able to carry on your business economically?

Mr. De.—Yes, and there should be no discrimination between one firm and another.

President.—Supposing you were supplied pig iron at Rs. 25 and an associated company of one of those units in the combine got theirs at Rs. 2 less, would you object?

Mr. De.—Rs. 2 would make very little difference.

President.—I will tell you what our difficulty there is. We are protecting only the Tata Iron and Steel Company; we are not protecting other companies. Therefore obviously we are in a position only to enforce conditions on the Tata Iron and Steel Company; we have no means of enforcing it on the other companies. So if the Indian Iron and Steel Company chooses to supply pig iron to the Bengal Iron Company at a price lower than what you get your supplies at, although we can sympathise with you we have no earthly means of enforcing it.

Mr. De.—I quite see that. But the Tariff Board after all is concerned with the development of the industry in the country.

President.—No we are not. We are concerned at a particular time with a particular industry.

Mr. De.—The only remedy that the Fiscal Commission has provided against the grievances of these protected industries is the Tariff Board.

President.—Your reading of the Fiscal Commission's conditions is perfectly correct. As far as that recommendation of the Fiscal Commission is concerned the Government of India have not taken up to that recommendation; they have constituted the Tariff Board with very definite powers and we are really not such a powerful body as you would like it to be. You have got to take the matter to the Government of India and the Legislature. So we had better confine ourselves to this issue that as far as the Tata Iron and Steel Company are concerned, which is a protected industry in this case, if you want your supplies of pig iron and you can get that at somewhere about Rs. 30 then there is no grievance?

Mr. De.—It has been the finding of the Tariff Board that this combine exported pig iron to Japan at Rs. 20 and there is no suggestion that they do not make a profit on that: I take it it brings a reasonable profit. The case of the Tata Iron and Steel Company is that India's demand is only 20,000 tons. We say let them supply this to the Indian industries at Rs. 25 per ton and they will get at least a profit of 5 rupees and the consumers get the benefit of cheap supply of material.

President.—I have not quite understood you. I had better ask you a question and if you answer my question I would be able to understand you better. You start by referring to the Tariff Board's report on the removal of the duty on pig iron. The facts and figures contained in that report are not by any means up-to-date. We have more recent figures with regard to prices. As far as the export of pig iron by Tatas is concerned I have examined the figures and I have definitely formed the impression that on the exports the Tata Iron and Steel Company are just able to cover their works costs. They do not make any profit. On that ground I am not in a position, nor are my colleagues in a position to say to the Tata Iron and Steel Company "since you are making nothing on it, why export"? The answer to that is that if the exported pig iron is to cover the works costs on fairly favourable quantities, the effect of that is to reduce the works costs of pig iron and that reduction affects the whole business from start to finish.

Mr. De.—We do not object to that.

President.—As far as the sales of pig iron in this country are concerned by the Tata Iron and Steel Company, the difference between the export price and the internal price is less than Rs. 10 which is a most reasonable price.

Mr. De.—Which way: higher or lower?

President.—The internal price is higher.

Mr. De.—Why should it be higher?

President.—You are prepared to accept Rs. 30 as a reasonable price.

Mr. De.—Rs. 25 to Rs. 30.

President.—You have objected to the Tata Iron and Steel Company carrying on charitable activities; you want them to be a business concern. Supposing as a business concern they are able to get a price of Rs. 25 to Rs. 30 in this country and yet enable the cast iron manufacturers to carry on their business economically, why should not they charge?

Mr. De.—Quite so. I say let there be no discrimination.

President.—The discrimination that you want to avoid is discrimination not between the internal purchaser and the external purchaser, it is between the internal purchasers themselves.

Mr. De.—Exactly.

President.—I can ask Tatas not to make any differentiation of this kind but I can't ask the Indian Iron and Steel Company. If the Tatas are in a position to supply pig iron to purchasers in considerable quantities—after all you recognise that a very small foundry is in a different position; I think you admitted that—if in the case of foundries which make considerable purchases the Tata Iron and Steel Company charge a uniform price whatever the Indian Iron and Steel Company might do, you would have no complaint?

Mr. De.—No.

President.—As far as your proposals regarding the cast iron industry is concerned, these points cover the case; am I right?

Mr. De.—Yes.

President.—The only matter left over is fabricated steel. What is the position as regards fabricated steel?

Mr. De.—This is finished steel.

President.—What is the sort of fabrication that you undertake?

Mr. De.—We do not build a Howrah Bridge but we build small bridges and structural work.

President.—Bridges representing what tonnage. What is the largest that you have done?

Mr. De.—We built the Alipore Jail; that is structural work.

President.—What was the total weight of that?

Mr. De.—About 600 tons.

President.—How long ago was that?

Mr. De.—Before 1928.

President.—Since you took over have you done any substantial fabrication? What is the biggest single piece of fabrication work that you have done?

Mr. De.—60 to 70 tons. We can't stand competition.

President.—What kind of fabrication?

Mr. De.—Structural work for buildings, trusses, sluice gate and so on.

President.—You have not done any fabrication during recent years?

Mr. De.—My shop is closed for the last one year; before 1928 we had always been doing something for somebody.

President.—As far as the fabricated steel part of your works is concerned, what is your capacity?

Mr. De.—150 tons a month. We purchased some heavy machinery. It cost us secondhand Rs. 16,000. We wanted to fix that up but after our experience that we could not stand in competition in any tender we have got all the machinery lying idle. We can raise our production to 400 tons.

President.—But normally your capacity may be fixed at 150 tons a month or about 1,800 tons a year.

Mr. De.—Yes.

President.—So that in terms of rolled steel you would want about 2,000 tons a year to run your works to capacity?

Mr. De.—Yes.

President.—Against this 2,000 tons of rolled steel which represent your total capacity what is the highest quantity that you have actually purchased in India? Take any year.

Mr. De.—If we are to tender and secure a contract, we want this raw steel. We want it for our purpose.

President.—You have not been able to get any orders?

Mr. De.—No.

President.—I gather from all your statement that this question should be considered on business considerations.

Mr. De.—Yes.

President.—The big fabricating works in this country have a capacity which is considerably higher than your capacity and as far as I understand business of this kind, the costs in large fabricating works are lower than the costs in smaller fabricating works.

Mr. De.—Yes.

President.—Supposing tenders were made by various fabricating works including yourself for a particular form of fabricated steel, apart from the cost of the steel, you don't think it is likely that their costs would be lower.

Mr. De.—No. They have overhead charges which are higher than ours.

President.—In the case of fabricated steel in a time of acute depression as it prevails now, supposing firms are prepared to quote cut throat prices—not economical prices but less than economical prices—the resources of larger concerns will enable them in a time of stress to quote lower prices than you do.

Mr. De.—No, it will be quite the other way. I will tell you why. In a period of acute depression like this, if we have been able to get the raw material necessary for the purpose at the same rate as the big concerns, the position would have been reverse. We would have prospered and the large firms would have come down to our position.

President.—As far as your cost above metal is concerned, by reason of your lower overhead charges, you are at any rate not in a worse position than they are.

Mr. De.—We are in an advantageous position.

President.—Therefore you are not able to take advantage of your superiority in respect of your cost above metal, because your cost of metal is higher than the cost of the other concerns.

Mr. De.—Exactly.

President.—Have you any particular evidence that you can give me as regards the actual difference in prices which have been quoted to you and to competing fabricating concerns?

Mr. De.—In this connection attention is invited to last Tariff Board's Report pages 85-89.

President.—Last Tariff Board is six years old. That is before you took over charge of the firm.

Mr. De.—If you want evidence in that respect, you have Tata's own admission, their own statement before the Tariff Board.

President.—What I want to do is to get evidence on which I can make practical suggestion in this enquiry. I am not prepared to dispute that the prices that you get are higher.

Mr. De.—Evidence, I submit, must be documentary or oral. If you have got to take it in that way, that is my oral evidence. If you want me to produce records, I cannot possibly give you.

President.—Do not misunderstand me. I quite recognise that you have an acute sense of grievance in this matter. We in this Board fully recognise that, but what I am anxious to know is facts from your own side. With regard to the prices actually quoted for large fabricating works by the Tata Iron and Steel Company, we are in a position to get the information. There is no question about that. What I want to know is from your side has there been any actual case of prices quoted to you since you took over charge which are higher than the prices quoted to competing fabricating concerns? Can you give me any definite evidence? I am casting no reflection on you.

Mr. De.—I cannot prove something which I don't know. What Tata's have quoted to others, I do not know.

President.—Have you received any quotations from Tata's for rolled steel since you took over charge?

Mr. De.—I was a recognised dealer of Tata's goods in Patna.

President.—We have been told by the Tata Company that you are not a dealer now. That I understand. What I am asking you now is that for the purpose of fabrication in your works, give me any figure at which rolled steel has been quoted to you by the Tata Iron and Steel Company since 1928.

Mr. De.—I will put it this way. There is this arrangement. They make a distinction between Engineering Firms.

President.—All that we know.

Mr. De.—I can't give you.

President.—Mark you, I am not asking for the purpose of scoring over you. It is a very serious matter in which I am anxious to get at the truth. We are in a position to get from the Tata Iron and Steel Company the prices that they have actually quoted to large fabricating works. We can get the information. We also know the arrangements under which their sales are made. As far as that is concerned, we do not want any further information. One point on which we want information is in order to be able to determine this on a basis of fact since 1928 which is the year in which you took charge of the Sikdar Iron Works whether you have received in respect of the fabrication works any quotation from the Tata Iron and Steel Company for rolled steel.

Mr. De.—We have purchased steel.

President.—Can you give me any figures?

Mr. De.—I am not in a position to give you any figures.

President.—Can you collect them?

Mr. De.—That will be a little difficult, I am telling you the principle,

President.—I am tired of general arguments because in this matter we must settle questions on a basis of facts.

Mr. De.—I am not in a position to give you that.

President.—It is worth while from your point of view to make an effort and get me a statement of the actual prices at which you have either purchased or at which Tatas have offered to sell you rolled steel since 1928 the year you took charge of the works.

Mr. De.—I will try.

President.—I can compare those prices with the prices at which rolled steel has been actually delivered by the Tata Iron and Steel Company to other purchasers and determine the amount of differentiation that has occurred. Will you send us a statement?

Mr. De.—I will tell you the position of my firm. I do not know whether I have got it here or at Patna.

President.—I will give you a month's time.

Mr. De.—At Sikdar Iron Works we have only got one clerk at present. I will try to give you a statement later on.

President.—As far as constructive proposals are concerned with regard to Sikdar Iron Works, there is a suggestion that you make that we should recommend a bounty for you in respect of castings.

Mr. De.—Exactly.

President.—I don't want to mince matters. I don't think that it is an acceptable proposition, and I will tell you why frankly. The Government of India and the Legislature had granted bounties in the past, but those bounties were entirely for the purpose of future development of industries. No industry has ever been granted either a subsidy or a bounty in order to enable the industry to cover its past losses.

Mr. De.—I quite follow.

President.—You will find in the whole range of bounties either in this country or elsewhere not one case where bounties have been given to cover past losses. It is entirely an unacceptable proposition and I don't propose to discuss it with you. It really raises a very important question of principle. Not merely the Indian Legislature, but no Legislature in the world will accept a proposal of that sort. In the case of a protected industry, when a periodical enquiry comes, they might come up and tell us "you gave us protection during the past seven years and you gave us a particular level of prices. We have not been able to realise that price. So give us a bounty to cover all our past losses".

Mr. De.—There is a great deal of difference between that claim and this claim.

President.—Not one iota of difference.

Mr. De.—I respectfully differ from you on that point. From one point of view we want bounty from Government as a result of their own action, the action of protecting the industry. We don't want bounty for our development.

President.—You want a bounty to cover your past losses, because you contend that your losses have resulted as the result of protection being granted to some other industry.

Mr. De.—Protection has been abused by them. I don't say anything about protection to Tata's. So far as Government is concerned and the Tariff Board is concerned, there has been nothing wrong. We are also protectionists. It comes up like this that our grievance has arisen as a result of protection and of protection being abused against the definite recommendations of the Tariff Board and against the definite recommendations of the Fiscal Commission.

President.—If we are going to grant you a bounty in respect of losses occasioned by the abuse of monopoly on the part of a protected industry, are you sure, you are the only industry that has suffered?

Mr. De.—I don't say that. Here is my friend.

President.—How much do you want?

Mr. De.—As much as you can give.

President.—Would you like Rs. 20 lakhs?

Mr. De.—His loss is Rs. 16 lakhs.

President.—It is an indeterminate burden. You don't want to press that question of bounty seriously?

Mr. De.—I press that certainly.

President.—I am afraid I must object to it equally strongly. There is one other point that I want to raise. You have sent us a supplementary memorandum. I don't want to cover the ground which my colleague has already covered, because I want to tell you quite frankly and you are perfectly entitled to come and give evidence before the Tariff Board, raise your point of view and place your grievance. You are perfectly entitled to do it. When you place your point of view before the Tariff Board, do you think it is fair that you should make statements which are not based upon facts that directly come within the sphere of your knowledge? You are a businessman. You have come here as a member of the public and I put it to you whether it does indicate a sufficient sense of responsibility that you make statements which are not to your knowledge.

Mr. De.—With the utmost regard and the greatest respect to the Board everything that I have written here represents either my views on matters on which I feel strongly and which I am entitled to place before you under the terms of the Resolution issued by the Government of India or matters which come within my personal experience which I am in a position to state. I am a victim to this. I know everything. It is now six years since I took over Sikdar Iron Works. I can without any disrespect to the Board repeat what you are pleased to say that you have got no business experience. I have got experience having been in the midst of facts. I have passed all my life in business; I have been in touch with Tata's for the last so many years going before their Salesmanager and before their Agents. I have been a dealer of Tata's. I am interested in the engineering industries. I was in charge of the Iron Foundry that claims to be the pioneer industry in India.

President.—Let me try and understand the position. What you have done in this representation is to place before us facts which have come to your knowledge partly as a businessman engaged in the manufacture of cast iron and of fabricators of steel.

Mr. De.—And as a dealer of Tata's.

President.—And secondly as a dealer there is no fact which has come to your knowledge which is based on your experience as a rolled steel maker.

Mr. De.—No.

President.—May I point out that 75 per cent. of this document concerns your observations not on the manufacture of cast iron or fabricated steel or the sale of rolled steel, but the manufacture of rolled steel?

Mr. De.—That is my submission.

President.—I am putting it to you as a member of the public. It doesn't help a body like ourselves if a member of the public comes before us and places statements which he is not in a position to substantiate by reference to facts. You have made very serious allegations against the Company. I am not for a moment concerned to defend the Tata Iron and Steel Company. You have made very serious allegations. You have not been able to produce evidence on which these allegations are based.

Mr. De.—The allegations that I have made, I believe to be facts. I have a right to believe them.

President.—I have a right to ask for evidence.

Mr. De.—These are my submissions. my views for the consideration of the Board.

President.—I don't want to carry that discussion any further, but I should like to say this obviously you have a sense of grievance.

Mr. De.—Yes.

President.—There are certain matters in which you feel that you have been dealt with unfairly by the Tata Iron and Steel Company. I suggest to you that you would have been able to make out a much stronger case in respect of the matters on which your grievance is based if you had confined yourself to those matters and not allowed your criticism to roam over matters with which your acquaintance is not of a practical kind.

Mr. De.—I respectfully submit that experience is not possible for any member of the public.

President.—I want only to say one thing more. In your supplementary statement you refer to the Tariff Board and your suggestion is that this Tariff Board is not competent to do its business.

Mr. De.—I have not said that.

President.—What is your point?

Mr. De.—I have got every regard for the Tariff Board and I know their ability. I am not the person to tell the Government of India or the Legislature. You have thoroughly misunderstood me.

President.—It may be that I have misunderstood. What is really the point that you want to convey in this very last paragraph?

Mr. De.—What I feel is this: the present enquiry of the Tariff Board is one that is being conducted with a view to coming to a certain decision whether protection should be continued or not. I am examined and I try to convince you on certain points. You examine Tata's afterwards and they come and say "no, this is the position". I don't get an opportunity to clear the point and help the members to know whether I am right or Tata's are right. There is every likelihood of the members of the Board being misled. To err is human.

President.—Are you familiar with the methods of enquiry adopted by the Tariff Boards in other countries?

Mr. De.—My experience is restricted to the Fiscal Commission.

President.—The Tariff Board has conducted its enquiries in the past in India on the methods which we have followed in this particular enquiry. You are aware of that.

Mr. De.—That is my submission. I don't mean any reflection on anybody.

President.—Are you so sure that this Tariff Board is so devoid of business experience as you seem to think?

Mr. De.—You yourself have said.

President.—I might have said about myself.

Mr. De.—I was present yesterday when you said that you had no experience.

President.—We said we are not technical people.

Mr. De.—Then I withdraw that.

President.—That was with regard to technical matters. I don't want any discussion of this particular point. I call your attention to this fact that if you have any sense of grievance regarding the methods of enquiry conducted by this Tariff Board in addition to the grievance against the Tata Iron and Steel Company, the only way in which you can set the matter right is by making a representation to the Government of India either to have a new Board or to insist upon the Board following specified lines of enquiry.

Mr. De.—I submit I didn't mean that.

President.—Just listen to me. You have made a statement here that the Tariff Board has adopted defective methods of enquiry and I am concerned to say that your statement is entirely unfounded. The Tariff Board in this enquiry has followed precisely the method which it has followed in every enquiry in the past. It is following also the method which every Tariff

Board in every other country has followed and if you are not satisfied with that, you have got to take the matter up to the Government of India and the Legislature and you are not strengthening your case by making a statement of so unfounded a character.

Mr. De.—That is only my submission.

President.—I may tell you that your submission on a matter of this kind does not help your case. I am concerned to suggest that when people make representations to the Tariff Board, they ought to do so with a due sense of responsibility which you have not shown.

Mr. De.—I beg to differ.

Mr. Natesan.—Mr. De, I would like to assure you that everything possible is being done to get at the facts and I want you to help us in this enquiry. With regard to the point raised by you, what the President said was "With regard to technical matters like coal, we are not experts but there is one on the Board who knows" and the President requested the Technical Adviser to take up the point. If you meant that, I should say that it would have been very graceful if you had withdrawn the last paragraph.

Mr. De.—I withdraw the last paragraph.

Mr. Natesan.—When the President was putting questions at a certain stage I understood you to say that you would like the protection to the Steel industry to continue if certain defects and discriminations which you alleged were removed. Am I right?

Mr. De.—Yes, if it is found necessary.

Mr. Natesan.—If certain defects and what you alleged as discriminations in Tata's attempts at selling pig iron to various people were removed you would have no objection to the protection of the steel industry being continued.

Mr. De.—Yes, if it is necessary.

Mr. Natesan.—That is not a satisfactory answer. Then I will ask you: do you think that protection is necessary?

Mr. De.—No.

Mr. Natesan.—If you think that protection is not necessary then I have to tell you whatever you may think of the competency of the Board or of myself that every witness that has come before us, European or Indian, Company or private individual, manufacturer or dealer, with or without grievances, to my knowledge has said that protection should be continued to the steel industry. That has been the unanimous opinion so far. But certain defects, certain inconveniences, that have been caused to dealers and small manufacturers and others should be avoided. May I just tell you that you are perhaps the only witness who says that protection to the steel industry should be withdrawn? I am stating a fact.

Mr. De.—That is my misfortune. But I have a right to differ from others.

Mr. Natesan.—So far as the question of protection is concerned in all the memoranda and in all the evidence, oral and otherwise, we have received I find every one has proceeded on the assumption that protection to the steel industry should continue but that certain defects which have cropped up and certain inconveniences felt by small manufacturers should be remedied. May I also tell you—it requires no great knowledge of history or economics—that in every country in the world where protection has been given to an industry some inconveniences, in some cases of a very grave character and in others of a minor kind, have been caused to other industries, small and great. You recognise it. But if you say that the inconvenience caused in this country by the grant of protection to the steel industry have not been of that character but so gross that protection should be totally withdrawn, then I must ask you to reconcile this opinion of yours with your statement that you are not a free trader and that you would like protection to continue.

Mr. De.—I want protection to continue if it is necessary and if it is to the interests of the nation.

Mr. Natesan.—You must help us in this enquiry and your answers are not helpful. If you say that protection is not necessary there is an end of it and there will be no further discussion.

Mr. Pandit.—Mr. De has already said that he is a protectionist.

Mr. Natesan.—My colleague began by asking you at the outset whether you could justify the statement that you would rather the company went into liquidation and the industry itself managed by the State or by English experts directly. Do you stick to that statement?

Mr. De.—Yes.

Mr. Natesan.—Not only in your representation but in more than one instance you have pointed out what you consider as Tata's mismanagement in that some discrimination is shown in favour of Europeans, that discrimination being confined to the extent of ice and soda water. How do you reconcile the two statements?

Mr. De.—I could not follow you.

Mr. Natesan.—You have said that you would rather that the industry is managed by Europeans and that throughout your representation and in the oral evidence more than once you have objected to European employees. You object to people managing the business on borrowed intelligence.

Mr. De.—If English capitalists and English employees managed the industry, they would have direct responsibility for the working of the concern. The nation will not be called upon to pay the cost of protection. It is now being managed by them. If it is managed openly by them, people will not be called upon to pay in the shape of tariffs.

Mr. Natesan.—How do you reconcile this answer with the statement which you made three minutes ago that you do not want a bit of foreign steel to come to India?

Mr. De.—India has got large resources and high grade raw materials so far as iron and steel are concerned.

Mr. Natesan.—You have yourself said speaking of scrap and particularly of pig iron that our raw materials are exported to other countries and that they come back in the shape of manufactured goods. If the opportunity under protection is utilised to the fullest advantage, the country will not be put to the necessity of sending out its raw materials. It is obviously not in the interests of the nation to do so.

Mr. De.—I have said that in reference to Japanese competition.

Mr. Natesan.—Coming to your observations with regard to the amenities given to labour, if you say that it is being overdone, I can quite understand.

Mr. De.—It is being overdone. It is being discriminated.

Mr. Natesan.—Here and there some items might be overdone, but generally speaking it is one of the things which I noticed particularly as a bright feature of Tata's administration though I am quite aware of the defects of the administration in the past and of the complaints made. Complaints are still being made I know. It has constantly come to my knowledge and to the knowledge of those who have anything to do with the legislature that many employers use labour as machines; that they throw them away as sucked oranges; that they don't look after their comforts; that wages are not given; that no medical facilities are provided; that they do not arrange for a good plentiful supply of drinking water and that they are not properly housed. I may tell you that the Royal Commission on Labour was the result of such complaints made by people from time to time. Some of the recommendations of the Commission are in the direction of removing these complaints. You can take it from me—possibly my judgment is wrong—quite apart from what I have seen, even Europeans who have been to this country have expressed their great pleasure at some of these amenities.

Mr. De.—It is a question of opinion.

Mr. Natesan.—My opinion is based on facts.

Mr. De.—I have also been to Jamshedpur.

Mr. Natesan.—I may tell you that the Royal Commission on Labour have gone into this question and made suggestions to see that many of the difficulties in regard to labour are removed and so far as Tatanagar is concerned many of them are non-existent. There is actually a paragraph in which they say that the labour there (Tatanagar) looks better, healthier and in every way more comfortable than anywhere else.

Mr. De.—Shall I submit another aspect of it. Supposing Tata's have done all that when they are not enjoying protection it is something. I have no dispute with the findings of the Royal Commission. What I say is that Tata's have done that under cover of protection. Even on their own admission, they give their labour something in excess of what is required under the Act. By so doing, they put other industries into difficulties.

Mr. Natesan.—There is another way of looking at it. Suppose they increase their wages, then another Company will say that they have increased their wages because they get protection. If they give amenities and certain limited wages which are more or less market wages, then you cannot complain.

Mr. De.—If the wages are more than market wages, do not they put other industries into a position of some difficulty? Without tariff or bounty, they cannot manage and they cannot pay those rates.

Mr. Natesan.—Supposing there are certain labourers to whom they give bonus in addition to facilities when they make a profit, you may say that it puts other people at a disadvantage.

Mr. De.—I would like Tata's to pay it without protection and without bounties. Then I shall be very happy.

Mr. Natesan.—You must remember that the point at issue is this. The Government of India are also interested in keeping the conditions of labour as satisfactory as possible. Because Tata's have got protection, it does not absolve Government from the responsibility it has towards labour. On the other hand the Government of India have the right to ask Tata's to look after their labour properly.

Mr. De.—I am not questioning that. What I say is this. They go beyond Government's decision or finding under the Workmen's Compensation Act. My objection is there.

Mr. Natesan.—I would not refer to the question of supplying boots free. You have said that you would not press it. Where you refer to the distribution of ice and soda water, it strikes me that your view is rather strange. In every office where a large number of people are employed, ordinarily facilities are provided to supply them with drinking water and in a huge concern like Tata's where a considerable number of people constantly go near the furnace—I saw some of them working—I think it is an ordinary act of humanity that these facilities are given. It has been somewhat of a surprise to me that an industrialist like you who have employed labour should single out this item from amongst so many.

Mr. De.—My opinion does not matter. I have also employed a lot of labour. I have yet to learn that Indian labourers, coolies and others, appreciate soda and ice. I say this is the first time I hear that soda and ice are appreciated by Indian coolies and aborigines.

Mr. Natesan.—Are they all coolies?

Mr. De.—So much as Rs. 1,20,000 is spent in soda factory.

Mr. Natesan.—You have also complained against hotels. They are thousands of men employed. The recess time generally in workshops is very short. If these men cannot buy their tiffin or refreshments, they will have to go out and then they will say that the bell has rung and the men have not come back.

Mr. De.—That is the impression I have formed. I don't say I am perfect.

Mr. Natesan.—That is quite enough.

Mr. De.—You are the persons to decide.

Mr. Natesan.—Do I understand you correctly to say after all that has passed in answer to the President that the present protection to the Steel industry can be continued if the Board will try to devise such measures as may be necessary to see that there is no discrimination in selling basic iron or foundry iron.

Mr. De.—Let me not be misunderstood.

Mr. Natesan.—I have put this question to you now. Do I understand you to say that you would like the protection to the Steel industry to be continued if the Board is able to devise some means to see that there is no discrimination in the sale of pig iron between you and any European firm? You must also help me to understand your position. I think that is your position.

Mr. De.—Yes, if necessary

THE INDIAN IRON AND STEEL COMPANY, LIMITED.

**Evidence of Mr. F. W. A. CARPENTER, recorded at Calcutta on
Wednesday, the 10th January, 1934.**

President.—Mr. Carpenter, you represent the Indian Iron and Steel Company?

Mr. Carpenter.—Yes.

President.—The principal matter on which we desire to examine you is this question of sale of pig iron. Your total capacity of pig iron you give as 450,000 tons?

Mr. Carpenter.—Yes.

President.—The number of blast furnaces being two?

Mr. Carpenter.—Yes.

President.—Are you in a position to give us your figures of output of pig iron for the latest years for which you have figures?

Mr. Carpenter.—Yes. I can give them for the last six years:—

| | Tons. |
|-------------------|---------|
| 1927-28 | 359,865 |
| 1928-29 | 391,753 |
| 1929-30 | 446,971 |
| 1930-31 | 331,565 |
| 1931-32 | 250,383 |
| 1932-33 | 197,012 |

President.—Am I right in supposing that practically all the pig iron that you produce and sell is foundry iron?

Mr. Carpenter.—It is now but it was not that when we were on full production; it has been for the last two years.

President.—With regard to this distinction between foundry iron and basic iron, where exactly do you draw the line between the two if you are speaking of the silicon content?

Mr. Carpenter.—Basic iron is strictly up to 1 per cent. silicon but in actual practice 1.25 per cent.

President.—Anything above 1.25 is foundry iron?

Mr. Carpenter.—Yes. There are exceptions. For instance the United States of America often allow a margin up to 1.35 but generally it is up to 1.25 per cent.

President.—You have never come across any case where the percentage is as high as 1.5?

Mr. Carpenter.—That is not basic iron.

President.—Can you tell me approximately what is the difference generally in the manufacturing cost between foundry and basic pig iron?

Mr. Carpenter.—It varies. You take a furnace on high silicon iron say No. 1. It won't make so much iron as No. 2; as against No. 3 or No. 4.

President.—Supposing we based it on No. 3?

Mr. Carpenter.—The difference then would be about 6 annas a ton.

President.—How far is basic iron, taking it to mean iron with a silicon content of 1.25 or less, suitable for castings of the kind which are ordinarily made by small foundries round about here?

Mr. Carpenter.—In the ordinary course I would say it is not suitable for good castings, but in this country they use it; they get scrap with fairly

high silicon content and make very useful castings, specially rice bowls, rainwater pipes and castings of that sort.

President.—If you take the whole range of miscellaneous castings like rainwater pipes, rice bowls and so on which these small foundries make here, on the whole it would be rather a disadvantage for them to be confined to the use of basic pig?

Mr. Carpenter.—Decidedly so; they will have to watch their mixtures very carefully.

President.—What precisely is the disadvantage from the point of view of these miscellaneous castings of basic pig iron?

Mr. Carpenter.—With a high silicon iron your iron runs freer and generally you get better castings.

President.—The view was expressed here by more than one small manufacturer of castings that basic iron is in the main unsuitable for their castings unless it could be treated further.

Mr. Carpenter.—Exactly so. If one could buy good foundry iron at the same price at which you buy basic iron one would be very foolish to buy basic.

President.—For the moment I will take it that basic iron unless there is provision for its further treatment is not suitable.

Mr. Carpenter.—Quite so.

President.—Can you give us your figures of export and sales in India for the same period?

Mr. Carpenter.—Yes. Unfortunately I have got these in calendar years.

President.—Give us sales in India and exports for the same calendar years. First give the export figures and then the Indian sales for the past six years.

Mr. Carpenter.—

| | | <i>Shipments.</i> | Tons. |
|------|-----------|-------------------|---------|
| 1928 | | | 293,543 |
| 1929 | | | 344,224 |
| 1930 | | | 317,618 |
| 1931 | | | 208,449 |
| 1932 | | | 138,727 |
| 1933 | | | 220,894 |

| | | <i>Indian Sales.</i> | Tons. |
|------|-----------|----------------------|---------|
| 1928 | | | 91,796 |
| 1929 | | | 59,843 |
| 1930 | | | 24,499 |
| 1931 | | | 100,287 |
| 1932 | | | 35,615 |
| 1933 | | | 66,175 |

President.—Taking these local figures—take the latest year 1933—can you give us either exact figures or some approximate figures of quantities sold to railways, to your associated companies and to small foundries?

Mr. Carpenter.—In 1933 our despatches to the Bengal Iron Company were 28,158 tons; our despatches to Burn and Company for their own purposes was 665 tons. During this year also we have a contract with the Government of India for the supply of cast iron sleepers and the total despatches were 31,325 tons. All that iron is used for sleepers. To other customers we have supplied 7,009 tons, and apart from that 2,908 tons delivered actually to the railways for purposes other than sleepers.

President.—So that out of your local sales of 66,175 tons small foundries have purchased in 1933 about 7,000 tons?

Mr. Carpenter.—That is all.

Mr. Wiles.—The total you have given is more than your total sales in India?

Mr. Carpenter.—Despatches under Government orders also include iron which we have taken from the Tata Iron and Steel Company.

President.—Would you be in a position to send us an analysis of this kind for the previous five years?

Mr. Carpenter.—I can get it for you.

President.—I now come to this important question of prices; that is a question with regard to which we have received most representations in this enquiry. Will you tell me first of all what precisely is your agreement with the Railway Board?

Mr. Carpenter.—We made a contract with them to supply cast iron sleepers to the extent of 84,000 tons over a period of two years.

President.—The contract was first made in October 1931?

Mr. Carpenter.—Yes.

President.—You were to supply 84,000 tons of pig iron for a period of two years?

Mr. Carpenter.—Yes. Since then the contract has been extended for another 18 months.

President.—The quantity remaining the same?

Mr. Carpenter.—Yes.

President.—What is the provision in this agreement regarding the price of iron?

Mr. Carpenter.—It is rather ambiguous. Actually we contracted to supply certain wellknown types of sleepers at a price per sleeper but in the event of Government requiring any sleeper which was not specified in the contract we were to supply the sleeper castings at Rs. 60 a ton exclusive of all fittings.

President.—Rs. 60 a ton being the cost of the finished castings?

Mr. Carpenter.—Yes.

President.—Is there a separate arrangement with regard to the price at which pig iron is to be debited?

Mr. Carpenter.—Rs. 30 per ton f.o.r. makers works.

President.—That is all foundry iron?

Mr. Carpenter.—Yes.

President.—What is the price at which you supply foundry iron to people other than railways? I gathered from Mr. Vizer-Harmer the other day that you supply foundry iron to the Bengal Iron Company at Rs. 30 per ton?

Mr. Carpenter.—The arrangement with the Bengal Iron Company is that we supply them iron at cost.

President.—Including all your charges?

Mr. Carpenter.—That is right.

President.—The latest figure that Mr. Harmer gave us was Rs. 30 a ton.

Mr. Carpenter.—Approximately Rs. 30.

President.—What is the price at which foundry iron is now supplied to purchasers other than railways and your associated companies?

Mr. Carpenter.—We base them on prices at ports and they vary slightly—the Calcutta price for No. 1 being Rs. 55 f.o.r. Calcutta. For No. 2 it is Rs. 52, for No. 3 it is Rs. 49 and for No. 4 the price is Rs. 40.

President.—What precisely is the basis of the difference between these various classes of iron: How do you differentiate for example between No. 3 and No. 4?

Mr. Carpenter.—It depends entirely on the silicon content.

President.—What is the silicon content of No. 4?

Mr. Carpenter.—1.50 to 1.75 per cent.

President.—Under your arrangement with the Tata Iron and Steel Company do they confine themselves to basic iron?

Mr. Carpenter.—No. The arrangement we have with them is that we supply to what we term engineering firms and they confine themselves to the bazar; that is more or less to dealers whereas we supply consumers.

President.—They supply foundry iron to dealers?

Mr. Carpenter.—Yes. We supply to consumers of iron such as Messrs. Jessop and Company, Limited or John King and Company, Limited.

President.—Supposing they sold foundry iron to these dealers, No. 4 they would sell to dealers at Rs. 40?

Mr. Carpenter.—Yes.

President.—Is there any provision under your agreement under which the Tata Iron and Steel Company may sell foundry iron at prices different from these?

Mr. Carpenter.—Our agreement as a matter of fact does not really concern prices; it is really the quantity more than the price.

President.—That quantity is decided more or less by adjustment of prices, isn't that so?

Mr. Carpenter.—Yes, in certain circumstances we might agree to Tata's selling foundry iron at a lesser price provided they gave us some other compensation. It is a very loose arrangement. We fix the prices from time to time.

President.—I take it normally that the two companies observe the same price for the same class of pig iron.

Mr. Carpenter.—Certainly.

President.—That is the general idea of the agreement?

Mr. Carpenter.—Quite.

President.—What is your export price?

Mr. Carpenter.—The best we could get.

President.—What is the latest you have?

Mr. Carpenter.—It varies very considerably.

President.—Can you give me an average for 1933 f.o.r. your works?

Mr. Carpenter.—Rs. 22.

President.—Tata's have given us an export price of Rs. 17.9 f.o.r. works for January-June, 1933. That is basic iron.

Mr. Carpenter.—Yes. We will get probably Rs. 3 more a ton for foundry iron.

President.—Somewhere about Rs. 3 is the sort of difference.

Mr. Carpenter.—We confine ourselves to narrow limits in respect of silicon, manganese, etc., for which we sometimes get Rs. 3 ton premium from our customers.

President.—I should like to ask you whether it is possible to adjust these prices in such a way as to suit the requirements of the country a little better than the present prices. I tell you precisely what I am trying to get at. From your statement of prices the position is this; foundry iron No. 3 which is a sort of standard iron is sold at Rs. 49; for railways and associated Companies at Rs. 30 and for export at Rs. 22. That is roughly the proportion.

Mr. Carpenter.—Yes.

President.—I am quite prepared to admit that in regard to sales in which exports predominate, it is the admitted practice in business that there is a considerable difference between export prices and internal prices. I am also prepared to grant that it is a recognised business practice that there is a certain difference between prices charged to large buyers and prices charged to small buyers, but I am not satisfied that the differences which these figures

show may be regarded as reasonable differences assuming the trade practice in question. Even on that assumption I am inclined to think that the differences which are maintained now are on the high side. You take a thing like this: you sell foundry iron at Rs. 49; Tata's sell basic iron at Rs. 30, practically a difference of Rs. 20 between basic iron and foundry iron in the internal price.

Mr. Carpenter.—Quite.

President.—I do not know of any country in the world where there is so much difference between basic and foundry iron which is an extraordinary situation. Even assuming that the export prices are fixed generally lower than the internal prices, where your export price amounts to between 200 and 250 per cent., I am inclined to suggest that you are straining trade practice rather unduly.

Mr. Carpenter.—Your assumption is that if prices were lower, we should sell more iron.

President.—I should think so. Even apart from that, when the two producers enter into an arrangement in this country which results in a margin between different classes of prices of this magnitude, then I am inclined to suggest that their monopolistic position is not being used properly from the point of view of the country's interests. I do admit that a certain difference is justified between various classes of purchasers, but when the difference assumes this magnitude, I am inclined to put a question mark against the whole business.

Mr. Carpenter.—Take the position of this Company. This Company was never formed to supply India with pig iron. It is only incidental that the furnaces are in India. If the facilities were available in Java, the furnaces would be in Java, and I think we are only following the usual trade practice in obtaining a fair price or what we consider to be a fair price in the country where we are producing the goods and get the best possible price we can in the export markets.

President.—After all out of your total sales say in 1933 of 200,000 tons, it is only about 7,000 tons which have been sold to these small foundries.

Mr. Carpenter.—Quite.

President.—Practically they are the only people who pay Rs. 49. The railways get it at a lower price and the Associated Companies get it at a lower price. Practically these are the only people who pay a higher price and the quantity involved in it is so inconsiderable compared with your total output that in the first place it seems to me inequitable and in the second place it does seem to me altogether unbusinesslike that a very large difference in price should be maintained on an essential raw material.

Mr. Carpenter.—Assuming then that the furnaces were put up in India to supply the requirements of pig iron for India only, that is if we didn't get the advantage of a big export trade, it would be impossible to make foundry iron at less than Rs. 44 a ton.

President.—That is a hypothetical position. If that position actually resulted, you would be justified in adjusting your prices accordingly, but taking circumstances as they stand at present, the prices which are being charged to small foundries do not appear to be reasonable. If the position develops in the way you contemplate, then you would be perfectly justified in adjusting your prices in the light of those circumstances. As you probably know, we went into this question in some detail three or four years ago.

Mr. Carpenter.—Quite.

President.—And what we found then was that the prices charged in India by the Companies in the pig iron arrangement are lower than the prices at which pig iron could be imported. That position still holds. If you take No. 3 equivalent at present the price is £3-2-6 f.o.b. That is Rs. 41-6. I take it freight, insurance and so on would be about 21 shillings.

Mr. Carpenter.—Yes.

President.—That is Rs. 14. Duty at present is Rs. 7. That gives you Rs. 62-6. Against that No. 3 you charge Rs. 49. It is a difference of about Rs. 14, that is to say what you do is to charge f.o.b. price *plus* the duty, and knock out the freight.

Mr. Carpenter.—Yes.

President.—That is the price that you can, under present conditions, afford to charge in India.

Mr. Carpenter.—Yes.

President.—When I look at it from another point of view, you are selling pig iron in a country in which at present the production of pig iron is probably the cheapest. You are selling it at a price corresponding to the price of pig iron in a country where production is relatively expensive and to that you *add* the revenue duty and that price which you can afford to charge is charged only to the small foundries. That is how the situation presents itself to me. I am not satisfied that it is a reasonable arrangement. After all from a purely business point of view, the quantity involved as far as these higher prices are concerned is a relatively small quantity and if as it seems to me exceedingly likely that you would increase your sales by lowering your prices to these small foundries, even from a business point of view it is a perfectly reasonable proposition for you to reduce your prices to small foundries.

Mr. Carpenter.—On the ground that we are making excessive profits.

President.—No. What I mean is whether you make profits or not, that position is not going to be materially altered by an adjustment of the prices to small foundries.

Mr. Carpenter.—If we took 7,000 tons, what would be your idea of the difference?

President.—I tell you precisely what I am thinking. I looked up the difference between the export prices and the internal prices of the Tata Iron and Steel Company over a period of six or seven years. It has varied from Rs. 10 to Rs. 12 f.o.r. works. I say that is a reasonable difference. Anything more than that, that is to say, your Rs. 30 to railways and Rs. 30 to Messrs. Burn and Company, Limited, are all reasonable prices compared with export prices. If your foundry iron is Rs. 22, if you *add* Rs. 10 to that and sell to small foundries at Rs. 32, I should say it is reasonable and consistent with trade practice.

Mr. Carpenter.—There is one point I would like to make here and that is, Rs. 30 to railways is only for sleepers. The other figure of tons 2,980 I gave you is precisely the same as the other people pay. It comes to Rs. 55 on that basis.

President.—No. 3 would be Rs. 49.

Mr. Carpenter.—Yes.

President.—Let us say 10,000 tons out of a total sale of 220,000 tons. On that you charge a price corresponding to the f.o.b. price in England *plus* the revenue duty.

Mr. Carpenter.—Yes.

President.—The extent to which a price of this kind is likely to hamper the market for bazaar foundry iron seems to me to be an argument for reducing the duties to a more reasonable level. After all bazaar requirements are very responsive to prices.

Mr. Carpenter.—We have gone into it very very carefully when the Tariff Board enquired into the question of the removal of the duty on pig iron in 1930 we gave you certain figures through Mr. Sawday and Mr. Fairhurst showing the difference it made on the price of castings, ploughs and things like that. It comes to a very small figure indeed.

President.—Let me point out what we tried to calculate then was not the effect of a considerable difference in price of the kind I am suggesting, but what difference to the cost would be made by a removal of the duty. What

I am suggesting is a reduction of the price from Rs. 49 to somewhere of the order of Rs. 30, whereas then all that we considered was, suppose we removed this duty of 10 per cent., what difference would that make to the cost. It is a matter of Rs. 6 or 7, but here it is something more. When the position is this that the small man in this country has got to pay a far higher price than any other purchaser of pig iron, I am inclined to ask myself whether it is a reasonable thing for the Government of India to impose a revenue duty under the cover of which you are able to increase your prices.

Mr. Carpenter.—There is no other country in the world where there is not a revenue duty on pig iron.

President.—But in a country in which we are so keen in industrial development, we are so backward in these matters. The question of revenue duties on raw materials is a question that requires consideration. I want to make it clear as far as we are concerned, we have no right to make any suggestions to you in this matter, because you are not an applicant for protection. I am not a moment trying to be mandatory in my suggestions, but I will tell you precisely how my mind is working. I am not satisfied that either from the point of view of equity to the small manufacturer or from the point of view of your own business interests, a difference so high as this between the price quoted to the small purchaser and the price quoted to the large purchaser and a difference so big as this between basic pig iron and foundry pig iron is not really a difference that can be justified. If on consultation with my colleagues later on, we as a Board adopt that view, then my course would be this: in the first place I would suggest to Government that this revenue duty should definitely go and my second suggestion would be this since we have no *locus standi*, as far as we are concerned we think it rather unsatisfactory that a protected industry in the position of the Tata Iron and Steel Company should be a party to an arrangement which results in prices which, in my opinion, are not merely inequitable, but somewhat unbusinesslike. That would be the line that we would take assuming on a consideration of this matter the Board comes to that conclusion.

Mr. Carpenter.—The reply to that is very short as far as this Company is concerned and that is if we are unable to obtain what we consider a fairly satisfactory price for pig iron in India owing to the fact that we have to take the world's market price for our export markets which is not regulated by ourselves, but entirely by other countries, it would probably mean that we would have to shut down.

President.—Unless of course as the result of continuing protection for the steel industry and as the result of a natural revival of the steel market, you find it possible to go on to what really was your original objective.

Mr. Carpenter.—Quite, but you have an illustration of what can happen. In fact the Bengal Iron Company have 5 furnaces all of which they had to close down. One of our own furnaces is out of blast. The other one we had to bring down to 14,000 tons per month in the last 12 months against a capacity of 22,000 tons per month.

President.—I am making the suggestion only with regard to 10,000 tons. Supposing it became necessary for you to charge lower prices for that particular quantity, then I do not know whether from a purely financial point of view your position would be materially altered, because I am justified in assuming that there would be an expansion of the bazaar market.

Mr. Carpenter.—That is not proved in practice.

President.—Can you give me any figures in support of that?

Mr. Carpenter.—To go back to ancient history, in 1923-24 when there was no pig iron pool, we had the Indian Iron and Steel Company just come into being, the Tata Iron and Steel Company and the Bengal Iron Company, all fighting for orders. I have sold pig iron in India as low as Rs. 28 a ton. The result was that we did not sell more iron.

President.—When was that?

Mr. Carpenter.—1923-24.

President.—A good deal of water has flowed under the bridge since then.

Mr. Carpenter.—Take the position to-day. Just three years ago we were selling pig iron at Rs. 10 a ton more than we are going to-day and we are not selling any more iron to-day than we were in those days. In fact we are selling less now.

President.—For what sort of period were these low prices charged? Did you try for a period of a year or only in some stray cases?

Mr. Carpenter.—I think it went on for 18 months.

President.—It is not altogether fair to expect such quick results when you are considering a question like expansion of market in response to better prices.

Mr. Carpenter.—Let me take another argument. I have never yet received an offer from anybody to buy a substantial tonnage of pig iron at prices approximating to the general average price of iron at which we are shipping abroad. We would naturally prefer to make a sale of 200,000 tons in India at Rs. 23 per ton f.o.r. works rather than ship to uncertain markets like Japan or the United Kingdom.

President.—Whichever way I look at it, what I feel is that this small quantity of pig iron consumed by small foundries is not going to make any material difference in your case because your position is going to be determined in the main by the way in which the export market is going to behave.

Mr. Carpenter.—It would make a material difference. You take 10,000 tons. At Rs. 10 a ton, it will come to a lakh of rupees.

President.—If you get an increase of 3,000 tons in your market you make it up.

Mr. Carpenter.—Yes. But we are faced with a rapidly decreasing market.

President.—As far as the export market is concerned and that is due to very special causes.

Mr. Carpenter.—Also the internal market.

President.—During the past two or three years, the market for every kind of commodity has been declining and we cannot build very much on that. But I do not know whether, in the case of a manufacturer who is admittedly in a difficult position in which you are, sometimes better results are not achieved by taking a long instead of a short view.

Mr. Carpenter.—We have gone into it very closely for the last ten years. We have discussed it often with Tata's and the Bengal Iron and if anybody could put up a guarantee that they would take the iron or as an alternative make good the loss, we should do it.

President.—In this connection there is a statement that the Tata Iron and Steel Company make which I want to tell you. In a memorandum they sent us, speaking of their basic iron, they say "This iron is sold at a much lower price than the other grades but the Company is prepared to supply the smaller foundries at the same price as the basic iron with suitable iron for specific purposes, that is to say, foundry iron for specific purposes if a genuine demand arises and if it is a fact that basic iron cannot satisfactorily be used". I want to discuss this again with the Tata Company. But if I understand the passage aright, it means this that if there is a genuine demand and if it is clear that basic iron cannot satisfactorily be used the Tata Iron and Steel Company are prepared to sell foundry iron at practically the same price as basic iron. If that passage means anything it means that.

Mr. Carpenter.—I suppose that a satisfactory demand means something very substantial. Then we should also be prepared to do that.

President.—I was inclined to consider at first that it would be a reasonable solution of the problem, but on further consideration I feel rather doubtful. I will tell you why. What this provision implies is that the supplier will determine what kind of material the purchaser should buy. When the supplier is in the very strong position in which the Tata Iron and Steel

Company and you are in respect of pig iron, I am a little doubtful whether I should be justified in placing the purchaser so completely at the mercy of the suppliers not merely in regard to price but in regard to the sort of thing that he should buy.

Mr. Carpenter.—It is purely a commercial matter. Naturally we are all out to make a living if we possibly can and if anybody is able to come along and place a proposition which is commercially sound before us or before Tata's, I am quite certain we will be prepared to consider it in that light. We have had complaints before about the price of pig iron, but I have never in the last 12 years received any sound commercial proposition on which I could reduce the price.

President.—My main point is this. I cannot justify the margins between your prices quoted for different classes of purchasers and the margin that you maintain between basic and foundry iron. I cannot justify these differences with reference to the scale of differences which is observed in other countries in the same commodity. I cannot. The position is unique in this country.

Mr. Carpenter.—It is unique inasmuch as iron practically as such is not consumed in India.

President.—Equally unique is the position that the pig iron production is the cheapest in the world.

Mr. Carpenter.—Quite. It is the only reason why we are able to survive.

President.—It is in the light of these facts I propose to consider this problem. If at any time between now and the end of February any idea occurs to you regarding this matter we should be glad if you could communicate it in writing.

Mr. Carpenter.—Certainly.

Mr. Wiles.—You stated that your foundries were erected chiefly for the export market.

Mr. Carpenter.—Entirely.

Mr. Wiles.—Normally about three-fourths will be exported and one-fourth sold in India.

Mr. Carpenter.—When we are on full production, at least 85 per cent. is exported.

Mr. Wiles.—Normally on your export of iron you were making profits, but to-day the boot is rather on the other leg. You are relying on the home markets to make up your losses. That is the position?

Mr. Carpenter.—Exactly.

Mr. Wiles.—Is the price of pig iron in India a flat rate throughout the country?

Mr. Carpenter.—We have adjusted the prices. We take the port rate and adjust it which is really at present Rs. 10 below the import price.

Mr. Wiles.—The point I am trying to get at is this. If you were quoting the same price for pig iron in Bombay as in Calcutta your price in Calcutta would have to be raised approximately by the freight to Bombay from your works. Is the freight distributed to distant markets?

Mr. Carpenter.—We ignore the freight in that respect because we have to compete in Bombay against pig iron shipped from the Continent and of course the loss in freight is borne by us.

Mr. Wiles.—The tendency is to raise price in your nearer markets in order to compensate you for the loss in distant markets?

Mr. Carpenter.—Within reason. We have fixed a schedule of prices which we think would not affect the market whatsoever in regard to the price of castings as such.

Mr. Wiles.—In fixing the price of Rs. 30 a ton for the Bengal Iron Company, you are influenced by the necessity of keeping an industry, which consumes a very large portion of your material, alive.

Mr. Carpenter.—Quite so. We have also a working agreement with Bengal Iron and if we do not supply them with pig iron at a cheap price, they would put their furnaces in blast which would mean that we should have more iron surplus for which under present day conditions there would be no market.

Mr. Wiles.—That accounts for the supply of pig iron at a low price to the Bengal Iron Company.

Mr. Carpenter.—Quite.

Mr. Wiles.—Coming to the Railways, what is the limiting factor there?

Mr. Carpenter.—You mean on this particular sleeper order?

Mr. Wiles.—Yes.

Mr. Carpenter.—The price at which timber and steel sleepers can be made and sold.

Mr. Wiles.—You are not in a position to extort a higher price from the railways.

Mr. Carpenter.—Unfortunately not.

Mr. Wiles.—As regards the other pig iron about 3,000 tons, the same objection does not exist and you are able to quote the market price?

Mr. Carpenter.—That is for general castings, where a difference in price of Rs. 10 or Rs. 12 per ton has very little influence on the market. In the case of sleepers, it is a simple casting which is affected by competition from substitutes.

Mr. Wiles.—What is the biggest tonnage of consumption of other foundries? 7,000 tons is the figure for 1933. What is the biggest figure you have got?

Mr. Carpenter.—Messrs. Burn and Company, Limited, in the same year took 660 tons.

Mr. Wiles.—What is the tonnage corresponding to this 7,000 tons? What is the biggest figure for these other foundries apart from Burn and Company, Limited, Bengal Iron and Company, Limited, and the Railways?

Mr. Carpenter.—You mean the total pig iron despatched to all the other foundries in one year.

Mr. Wiles.—Yes.

Mr. Carpenter.—Roughly 12,000 tons.

Mr. Wiles.—You never had a bigger sale than that.

Mr. Carpenter.—No.

President.—What year was that?

Mr. Carpenter.—Four or five years ago.

Mr. Wiles.—Your highest output was in 1929-30?

Mr. Carpenter.—Yes. That is entirely governed by exports. For local foundries the biggest year we ever had was 1926 with 91,000 tons. In 1927, it was 89,000 tons and in 1928, 91,000 tons.

Mr. Wiles.—Out of this 91,000 tons how much is given to the Bengal Iron and Railways?

Mr. Carpenter.—In those particular years we had two very large orders from the East Indian Railway who were making their own sleepers at Jamalpur.

Mr. Wiles.—What is the figure?

Mr. Carpenter.—Probably 70,000 tons.*

Mr. Wiles.—31,000 tons is the figure you gave for 1933. What is the total figure for railways in 1928?

Mr. Carpenter.—I could not say off hand.

Mr. Wiles.—Will you send that figure later on?

* The actual figure is 50,000 tons.

Mr. Carpenter.—Yes.* In 1930 the Railways took 6,300 tons. Of that, you can say roughly 4,000 tons would have been for sleepers made in Jamalpur.

Mr. Wiles.—That was very low year.

Mr. Carpenter.—No.

Mr. Wiles.—Only 24,000 tons for the whole of India?

Mr. Carpenter.—Quite. You must remember that the Bengal Iron Company had their furnaces in blast then. Now you have got their 5 furnaces out of blast.

Mr. Wiles.—I think the Tata Company put the local consumption at 30,000 tons to-day.

Mr. Carpenter.—That would include sleepers.

Mr. Wiles.—Excluding railway materials.

Mr. Carpenter.—The total consumption of pig iron as such we have proved to be that including sleepers but excluding Bengal Iron, in boom years never exceeded 60,000 tons of which at least 40,000 tons would be consumed in sleepers.

Mr. Wiles.—We have been given rather extravagant figures as to what the consumption in foundry iron was in the past. If you could give us figures it would be very helpful.

Mr. Carpenter.—Including sleepers?

Mr. Wiles.—The figure we have is very vague. We have got nothing definite to show what the consumption of foundry iron has been.

Mr. Carpenter.—We will send you figures.

Mr. Natesan.—The difficulty I feel is this. As the Chairman rightly pointed out you have not applied for protection and if we ever succeed in achieving our object, we shall do so only through Tata's and I am hoping that we will. Many small industries, including one Chamber of Commerce, viz., the Bengal National Chamber of Commerce, have complained that small businessmen, i.e., those that make many of these things like *karais*, cannot get foundry iron for anything less than Rs. 50. It has been a puzzle to me whether there are any middlemen who are making money because we have been told that Tata's have been selling at Rs. 30. It is now clear that there are no middlemen.

Mr. Carpenter.—No.

Mr. Natesan.—Then I think we may ask you to consider this question from a very broad point of view. Your firm has been in India for many years. It is distressing to find these representatives of small industries coming to us almost with a tale of woe. No doubt they are also afflicted by the other fact that protection has to some extent interfered with their profits, but I am not affected by that. Don't you think it reasonable that we expect you to do something to relieve these people? As the Chairman has pointed out, after all your total sales amount to only about 7,000 tons.

Mr. Carpenter.—Quite.

Mr. Natesan.—Even making allowance for any exaggeration—naturally a man in affliction will be inclined to do so—it seems to me that they have a legitimate grievance because with the steel industry protected and virtually one or two manufacturers holding the monopoly, their business seems to be going down day after day.

Mr. Carpenter.—Have they given you any figures to prove that?

Mr. Natesan.—Everyone has come and told us that they cannot get it at less than Rs. 50. The Bengal National Chamber of Commerce has brought that fact to our notice. There were also a few others who gave evidence. But there is no denying the fact that the complaint is fairly general.

Mr. Carpenter.—Have they been able to prove that price of pig iron is the main factor which has affected the cottage industry?

* 50,000 tons.

Mr. Natesan.—Almost everyone says that it is the price of pig iron because they cannot get it for anything less than Rs. 50.

Mr. Carpenter.—I have not yet received any proposal that one can entertain commercially to sell to any of these people such a quantity of iron as would enable us to sell it to them more than to anybody else as a compensating factor—more iron and a more reasonable price which would give me the same results in rupees, annas and pies.

Mr. Natesan.—I will give you this answer: You said there was no demand and the demand was not likely to increase even if you lowered the price; but so far as last year was concerned could it not be that these small people having regard to other troubles never thought of buying from you because of the price? That might be a contributory cause?

Mr. Carpenter.—My experience with regard to the local cottage industry is that the price of scrap is the governing factor and not the price of pig. In bazaar castings they use a mixture of at least 60 per cent. scrap.

Mr. Natesan.—I take it that there are a number of people round about Calcutta who are engaged in making *karais* and so on. Is it your suggestion they are using scrap iron?

Mr. Carpenter.—Certainly; it is just a question of proportion and as far as my experience goes the proportion is at least 60 per cent. scrap and therefore the governing factor in the price of their castings is scrap and not pig.

President.—This question was raised three or four years ago and the question we put to people who appeared before us was this: suppose the duty was removed and prices came down to Rs. 50 in consequence would that induce them to buy pig iron rather than scrap at Rs. 45? The answer was that they wouldn't give up the use of scrap altogether but they would use increasing quantity of pig iron.

Mr. Natesan.—To your knowledge are there people who use pig iron for these articles and whether they find a better price for it?

Mr. Carpenter.—In all the general bazaar castings the average mixture would be at least 50 per cent. scrap iron.

Mr. Natesan.—So I would be wrong in assuming that they purchase pig iron and use it in making these articles?

Mr. Carpenter.—I should not imagine that there is any bazaar dealer who would use anything like 100 per cent. pig for any of these castings.

Mr. Natesan.—Then your suggestion from your own experience in this country is that the trouble of these people is not so much due to the price of pig but it is due to other causes?

Mr. Carpenter.—The trouble is generally economic. Pig iron has been as high as Rs. 140 a ton in this country and I should imagine more pig was being sold then than to-day.

President.—You won't deny that a substantial reduction in the price of pig iron would to a considerable extent improve their position? A reduction of the kind I have suggested is bound to make a perceptible difference.

Mr. Carpenter.—In practice, as I said, I have never had anybody come along with a commercially sound proposition and say "if you give 100,000 tons of pig at Rs. 30, I can make castings and rice bowls".

President.—From what sort of party can you expect to get this guarantee? We are speaking of small foundries: what kind of organisation would you contemplate for this?

Mr. Carpenter.—We had five or six years ago Messrs. Pandit Brothers of Patna who came along, but beyond the fact that they wanted pig iron cheap they could not say anything. As regards general castings the Bengal Iron Company are getting cheap pig iron from us. If there was a demand for castings of any kind the Bengal Iron Company are in a position to compete with the bazaar.

President.—The position of the Bengal Iron Company is determined principally by the market for cast iron pipes; that is the main factor, and

there, as you know, the position is greatly complicated by the situation abroad. But with regard to bazaar castings, as you know, imports do not play anything like so important a part.

Mr. Carpenter.—Quite so but they have got a very large foundry which they must be in a position to work economically and they are getting pig iron at a very cheap price.

President.—If there had not been any dumping of cast iron pipes from Japan the position of the Bengal Iron Company would have been substantially different.

Mr. Carpenter.—A couple of thousand tons of Japanese pipes coming in

President.—The effect on the price is disproportionate.

Mr. Natesan.—I take it in your agreement with the Bengal Iron Company they cannot sell pig iron to anybody in India but can only use it for their own purpose?

Mr. Carpenter.—The Bengal Iron Company are not operating their furnace but if they are operating they can sell.

Mr. Natesan.—When you sell pig iron to them to make use of it themselves can they sell it to others?

Mr. Carpenter.—They must consume the pig iron themselves.

Mr. Natesan.—So the position is this. You fix the price at about Rs. 49 to these small people; the Bengal Iron Company cannot sell it to others. So virtually all these small people are at your mercy. You sell 7,000 tons to these people who are able to come and buy from you. Suppose a man came to you and said "Will you sell me 40 tons of pig iron", would you sell him direct?

Mr. Carpenter.—We sell direct. We will sell anybody 1 ton, 2 tons or 3 tons of pig. Mainly we sell in wagon loads but in Calcutta if any bazaar merchant comes along and asks for one ton of pig iron we sell it.

Mr. Natesan.—From your experience can you tell me what is generally the quantity they purchase at a time?

Mr. Carpenter.—Tatas deal with the bazaar; we have little to do with the bazaar, but mainly one wagon load at a time. Even big people like Jessops take one wagon load.

Mr. Natesan.—What is the kind of facility that the small dealer has of purchasing?

Mr. Carpenter.—The Calcutta man can walk into our office and ask for one ton of pig iron. It will be a cart load.

Mr. Natesan.—It strikes me that in addition to the difficulty of price there is the difficulty of these small people in getting goods unless they take in large quantities.

Mr. Carpenter.—They can take a small wagon of 15 tons of pig which would last only six months.

Mr. Natesan.—Then it amounts to this that nothing can be done to help these small people?

Mr. Carpenter.—I can't see that there will be any greater demand for pig iron in the country until the ordinary consumer uses cast iron cooking utensils, *karais*, bowls and so on as they do in Europe.

President.—You can't extend the use of these things unless you make them cheaper, you can't make them cheaper unless the raw material is cheaper and the raw material can't be cheaper because the demand is not greater.

Mr. Carpenter.—Rice bowls are made in Calcutta largely out of scrap and basic iron from Tatas at a price at which the Bengal Iron Company cannot possibly compete in spite of the fact that they buy pig iron at about Rs. 30 a ton.

President.—So that if these people could get their pig iron at the same price imagine at what price they would sell these articles in the bazaar and there might almost be a boom in cast iron articles.

Mr. Carpenter.—I believe they would be using more scrap.

President.—Scrap is more difficult for them to use?

Mr. Carpenter.—I do not think so.

Mr. Wiles.—Low overheads is a very considerable factor in these small foundries?

Mr. Carpenter.—Yes. Practically they have no overheads.

Mr. Wiles.—It has been put to us that if the price of pig iron was reduced to Rs. 30 that would considerably increase the demand. I suppose you are not in a position to verify or refute that statement?

Mr. Carpenter.—I have not yet had anybody coming up to my table with a commercial proposition, to guarantee for instance that he would use 100,000 tons.

Mr. Wiles.—There is no organisation of course for these people who could put it to you as a commercial proposition. I take it if you were satisfied that the demand was going to quadruple itself would you consider that a commercial proposition?

Mr. Carpenter.—Certainly. We should like to dispose of every ton of pig iron we can produce in India.

President.—If the demand increased by say 30 per cent. your position would be still sound?

Mr. Carpenter.—Quite.

Mr. Natesan.—Supposing the smaller dealers in Calcutta formed themselves into an association and guaranteed to purchase from you, say, 500 tons every time would you be prepared to sell them at Rs. 35?

Mr. Carpenter.—If any combination of dealers would come forward and say, "we will take 1,000 tons or 1,500 tons per annum" we would certainly consider a representation of that kind very favourably. But we have to have a guarantee and we have never had yet any proposition of that kind to convince us, though for the last 10 or 12 years we have heard this tale of woe.

Mr. Natesan.—Did I understand you to say that you have heard this tale of woe?

Mr. Carpenter.—Yes. Mr. Sawday giving evidence in 1930 said that for the price of a plough it made a difference of one anna or so. The Angus Engineering Company who started with the idea of making looms for the jute industry giving evidence before the Tariff Board in 1930 said that the price of pig in a loom meant only one per cent. The value of pig iron compared to the total cost was very small.

President.—My reply to that is this: In this matter, as I look at it, distinctly the burdent of proof is on you in this sense that the scale of difference that you maintain between your foundry price and the basic price is essentially different from the scales of difference observed in other countries. Therefore it is up to you to prove that they are justified.

Mr. Carpenter.—The justification is that we must live and as far as we are concerned with the sale of pig iron it is a question of rupees, annas and pies and if anybody can satisfy us that by reducing the prices we shall receive the same amount in rupees we would be perfectly willing to reduce them.

President.—Where we produce our pig iron at a cheaper cost than any country in the world what puzzles me is this: how can we justify a price of pig iron in this country which corresponds to the f.o.b. price plus the revenue duty?

Mr. Carpenter.—One is able to produce pig iron cheaper in India because it is done on a very large scale with the idea of supplying the export market and we have to accept the world price in the export market which

means we are sometimes losing money. I therefore think we are justified in getting what we consider a fair price in India to compensate the loss we might possibly incur in selling abroad.

President.—Whether you live or not will depend entirely on whether you will get a substantially large export market. In that case whatever the price you get from the Indian purchaser it will not enable you to live. Therefore purely from a financial point of view it is really an unimportant factor.

Mr. Carpenter.—That being the case you will be faced with the problem that these small foundries will have to put up small furnaces and supply the demand for pig iron in India and the price will certainly be Rs. 44.

President.—Either you must continue to get a substantial export market for pig or, if you do not do that, you go on to produce steel. Apart from that there is no real solution. Charging a few rupees more to small foundries is not going to make any difference.

Mr. Carpenter.—It does in the balance sheet.

President.—If you take a slightly longer view the balance sheet may be set right as far as that particular point is concerned by an increase of 25 or 30 per cent. in the demand for pig iron in the bazaar. That will set your balance sheet square.

Mr. Carpenter.—The moment we see any signs of that increase, we should certainly encourage them in every way, but we must be guided by our experience and Burn's experience. They were almost the first in India. Their foundries are 150 years old. They decided to make pig iron for themselves. Their foundry demand has been less and less in spite of the fact that they get it at such a cheap price. On the other hand you have the Bengal Iron Company with the largest foundry in India and their consumption also has been less and less.

President.—Tell me precisely what efforts you have made to investigate the possibilities or developing the bazaar market.

Mr. Carpenter.—I think we have tried mostly everything. Under the terms of the agreement we have with the Bengal Iron Company, we cannot compete with them and therefore our activities are really confined to producing pig iron, but of course we have through Messrs. Burn and Company, Limited, the oldest people in the trade—tried everything we possibly can. They have tried bazaar lines and they have actually been beaten out of them on account of competition from bazaar castings, at rates at which they could not turn out. It is governed mostly by the price of scrap. That is not the case with the Bengal Iron Company in the case of castings which are very expensive on account of the efficient plant they have put down.

Mr. Natesan.—I thought you had an arrangement by which the Bengal Iron Company could not supply to others. Is there an arrangement then that you could not supply to others too?

Mr. Carpenter.—We supply pig iron to anybody. We as an Iron Company under our agreement with the Bengal Iron Company are not permitted to go in for castings. Dr. Matthai's question was, what have I done to increase the use of castings. That is outside my jurisdiction. We are pig iron producers and we leave the propaganda for the use of castings to such people as the Bengal Iron Company, Messrs. Burn and Company, Limited, and other big foundries.

Mr. Natesan.—I understand from you clearly as it arises from the answer to the President's question that you are not interested in selling pig iron to the bazaar.

Mr. Carpenter.—We are very much interested, because we want to increase our sales of pig iron.

President.—They are interested in selling pig iron, but they are not interested in selling castings.

Mr. Natesan.—You do it through brokers?

Mr. Carpenter.—We sell direct.

Mr. Natesan.—Since the beginning of this year have you found a greater demand from these small people?

Mr. Carpenter.—We do very little with the bazaar and we do more with big engineering firms such as John King, Burns and Jessops and the demand has not increased. Government are buying a little more for their sleepers. Burn's foundry was completely shut down for the last 18 months. This is the oldest foundry in India.

Mr. Natesan.—Do I gather from your evidence that this problem is not new to you and you have heard this tale for 12 years. Do you really think that it cannot be solved satisfactorily?

Mr. Carpenter.—That is what it amounts to, until such time as you raise the general economic level in India and also the use of cast iron particularly for domestic use increases.

Mr. Natesan.—What exactly will be the position—I am trying to understand your point of view—if Tata's are not bound by any arrangement?

Mr. Carpenter.—If they sold iron regardless of ourselves, we should be rather in a bad way and it would result in cutthroat competition just as we had in 1923-24 between the Bengal Iron Company, ourselves and Tata's.

Mr. Natesan.—Supposing Tata's were inclined to sell to small dealers at a lower price than at present, how exactly would it affect your arrangement?

Mr. Carpenter.—As far as we are concerned, it is merely a question of money. If Tata's were desirous of selling a certain limited quantity of pig iron to what we term "Bazaar foundries" provided they were willing to compensate me to that extent in high priced markets, I should not object to it. Actually we look for a certain amount of revenue from the local sale of pig iron. I don't mind whether some is sold at Rs. 90 and some at Rs. 30 so long as I get the money.

Mr. Natesan.—What exactly are the prospects of another Steel Industry in India?

Mr. Carpenter.—I should think rather remote.

Mr. Natesan.—You know why I am putting this question.

Mr. Carpenter.—No.

Mr. Natesan.—Do you think it is very remote?

Mr. Carpenter.—At the moment I should think it would take a good deal of courage to go ahead with another steel proposition in this country.

MISCELLANEOUS.

THE SUR ENAMEL AND STAMPING WORKS, LIMITED.

**Evidence of Mr. M. M. SUR, recorded at Calcutta on
Tuesday, the 19th December, 1933.**

President.—Mr. Sur, you represent the Sur Enamel and Stamping Works?

Mr. Sur.—Yes.

President.—You are a joint stock company?

Mr. Sur.—A private limited company.

President.—How long have you been in existence as a company?

Mr. Sur.—For the last 15 years.

President.—Where are your works located, in Calcutta?

Mr. Sur.—Yes.

President.—You say that your annual output is of the average value of Rs. 1,75,000?

Mr. Sur.—Yes.

President.—There is another enamel works in Calcutta, the Bengal Enamel Works; they produce about the same quantity of enamel as you do?

Mr. Sur.—Yes.

President.—Do you produce the same kind of enamelware?

Mr. Sur.—Practically the same.

President.—What are the main classes of enamelware that you make?

Mr. Sur.—I should say at present enamel signs.

President.—Do you make anything else?

Mr. Sur.—We do some hollow wares and hospital articles.

President.—These hospital articles I suppose are really hollow ware?

Mr. Sur.—To some extent.

President.—What are the principal kinds of hollow ware that you make?

Mr. Sur.—Some things which Japan does not make, some special shapes such as *thalis*.

President.—Are they rice plates?

Mr. Sur.—Yes. We try to sell these only in Bengal because we cannot send our articles to Bombay or Madras because of the freight and we have to manufacture certain things which Bengalis like. These *thalis* you will find are very much liked by Bengalis.

President.—Taking your annual output as Rs. 1,75,000, what proportion of it represents signboards?

Mr. Sur.—Rs. 1,50,000 worth of signboards and Rs. 25,000 other varieties all taken together, but in the case of the Bengal Enamel Works they make mainly hollow ware because we find that if we both go in for *thalis* there will be competition. Of course we also go on for a certain quantity of hollow ware.

President.—Do you have any competition from Japan in respect of signboards?

Mr. Sur.—It is beginning to come.

President.—In what form do they send their imports of signboards here? Signboards are really made to order, aren't they?

Mr. Sur.—Yes. Suppose anybody orders 2,000 or 3,000 signs they take advantage of that because these people find that they can make a net saving of Rs. 600 or even Rs. 1,000,

President.—There are local agents who go round collecting orders?

Mr. Sur.—They know all important parties who advertise by enamel signs. It is really the big orders that would go to Japan if we are not protected in the beginning.

President.—If you take the total quantity of imports from Japan I suppose the bulk of it is hollow ware and is rather a special line in which competition is not at present very acute, but you fear it may be acute in the future?

Mr. Sur.—Yes. These big advertisers such as the Amritanjan people from Madras, the Crescent Balm and people of this sort are beginning to place their orders with Japan. We have lost these orders.

President.—What sort of quantity would be ordered at a time?

Mr. Sur.—2,000 to 3,000 pieces.

President.—Have you estimated it on the basis of weight, taking the sheet weight?

Mr. Sur.—The price of signboards is calculated on the square foot basis and the colours involved. Their weight does not come in.

President.—What I am trying to understand is this: if you take your total output, both of hollow ware and signboards, is it possible to give a comparison of the two figures on a basis of weight?

Mr. Sur.—I don't think we can. First of all Japan manufactures light stuff, much lighter than the usual standard. We have to manufacture signs which are of a quality similar to the Austrian or German stuff, of thicker gauge and better class of enamel. Japan imports much thinner stuff, 20 or 22 gauge and they make a saving in the cost of material.

President.—Do you use the sheet in the form of black sheet?

Mr. Sur.—Yes, of thicker gauge.

President.—Is there any other country from which you are experiencing competition at present?

Mr. Sur.—None whatsoever.

President.—Take a country like Czechoslovakia?

Mr. Sur.—No, because of the duty.

President.—But the same applies to Japan. In spite of the same duty on Japanese and Czechoslovakian goods you find no competition from Czechoslovakia?

Mr. Sur.—Not at all.

President.—The bulk of the imports of enamelware now is from Japan?

Mr. Sur.—Yes. I have got some figures. You will find that the total Japanese imports in 1932-33 was Rs. 16 lakhs.

President.—And the total was about Rs. 22·8 lakhs.

Mr. Sur.—That is right. It is gradually increasing. In 1932 it has increased to an enormous extent, from Rs. 8 lakhs to Rs. 16 lakhs.

President.—In 1930-31 it was Rs. 13 lakhs, in 1931-32 it dropped to 8·9 lakhs.

Mr. Sur.—Because of the low purchasing power of the people. It has again jumped up to Rs. 16 lakhs. Of these Rs. 22 lakhs the remaining 6 lakhs includes bath tubs, sanitary fittings which you can't call enamel.

President.—The main article you produce is signboards and it is very difficult to compare your cost of producing signboards with the Japanese import price unless you get an exactly comparable article.

Mr. Sur.—Even with comparable articles we can't because we have to buy sheets at a much higher price and chemicals we have to pay duty for.

President.—The materials that you use for an article like a signboard are sand, felspar?

Mr. Sur.—And certain other chemicals too.

President.—Sands, felspar, chemicals, and then sheets?

Mr. Sur.—Yes.

President.—These are the four principal classes of materials?

Mr. Sur.—Yes.

President.—What is the sort of unit with reference to which you can give us your costs?

Mr. Sur.—Per sq. foot.

President.—Take 100 sq. ft.

Mr. Sur.—We shall calculate on the square foot basis.

President.—I will take one square foot. What is your cost of sand?

Mr. Sur.—Enamel costs Rs. 45 per cwt.

President.—You can't give that separately?

Mr. Sur.—I can but I have not got the figures with me. There are some colouring materials which are very expensive.

President.—Enamel costs Rs. 45?

Mr. Sur.—Yes. One pound of enamel per sq. ft.

President.—One pound of enamel costs how much?

Mr. Sur.—Rs. 45 per cwt.

President.—Let us take it at 4 annas.

Mr. Sur.—That would be all right.

President.—What does sheet cost you?

Mr. Sur.—0-2-6* per square foot.

President.—That corresponds on a tonnage basis to how much?

Mr. Sur.—Including wastage, cutting and everything Rs. 9 to Rs. 10.

President.—What is your wastage?

Mr. Sur.—5 per cent.

President.—What is the present price of sheet in the Calcutta market?

Mr. Sur.—16 or 18 gauge we get at Rs. 200 per ton.

President.—The present price of black sheet would be landed including duty at Rs. 192 per ton.

Mr. Sur.—Including cartage and other things it would come to about Rs. 200.

President.—Plus your wastage, let us say Rs. 210. How many square feet?

Mr. Sur.—2-5 lbs. per square foot.

President.—Would you say 0-2-6 for sheet?

Mr. Sur.—Yes.

President.—What are your manufacturing charges?

Mr. Sur.—Other charges come to about 2 annas more.

President.—That includes power?

Mr. Sur.—There is not much power necessary.

President.—That comes to 10½ annas per sq. ft.**

Mr. Sur.—Yes.

President.—What is the corresponding Japanese price?

Mr. Sur.—I find it is about 6 annas per square foot, including landing charges, duty and everything.

President.—What is the duty on enamelware?

Mr. Sur.—30 per cent. for Japan.

* The rate of 0-2-6 per sq. ft. for sheet has been given on the normal price of Rs. 7-8-0 to Rs. 8 for sheets. The present enhanced rate is about Rs. 10 so this rate should be 0-4-0 per sq. ft.

** As the price of sheet has advanced by 0-1-6 per sq. ft., so this figure should be correspondingly increased to 0-12-0 per sq. ft.

President.—If 6 annas is the duty paid price, the c.i.f. price that is the price without duty would be about 0-4-6 and your cost is 0-10-6. You would therefore require a duty of 6 annas?

Mr. Sur.—Six annas for two coloured signs, but for three or four colours it would have to be increased.

President.—If there is no competition between your products and imported products, except in the case of Japan, then I am rather doubtful if you can establish a case for protection in the ordinary way because all the assistance you want is in respect of the depreciated exchange.

Mr. Sur.—We have completely ousted others and besides hospital articles, bed pans and things of that sort there is no other import except from Japan. Similarly in the case of enamel signs America is not sending any, none from Great Britain and there is hardly any from Germany.

President.—I am not quite sure whether the Tariff Board in the present enquiry can do anything in the way of assisting you because the case seems to me, subject to further consideration, one entirely for action by the Government of India under the Safeguarding of Industries Act.

Mr. Sur.—If we get the sheet cheaper and if we get some kind of chemicals at a lesser duty it would be easier for us.

President.—We can't reduce the duties on chemicals or reduce the duty on sheets just on account of this temporary factor of depreciated exchange. Suppose we fix protection for the steel industry over a period of seven years and we decide to lower the cost of black sheets in order to assist you it may be that in the course of a year or two the difficulty arising from depreciated exchange might disappear, and a permanent reduction of the duty therefore would not be justifiable. It is perfectly clear that there is no case for assistance against all factors. The present 30 per cent. is quite enough.

Mr. Sur.—Yes.

President.—It is only against Japan?

Mr. Sur.—Yes.

President.—It is only in respect of depreciated exchange?

Mr. Sur.—Yes.

President.—Therefore my own idea is that yours is a case which has to be considered in connection with the Safeguarding of Industries Act and not in connection with the Steel Protection Act. You have sent your representation to the Government of India on this subject?

Mr. Sur.—Yes.

President.—Have you heard anything?

Mr. Sur.—Not yet. Mr. Hardy promised that we would get protection, but which way we would get protection, we do not know. Increase the duty on all non-British.

President.—Your cost is about 10 annas 6 pies; the Japanese price with the revenue duty is 6 annas. There is a margin therefore of 4 annas 6 pies. Suppose we gave you your sheet not merely free of duty, but free of cost?

Mr. Sur.—Still we can't.

President.—This won't assist you.

Mr. Sur.—You are not concerned with any reduction of duty on chemicals?

President.—We are not concerned with it. The only way in which we can assist you is in respect of sheet. Even if you suggest to Tata's that Sur Enamel Works should get black sheet free of cost, you would still want a very substantial duty. So I am afraid, Mr. Sur, that it would be very difficult for the Tariff Board to make any recommendations in your case which would be of any real assistance to you and you will have to wait till the Government of India publish their proposals under the Safeguarding of Industries Act. I know of course they are considering your case in connec-

tion with the Safeguarding of Industries Act. When the Enamelled Iron industry came before the Tariff Board in 1924, then of course there was no question of Japanese competition. Then what they wanted was a compensating duty, because the prices of sheet were going to be raised as the result of the protection of steel, but your position is now very different.

Mr. Sur.—Japanese didn't depreciate the exchange to such an extent.

President.—I am afraid there is nothing more I can say regarding your case. You understand the position.

Mr. Sur.—Yes.

President.—We probably on these facts would come to the conclusion that if by the time our report is published, the Government of India have not published their proposals under the Safeguarding of Industries Act, all that we could say is that they should expedite their proposals under the Safeguarding of Industries Act and give you assistance against Japan. There is nothing more, I am afraid, that we can do.

Mr. Sur.—I want a reduction of duty on chemicals.

President.—We can't touch chemicals. We have no right to do it.

Mr. Wiles.—What proportion of your sheet do you import? Is it a comparatively small quantity?

Mr. Sur.—Yes and that also a special quality of sheets for better class of articles.

Mr. Wiles.—Not for signboards?

Mr. Sur.—No.

Mr. Wiles.—How many works are there in India?

Mr. Sur.—Two are in Calcutta and two only started in the Bombay Presidency and besides there are many minor industries all over the country.

Mr. Wiles.—How many in all?

Mr. Sur.—20 or 25.

Mr. Wiles.—Since when have the Japanese prices fallen to this rate?

Mr. Sur.—Since last year we are experiencing this difficulty, but the price of hollow wares were down since the last six or seven years.

Mr. Wiles.—It is only last year that you have begun to feel the Japanese competition.

Mr. Sur.—Before that they never imported.

President.—The curious thing is I have got some figures of invoice prices from Custom Houses. Taking for example Madras, rice plate imported from Japan in January-June 1931 was Rs. 1-6-4 a dozen. In January-June 1933 it was Rs. 1-3-3. That is only a fall of 14 per cent. as the result of depreciated exchange.

Mr. Sur.—Hollow wares are having the same price practically during the last two years, because they don't expect competition.

President.—It is in respect of signboards.

Mr. Sur.—Because we had no more hollow wares, to-day we are improving enamel signs. The demand for enamel signs has been increasing considerably where the quality is no question. I find from last year they are beginning to import into Bombay, Madras and Calcutta.

President.—We have not been able to get any invoice prices for Japanese signboards. It is very difficult to get them.

Mr. Sur.—There are only two or three importers, I have mentioned, that we have seen so far.

Mr. Wiles.—When you say that the Japanese have completely captured the hollow ware market, they have done that over a period of three or four years?

Mr. Sur.—We never successfully competed with Japan. After the war they are in the market.

Mr. Wiles.—That applies chiefly to the rural market.

Mr. Sur.—That is right.

Mr. Wiles.—The other stuff which comes in doesn't compete with Japanese.

Mr. Sur.—No. There is another advantage of Japan in doing these things at cheap rates. They have got continuity of production, whereas we have none. Sometimes we are too busy with orders and afterwards we have no orders, and the overheads go up, whereas in the case of Japan it is not so. If I have an estimated production of Rs. 2 lakhs I can go on doing that even if there is no sale. If the banks would help me, I can go on at that rate, whereas in the signboard I have to secure business before I can do anything.

President.—There is no general market.

Mr. Sur.—No. They are capturing about 75 per cent. Once captured, it is very difficult for me to oust them out.

President.—The only way in which we can effectively assist you is to recommend that the imports of signboards should be prohibited.

Mr. Sur.—Can you do that?

President.—I am sorry we are not in a position to help you.

SHEET MAKERS' CONFERENCE OF THE UNITED KINGDOM.

**Evidence of Messrs. J. H. PEARCE, I. F. ELLIOT and
J. W. BAIRD, recorded at Calcutta on Thursday,
the 14th December, 1933.**

President.—Mr. Pearce, you appear on behalf of the British Sheet Makers?

Mr. Pearce.—Yes.

President.—I should like to get some idea of the constituency which you represent in relation to sheet makers in the United Kingdom. You say you represent 26 works or groups of works involving 350 sheet mills.

Mr. Pearce.—Yes.

President.—How many sheet mills are there altogether in the United Kingdom?

Mr. Pearce.—The Sheet Makers' Conference comprises all the important mills. There are jobbing mills which are mostly employed on special work. The Sheet Makers' Conference is not a Corporation or a Limited Company.

President.—It is simply something like our Chambers of Commerce representing the interests other than the actual manufacturers.

Mr. Pearce.—It is rather more than that. It is an Association which meets and decides the policy of the Sheet Makers.

President.—That is to say they are concerned with the relations of Sheet Makers to other parties, Government or other countries. That is the business of the Conference, I take it.

Mr. Pearce.—They are a general clearing House for all information and matters of interest to the Sheet Makers.

President.—What I am concerned to find out is that opinions expressed by the Sheet Makers' Conference are the opinions of the great bulk of the Sheet Makers in the United Kingdom.

Mr. Pearce.—Yes.

President.—Any agreement which may be reached, that agreement may be regarded as practically binding on the whole body of Sheet Makers in the United Kingdom.

Mr. Pearce.—On the whole body who are actually in the Association. There are very few outside the Association who would be interested in business of this kind.

President.—Sheet Makers' Conference would be in a position to see that any arrangements made by the Conference would be enforced practically as regards the sheet trade in the United Kingdom.

Mr. Pearce.—Yes, we have the experience now of the agreement with the Tata Iron and Steel Company.

President.—Outside these 350 sheet mills, what is the output represented by the small makers? Is it a very considerable figure?

Mr. Pearce.—No.

President.—You represent more than 90 per cent. of the sheets made in the United Kingdom?

Mr. Pearce.—95 per cent.

President.—Before I leave the point, I want to ask one more question. The Oriental Steel Company with which the Indian Steel Industry is at present in agreement, is controlled by your Conference?

Mr. Pearce.—Yes.

President.—How exactly is that control secured? What is the arrangement which gives the Sheet Makers that control?

Mr. Pearce.—Perhaps I can explain it best this way. The Board of the Oriental Steel Company consists of Directors who are interested in the Conference. For instance the Chairman of the Sheet Makers' Conference, Mr. Summers, is the Chairman of the Oriental Steel Company and also Sir William Firth, Mr. Dorman, and Mr. Mackenzie who are Directors of the Oriental Steel Company are members of the Sheet Makers' Conference. The policy is dictated by them and that policy has to be carried out.

President.—Simply it is a selling company?

Mr. Pearce.—Yes.

President.—In paragraph 3 of your Memorandum you give the composition of a galvanised sheet, 92½ per cent. of steel and 7½ per cent. of zinc. I notice in the agreement between the Tata Iron and Steel Company and the Oriental Steel Company you take a figure of 22½ cwts. of sheet bars. That, I suppose, represents normal British practice. That is to say 22½ cwts. of sheet bars on this analysis of a galvanised sheet would represent 925 ton of black sheet.

Mr. Pearce.—Of finished black sheet.

President.—That would give the yield from sheet bar of 83·2 per cent

Mr. Pearce.—Yes.

President.—May I take it that it is the normal British practice?

Mr. Pearce.—Yes round about that.

President.—I was looking in that connection at Statement 33 submitted by the Tata Iron and Steel Company. You will find their yield of good steel on the sheet bar and billet mill, taking the 1932-33 figures, is 80·6 and the yield on the sheet mills is 65·8. Taking those figures, I get an yield of black sheets from sheet bar of about 80½ per cent. taking 80·6 as equivalent to 65·8.

Mr. Pearce.—You mean that the British practice seems to be rather higher than the figure here.

President.—The point that I was really asking you, as an experienced manufacturer, was that for a sheet industry which has been working for not more than 8 or 9 years, a yield of 80½ per cent. may be considered quite satisfactory.

Mr. Pearce.—I should think so.

President.—I do not know if you are in a position to give us any figures regarding the British practice with regard to the consumption of spelter.

Mr. Pearce.—If we take it on the basis of 24 gauge, 1½ cwt. to a ton.

President.—Is that the net consumption or the gross consumption?

Mr. Pearce.—That is the net consumption.

President.—If you take 1½ cwt. as the net consumption, what would be the corresponding gross consumption figure?

Mr. Pearce.—I don't think I have those figures.

President.—Without committing yourself just for the purpose of understanding. Later on if you want to correct the figures, you are at perfect liberty to do so.

Mr. Pearce.—I have no figures in my mind which would give me a clue to that.

President.—Would you mind looking into it and send us a note later?

Mr. Pearce.—Yes.

President.—Taking normal prices?

Mr. Pearce.—Yes.

President.—In that paragraph you make a very important statement which to my mind would govern any proposals which we may make regarding the duty on galvanised sheets and that is that a high duty tends to increase the price to the consumer and to restrict the demand for galvanised sheets to the detriment of the consumer and the cultivator. It is a point which has been in many ways brought home to the Board that there is probably no rolled steel products which seems to react so directly to the level of purchasing power of the country as galvanised sheet. I mentioned to the Tata Iron and Steel Company when they appeared before us with a view to check the consumption of galvanised sheets, variation in the consumption of galvanised sheets during the past six years which has fallen, as you know, from 338,000 tons to 115,000 tons which represents a fall of over 60 per cent. During the same period the price of raw jute in Bengal fell from 93, taking the index figure, to 45 which is a fall of over 50 per cent. and that seems to indicate that it is a product which reacts almost immediately to the level of purchasing power among the agricultural classes in the country and we are therefore concerned in considering our proposals to adjust the tariff on galvanised sheets in such a way that while the Indian industry is protected, no unnecessary burden is thrown on the consumer. I take it that you are in general agreement with that position?

Mr. Pearce.—Yes.

President.—I come to the question of British prices. You state that at the end of paragraph 5. What you have done here is to take world prices of British sheets, in this sense the prices charged for export to countries other than India and Scandinavia with which the United Kingdom is in treaty agreement.

Mr. Pearce.—Only with regard to Scandinavia.

President.—In regard to India the agreement is with the industry?

Mr. Pearce.—Yes.

President.—In regard to India and the Scandinavian countries the prices are determined by agreement.

Mr. Pearce.—Not in regard to Scandinavia which is a free market. Prices for India are determined of course by the agreement between the Tata Iron and Steel Company and the Oriental Steel Company.

President.—What is the reason for omitting Scandinavian prices from these prices that you give?

Mr. Pearce.—That is a free market. We have an agreement with Scandinavia and there was some difficulty about persuading them to pay on every occasion the market price. They said "we would give you the Continental price plus a certain percentage".

President.—It is a kind of agreed price?

Mr. Pearce.—Yes.

President.—It is not a competitive price.

Mr. Pearce.—It is not the lowest price.

President.—So that there is a certain element of arbitrariness in the figures.

Mr. Pearce.—That is so.

President.—Your suggestion is that we take the world prices of British galvanised sheets as the main indication of the export price that would be charged under normal conditions in regard to sheets exported to India.

Mr. Pearce.—Yes.

President.—I have just a few details I want to clear up first. These prices that you give for different periods, are they average export prices?

Mr. Pearce.—They are the minimum prices fixed by the Conference. May I say here that the only reason for giving a period later than June was to show the trend of prices. I know the later prices are not com-

parable with the first six months mentioned by Tatas. But I have carried the prices on to September. Actually the figures which concern our enquiry, as you know, are those from January to June.

President.—Not necessarily. Although the Tata Iron and Steel Company have stated that the prices of January—June in regard to the bulk of their steel products should be the basis for fixing the measure of protection, the Board has the matter under consideration and we have not by any means made up our minds as to what is the period for which prices should be taken as the basis for the measure of protection. But proceeding on these prices you get a figure of Rs. 166·6 for June and Rs. 170 for September.

Mr. Pearce.—Yes.

President.—Exchange being taken uniformly at 1s. 6d.

Mr. Pearce.—Yes.

President.—In taking your freight, insurance and so on at £1-10, do you include your landing charges in India?

Mr. Pearce.—Yes. Freight, insurance, landing charges, etc., are given just above that column in the statement before you.

President.—So that it is the whole of the landed price?

Mr. Pearce.—Yes.

President.—What is the actual freight that you take?

Mr. Pearce.—25 shillings.

President.—You allow 5 shillings for landing charges out here?

Mr. Pearce.—It is an average.

President.—That is slightly higher than the figures which Tatas have taken.

Mr. Pearce.—Probably there is a small commission to pay. We have taken a round figure of 30 shillings.

President.—The first point that I wish to raise in connection with this question of British price is this: you remember the Ottawa Delegation in their Report assumed a figure of £10-10 f.o.b. as the lowest price which would give the British manufacturer of sheets a reasonable return. Now has there been any change in that respect? They wrote their Report in September, 1932. May I take it that approximately £10-10 f.o.b. United Kingdom would still represent the sort of price which would give the British manufacturer a reasonable return, a lowest price which would give him a reasonable return.

Mr. Pearce.—It would not give him any return.

President.—It would give him a reasonable return, a sufficient surplus over his cash outgoings to meet depreciation and similar charges.

Mr. Pearce.—If he could get business at £10-10 of sufficient volume, it would reduce his overhead and so might be considered, but it is not an economic price.

President.—It includes everything except the return on capital?

Mr. Pearce.—Yes.

President.—I don't quite know what the Ottawa Delegation meant by this statement. I take it that the figure of £10-10 would give you probably something more than depreciation. Their statement is "we are satisfied that this is the lowest price which will give the British sheet manufacturers a reasonable return for, when all their costs have been met, the sum left to cover depreciation and profit is 12s. 6d."

Mr. Pearce.—Yes.

President.—But your contention is that 12s. 6d. would cover nothing but depreciation.

Mr. Pearce.—My contention to-day is this that the costs of raw materials have so increased since that date, that £10-10 is too low.

President.—What is the sort of figure you would take as the lowest which would not merely leave you without loss, but also a reasonable return?

Mr. Pearce.—We have given you in paragraph 7, £11-5 as the lowest price which the Conference is charging to-day to all the world and that price was decided in September.

President.—The position then is that at £10-10 you could afford to export without incurring any loss.

Mr. Pearce.—No, I would not go as far as that, because there may be some works who have export business only and those works would be left high and dry.

President.—For the moment adopting the logic of Ottawa Delegation, if we adopted a price of £11-5 for British sheets, it would be possible for the British manufacturer, if conditions of competition in this country require it, to reduce his price to a level of £10-10 without putting himself to any loss.

Mr. Pearce.—We are prepared to come to an agreement on that point. We are prepared to undertake to quote a stated minimum price. To ensure clarity on that point, I state that now.

President.—That is to say, if we take a figure higher than £10-10 the Sheet Makers' Conference of the United Kingdom would back up that proposal with sufficient sanction to make the price operative.

Mr. Pearce.—We are prepared to say that by agreement with the Tata Iron and Steel Company or with the Indian industry we would back it up.

President.—You remember that the Ottawa delegation besides taking the lowest price which might give the Sheet Makers a reasonable return, also proposed that any provision for off-setting duties in the scheme of tariffs should be applied equally to British sheets if it so happened that the prices fell below the agreed price. If it became necessary to do that the Sheet Makers should be perfectly agreeable.

Mr. Pearce.—Your point is this. You want to ensure a fair selling price to the Indian producer. We are prepared to give an undertaking not to go below that fair selling price.

President.—In order to provide further support for the Indian industry suppose we suggest that besides an undertaking by the Sheet Makers' Conference there should also be a provision for applying the off-setting duties, in case, for any reason, prices happen to fall below the agreed level. That would be a perfectly reasonable arrangement?

Mr. Pearce.—I think so. But if we undertook not to quote a lower price than the fair selling price, then that contingency would only arise when that agreement came to an end.

President.—I take it that there are no sheet makers outside the Conference who would export to the Indian market?

Mr. Pearce.—Not at present.

President.—None of them doing?

Mr. Pearce.—No.

President.—Taking the prices of black sheets, the Tata Iron and Steel Company have pointed out to us that the prices given by them in their representation are for black sheets of 14 to 18 gauges, but the prices that you give are for 24 gauge, so that the prices are not exactly comparable.

Mr. Pearce.—The reduction for 14 to 18 gauges is 5 shillings per ton off the stated prices.

President.—The difference between the prices for 24 gauge and prices for 14 to 18 gauges is normally 5 shillings.

Mr. Pearce.—It is a fixed price—5 shillings less than the prices quoted here by the Conference.

President.—That is to say, you have to take about Rs. 3½ off?

Mr. Pearce.—Yes. If you deduct Rs. 3'4, it would make it Rs. 130.

President.—If you take the September price it would be exactly Rs. 140?

Mr. Pearce.—Yes.

President.—Looking at the f.o.b. prices for black sheets of 24 gauge, I find in every case the margin between black sheets and galvanized sheets of similar gauge is almost exactly £2.

Mr. Pearce.—Yes.

President.—We may take that margin as normal?

Mr. Pearce.—It depends on the price of spelter.

President.—But then the prices of spelter have varied enormously during this period whereas the difference of £2 in price has been maintained.

Mr. Pearce.—That has corresponded with world conditions. But it would depend on the price of spelter. Spelter has been very cheap. If spelter were to run away, it would probably make the relation between black and galvanized sheets different.

President.—There is no idea of fixing a definite relation between the prices of galvanized sheets and black sheets?

Mr. Pearce.—No.

President.—None at all?

Mr. Pearce.—No.

President.—I was looking at it from another point of view. Later on in that page, you give us the Continental prices for black sheets and then you tell us that because of the wide fluctuations it is difficult to take a definite figure but then you give a difference of £1 to £1-10 as the difference between the Continental and British black sheet prices?

Mr. Pearce.—Yes.

President.—If I take the average of £1 to £1-10 as £1-5, the latest price is £9-5 and deducting £1-5 from it you get £8. The price of Continental galvanized sheets for the same period is £10 and you get exactly the same gulf.

Mr. Pearce.—It is governed by costs very largely.

President.—So, it occurred to me in spite of variations in the prices of spelter, there appears to have been a steady relation between the prices of black sheets and galvanized sheets both in the case of British sheets and Continental sheets.

Mr. Pearce.—It is purely fortuitous.

President.—Nothing behind it at all?

Mr. Pearce.—No.

President.—Coming to the prices of Continental galvanized sheets, these prices that you give here are trade journal quotations.

Mr. Pearce.—That is so.

President.—And the latest price, that is the September price, is Rs. 153'3. There also you have taken freight at £1-5.

Mr. Pearce.—Yes.

President.—Is that quite correct? These were all shipped from Antwerp. The freight from Antwerp and the freight from United Kingdom ports you have taken to be the same. Is that correct?

Mr. Pearce.—Yes. They are Conference steamers, and unless they have sufficient galvanized sheets or sufficient cargo to make up a full load for a steamer, they would have to pay Conference rates.

President.—You have sent us a letter subsequent to this memorandum in which you point out that the actual landed price for Belgian sheets is Rs. 130 c.i.f. Can you tell me generally the sort of evidence on which you base this statement?

Mr. Pearce.—I first enquired amongst merchants and I got various replies. Subsequently I had an extract made from the Customs returns and I found in June there were five entries. The figures are as follows:—June 13th Rs. 131-10, June 14th Rs. 129-3, June 16th Rs. 129-3, June 16th Rs. 130, June 18th Rs. 130. Shipments at Rs. 129-3 were very small. There were only two of less than 2 tons each. Therefore I ignored them, although a price lower than Rs. 130 had been established.

President.—That is all from actual invoices I take it?

Mr. Pearce.—From actual shipments received here.

President.—Is it Calcutta Custom House?

Mr. Pearce.—Yes.

President.—Now the Ottawa Delegation took a figure of £8-10 as the lowest price touched by Belgian sheets.

Mr. Pearce.—That is so, but I am not sure of the wording of the report.

President.—The bed rock price of Belgian galvanized sheets is assumed by the Ottawa Delegation to be £8-10 f.o.b. Antwerp. On a basis of £8-10 f.o.b. Antwerp, you would get a c.i.f. price in India of Rs. 133.

Mr. Pearce.—This price of £9-15 or Rs. 130 actually does not leave £8-10.

President.—Slightly lower than that?

Mr. Pearce.—£8-5.

President.—You get a c.i.f. price of £9-15 on this figure whereas in the other case it would be exactly £10.

Mr. Pearce.—Taking 30 shillings as freight, insurance and landing charges.

President.—If you take landing charges at 2-75 instead of 3-3 which you have taken?

Mr. Pearce.—It would lead to a difference of rather less than a shilling.

President.—It narrows the difference a bit?

Mr. Pearce.—Yes.

President.—The qualities of Belgian sheets or gauges of Belgian sheets imported into this country, are they different from the gauges generally imported from the United Kingdom?

Mr. Pearce.—The Belgians prefer 24 and 26 gauges. They have occasionally taken lighter gauges.

President.—The great bulk of the sheets are 24 and 26 gauges.

Mr. Pearce.—I have a number of invoices which are all for 24 gauge.

President.—What sort of period do these invoices cover?

Mr. Pearce.—March and April.

President.—I will tell you why I am raising this question. I looked up the Trade Returns from April to September, 1933, and I found that the average value of Belgian sheets imported into India was Rs. 156-7. Now if a figure of Rs. 130 represented about the normal price, then the only way in which I can explain the discrepancy is that a considerable part of the sheets imported from Belgium represented thinner gauges.

Mr. Pearce.—Or flat sheets for which an extra is paid.

President.—That extra is small.

Mr. Pearce.—10 shillings.

President.—That would come to about Rs. 10, but this is a very big difference. What interested me at the time I looked up these trade figures was that this figure of Rs. 156-7 seemed to correspond very nearly to Rs. 153-8 which you gave here for September.

Mr. Pearce.—The difference is Rs. 26 or 39 shillings: allow 10 shillings for flat and 25 shillings extra for gauge and we get 35 or about Rs. 23 which would account for part of the difference.

President.—Assuming 60 or 70 per cent. of their gauges are 24 gauge, then would a margin of 30 per cent. for other gauges represent so big a difference as Rs. 26?

Mr. Pearce.—The extra for 26 gauge is 25 shillings which the Belgians follow very closely and the extra for 28 gauge 30 shillings and the addition to that for flat sheets if there were any. That of course could easily be proved by examining the invoices.

President.—That is a point that we really ought to settle in consultation with the Collector of Customs.

Mr. Pearce.—Yes.

President.—You have no information about the Japanese prices.

Mr. Pearce.—I have some, but it is not very reliable. I am given to understand that even lower prices have been quoted. Japanese galvanized sheets—plain sheets 26 gauge—were offered recently—this letter is dated 6th December—including the duty at Rs. 240-8. The British price including the duty was £19-2-6 of Rs. 255 roughly.

President.—Let us take the Japanese price. That is for plain galvanized sheets.

Mr. Pearce.—26 gauge.

President.—Then you take Rs. 83 off that?

Mr. Pearce.—Yes.

President.—That gives you Rs. 157 for plain galvanized sheets of 26 gauge. From that you can work out what would be the corresponding price for corrugated sheets 24 gauge.

Mr. Pearce.—You would have to deduct the extras for 26 gauge.

President.—I want really the c.i.f. landed price here.

Mr. Pearce.—The extra for 26 gauge is 25 shillings and the extra for plain is 10 shillings. Therefore there would be 35 shillings or Rs. 23 to come off that and you get Rs. 134.*

President.—Rs. 134 is the landed price without duty?

Mr. Pearce.—Yes.

President.—The corresponding price for 24 gauge corrugated?

Mr. Pearce.—Yes. But they have recently increased their prices I am told. Offers have been received at lower prices and I suggest Rs. 134 is too high.

President.—What is the lowest price that has come to your knowledge?

Mr. Pearce.—These are the lowest prices that have come to my knowledge.

President.—That is to say Rs. 240-8 duty paid price is the lowest you have come across?

Mr. Pearce.—Yes. But the Japanese are more interested in the lighter gauges and I have a price here for nominal 30 gauge galvanized plain sheets which shows a difference of 12½ per cent. against the corresponding

* In deducting the extras to arrive at the price of 24 gauge sheets the extra for standard 26 gauge sheets has been taken, viz., Rs. 25 per ton, which together with Rs. 10 per ton for flat sheets amounts to 35 or about Rs. 23 per ton. But on looking at the offer the actual difference between the British basis price of 24 gauge corrugated sheets (£16-7-6) and the price they quoted (£19-2-6) is found to be £2-15 per ton or Rs. 36-7 and this figure, plus Rs. 83 duty should be deducted from the Japanese price of Rs. 240-8 to arrive at the price of 24G. This results in the correct price being Rs. 121 and not Rs. 134. The sheets are described as 26 gauge, but this is evidently a nominal gauge as shown by the extra charged.

English price. The Japanese price for the so called 30 gauge galvanized plain sheets was Rs. 253 and the corresponding British price Rs. 290.

President.—The point that interests me particularly there is the comparison between the Japanese prices and the Continental prices.

Mr. Pearce.—Yes.

President.—If a figure of Rs. 134 may be taken as the average price for the last few months then that price corresponds more or less closely to actual Belgian landed price.

Mr. Pearce.—I would call it too high. When I was in Bombay I was told that the Japanese were offering consistently at 10 per cent. lower prices than British or other sheets.

President.—To your knowledge has there been any increase in the imports from Japan?

Mr. Pearce.—Yes; I have looked up the figures.

President.—The increase does not seem to me to be very considerable as compared with previous years?

Mr. Pearce.—It is not. But it is considerable in the last few months. In the month of October the imports from Japan were 348 tons. In 1931 for the first seven months they were 373 tons, in 1932, for the same period 1,185 tons and in 1933 1,539 tons. But of course if they go on at the present rate of imports of about 350 tons, the difference will be marked at the end of the period.

President.—I looked up the figures on the basis of six months and compared the figures for the corresponding periods in previous years. I find that although there has been some increase, it is not by any means considerable.

Mr. Pearce.—It is not exactly the question of the increase in itself. You may have a relatively small quantity sold at a much cheaper price and that is sufficient to disorganise the market and to make the buyer hesitate, to put him off his buying in other words.

President.—I am wondering whether in regard to a thing like galvanized sheet, the depreciation of the yen exchange would give Japan the sort of advantage that she has in respect of some other articles because a good many things would have to be imported.

Mr. Pearce.—I think it would.

President.—And straightaway the prices of articles imported into Japan would go up in proportion to the depreciation of the yen.

Mr. Pearce.—The only thing they would have to import in regard to galvanized sheets would be spelter.

President.—I do not know in what form they get their materials for their sheets?

Mr. Pearce.—You mean sheet bars? I take it that these will be manufactured in the Government works.

President.—There is a good deal still imported. Then there is pig iron.

Mr. Pearce.—Yes, they have been buying very heavy quantities.

President.—So that the price must go up.

Mr. Pearce.—It would. Unless of course the Continent are prepared to give away their depreciation as they have been doing in the case of the sterling exchange.

President.—In the case of sterling exchange they have given up some part of it but not the whole of it.

Mr. Pearce.—I think the whole of it because sheet bars have been offered in Great Britain at a price below the British price—when the price of British sheet bars was £4-10 the Belgian price including 33½ per cent. duty and freight of about 10 shillings was one shilling below their price. That was of course a price to get into the market and they might do the same with Japan.

President.—What precisely is the sort of proposal you would make in regard to Japanese sheets? From your point of view it would be sufficient if the same arrangement were made in regard to Japan as we may make in regard to continental sheets?

Mr. Pearce.—Yes, provided what we call the dumping clause were applied quickly enough to stop the influx of Japanese sheets, which would thoroughly disorganise the market.

President.—And that dumping clause would operate only in relation to individual countries? What I mean is, supposing the tariff arrangements that we make for galvanised sheets is one duty for sheets imported from the United Kingdom and another duty for sheets imported from countries other than the United Kingdom and suppose there is a fall in the price of Japanese sheets, would you raise the offsetting duty on imports from all countries other than the United Kingdom, or is it your suggestion that the dumping clause should operate individually against Japan? That might raise complications.

Mr. Pearce.—Yes, I agree. Of course the object of it would be to meet the case of the offender. There might be two importers: Japan might be dumping and the other foreigner might not be although very near the price.

President.—And that other importer would account partly for 80 or 90 per cent. of the imports from countries other than the United Kingdom?

Mr. Pearce.—At the moment, but we are budgetting for the future. We should have no objection to that clause being applied to all imports.

President.—I now come to paragraph 7 of your representation. There is a statement that you make with regard to railway freights in India which I do not quite follow. Your suggestion is that in no case should a duty be imposed of more than Rs. 20 a ton, bearing in mind that British imported sheets must pay higher freights to inland destinations than those produced by the Tata Company. Is that based on definite information?

Mr. Pearce.—We are given to understand that the Tata Iron and Steel Company have preferential freights; therefore if we are paying freight from one port to a given point the distance being the same as from the Tata works to that point, we should pay a higher rate of freight actually than the Tata Iron and Steel Company.

President.—The basis on which we have all along proceeded in regard to determination of freight disadvantage for the products of the Indian steel industry is this: we take on an average the freight borne by the Tata Iron and Steel Company on articles shipped from Tatanagar to various destinations in the country and we take on those articles freights likely to be borne by the imports from the nearest port to the various destinations. The difference between that, if it is for example a disadvantage, is the average freight disadvantage that we allow to the Tata Iron and Steel Company. If that is the basis on which we proceed, this statement that you make here is not particularly relevant unless it can be shown that the freight borne by British imports from the nearest port to the inland destination is higher than the freight borne by imports from other countries. In that case in the preferential cost you can make an adjustment.

Mr. Pearce.—That is not the case; all imports would have to pay a higher freight.

President.—It is difficult for us to find any other basis on which the freight disadvantage may be calculated in respect of the Indian industry.

Mr. Pearce.—The point there is rather this: in this freight disadvantage the Tata Iron and Steel Company has effectually an additional protection by virtue of their geographical position or arrangement with the Railway company.

President.—If the railways had not given preferential rates the duties would have to be higher?

Mr. Wiles.—That is the market to which they have these preferential rates. That only applies to a limited market.

President.—My feeling about the suggestion you make is this: the actual freight disadvantage calculated per ton of product which was incurred by the Tata Iron and Steel Company in 1932 on their galvanised sheets, was no disadvantage at all in 1932; on the other hand they had a freight advantage of somewhere about a rupee and a half. That was when they were producing 40,000 to 45,000 tons. Now they are estimating an average output of 90,000 tons which means that markets would have to be found further afield and they have suggested that the freight advantage of a rupee and half which they had in 1932 would be converted to a disadvantage of Rs. 5 per ton. That figure is under consideration. In fact we are taking particular care in looking into the question of freight advantage and freight disadvantage. But they have given this figure of Rs. 5 on the basis on which the Tariff Board in the past calculated their freight disadvantage, and if we adopt the same method of calculation now I don't think we can accept your statement. I don't see any other basis on which the thing can be estimated really and if the railway companies in India decide to increase their freight rates on raw material and on finished products, then it seems to me on that basis it would be necessary for us to make a corresponding increase. The only point which is open for discussion is whether the amount of Rs. 5 which they claim as their freight disadvantage on galvanised sheets in the future, is higher than circumstances actually warrant. Once that is accepted and if the railway companies decide to increase freight rates, we have to make corresponding addition in the duties. I don't think it will be possible for us to find for the time being any other basis on which the thing can be calculated.

Mr. Pearce.—What quantities they can sell in the market, and their maximum production, is only a forecast.

President.—It is. But it is very difficult to say what you can do except to make a forecast in a matter of this kind. We have got to get a figure and that figure has necessarily to be a forecast.

Mr. Pearce.—It may be on the other hand that markets nearer home may be able to absorb greater quantities. If the Tata Iron and Steel Company can produce a maximum of 90,000 tons and they can sell it to nearer destinations they will not have a freight disadvantage.

President.—That is a matter which we are considering. That is an argument which will be relevant in considering whether Rs. 5 they claim as the freight disadvantage is not too high for the future.

Mr. Pearce.—Quite so.

President.—I now come to the question of differential duties. Your suggestion is that the existing duties on sheets not of British origin should be maintained. I have been considering this question with very great care and as far as I can see there are three possible bases on which we can estimate these differential duties. First, we can proceed on the basis, as the Tata Iron and Steel Company practically suggest, that British prices would approximate to Belgian prices in India under conditions of equal competition, that is to say, you have to sell, if there were no protective duties in India, at prices which generally prevail in the market and in the same market the same commodity must sell at the same price.

Mr. Pearce.—We shall certainly sell less and less under those conditions.

President.—When the duty on galvanised sheets was a single duty then I take it in the actual conditions of the Indian market Belgian and British prices approximated.

Mr. Pearce.—But the Belgian imports at that date were also smaller; they have gained considerable ground in recent years.

President.—If you leave out that basis then there are two other bases, one is to proceed in both cases in the case of British sheets as well as in

the case of continental sheets—on the basis of world prices. You have given the world price for British sheets and also for Belgian sheets. You proceed on the basis of world prices and there are continued variations in world prices and you proceed to give effect to the off-setting duty provision. That is one basis on which the thing can be done. The third one is to proceed on the basis of the Ottawa Delegation's report, that is to say take in the case of British sheets a price which would leave them a reasonable return including not merely depreciation but also profit, and in the case of sheets exported from elsewhere than the United Kingdom take the bedrock price, that is to say the lowest price actually touched. If the third basis is accepted it will be necessary to get an undertaking from a sufficiently well-organised body which can speak for the manufacturer as a whole, that a price which gives a reasonable return to the manufacturer is the lowest price at which goods can be actually landed in this country. These are the three bases on which we can proceed. As you will realise and as you have pointed out more than once, there are two principles which we as a Tariff Board have got to bear in mind in fixing these duties. The first is that the protection required for the Indian industry must be ensured and secondly that no undue burden should be thrown on the consumer. These two principles must underlie any proposals which we make, and, as I pointed out at the beginning, I feel that in a commodity like galvanised sheets it is of the utmost importance that while the interests of the Indian industry are safeguarded, no undue burden is thrown on the consumer because it is an article which vitally interests the consumer. Taking these two principles into account my own inclination subject to further consideration is in fixing the differential duties to fix these on a basis which would as far as possible reduce the burden on the consumer.

Mr. Pearce.—We have asked for a low duty.

President.—In any case speaking for myself for the moment, it would be difficult for us to accept the proposal of differential duties in the form in which you have put them, because on whichever basis you frame your duties a duty as high as Rs. 83 per ton on galvanised sheets is impossible.

Mr. Pearce.—I admit it is a hypothetical basis. It is based on the assumption that Belgium may go off the gold standard and go down to the equivalent of the present day gold prices which we have stated here as somewhere about £7 per ton. One can imagine Belgium going off the gold standard and then they can export sheets probably at £7 per ton. If you are going to have off-setting duties which would be brought into force immediately and not six months after the sales are made, that would meet the case.

President.—With regard to the provision for off-setting duties one weakness certainly is that even were the Government in right earnest, the nature of the machinery is such that it is bound to operate relatively slowly.

Mr. Pearce.—That is to say, there is always a time lag.

President.—And it may be necessary in view of the time lag which is involved in it, it may be necessary from the start to provide a margin. I take one of these various bases I have suggested, calculate the differential duties on the basis of the difference between the United Kingdom prices and non-British prices and let us say I get a differential duty of Rs. 30 or Rs. 40; in view of the time lag involved in the operation of the off-setting duty clause we can provide a small margin, that is to say although the figures themselves actually lend themselves to a duty of Rs. 30, we provide for an extra Rs. 5 as a necessary margin against certain contingencies which are exceedingly probable, but you can't provide a margin for such a contingency as the departure of Belgium from the gold standard: we should not be justified in placing a burden on purely hypothetical considerations of this kind on the country.

Mr. Pearce.—I take it you would leave a margin in the off-setting duties you recommend in case prices go up to an abnormal figure.

President.—Off-setting duties in our scheme of protection, whatever proposals we may make, would be essential from every point of view. In paragraph 9 you refer to possible arrangement on the lines of co-operation between the Indian industry and the British industry. I, should like straightaway to state how I look at the question at present. You make a distinction between present and the potential demand. If we take 1929-30, that is to say the pre-depression year, as representing more or less the normal conditions then India's potential demand on a normal basis of galvanised sheets may be taken as 270,000 tons. The Tata Iron and Steel Company's maximum capacity, that is to say with the old mill and the three new sheet units would be 120,000 tons. That would leave a surplus of 150,000 tons. On the existing figures if you take the present consumption the Indian demand for galvanised sheets in 1932-33 was 115,000 tons.

Mr. Pearce.—About that.

President.—And Tata's existing or immediate capacity is about 90,000 tons without taking the three new sheet units into account. That leaves a balance of 25,000 tons.

Mr. Pearce.—I think they say here they don't propose to instal the third unit until some time later.

President.—I am not taking the third unit into consideration in taking the present consumption. I am taking the one in operation and another which would be in operation next year. It is on that basis, the average output of 90,000 tons has been calculated.

Mr. Pearce.—They also say: "It would therefore not be advisable to plan for the installation of a third sheet-mill unit until a reasonably permanent rise in the demand can be foreseen. This third extension, which is covered by the capital expenditure programme referred to above, may not be undertaken until towards the end of the seven-year period".

President.—If you left that out, you would get a production of 90,000 tons and the existing demand, if you base at on the 1932-33 figures as 115,000 tons which therefore leaves a surplus balance of 25,000.

Mr. Pearce.—I would call it 120,000 tons.

President.—Taking your figure, you get a balance of 30,000 tons. As far as I can understand the position if the margin between consumption and local production is somewhere of the order of 30,000 tons, it seems to me obvious that no new sheet works would come into existence, because the production, as far as I understand it, would not be sufficiently large to be economical.

Mr. Pearce.—Why not? You are protecting the whole industry, not any one individual Company. Therefore a new sheet works in India would have exactly the same protection as the Tata Iron and Steel Company.

President.—What I am suggesting at present is that suppose Tatas produce 90,000 tons and the total consumption in the country is 120,000 tons, the balance of 30,000 tons can only be supplied by imports under present conditions.

Mr. Pearce.—If a new Company is started, does it follow that the whole 90,000 tons would go to one unit? It would mean a little price war between the two.

President.—With the result that in a protected industry there would be clearly overproduction.

Mr. Pearce.—There might be.

President.—Overproduction in a protected industry is not the best condition that you can provide for the development of the industry.

Mr. Pearce.—Not exactly.

President.—That would be the trouble.

Mr. Pearce.—Yes.

President.—The way I look at it is this: so long as the balance between production and consumption is somewhere about 30,000 tons, it seems to me obvious that the balance would have to be supplied by imports, if the Indian Steel industry is on a protected basis. On the other hand if the balance is, say, 150,000 tons, then obviously there is room for another sheet works in the country. Where the balance is only 30,000 tons and another sheet works come into existence—I have no means of preventing it—if they do come into existence, I have a feeling that it is not the very best condition that you can provide for the industry. Mark you, the protection that will be provided for the Indian Steel industry would be on a considerably reduced basis as compared with the present duties and the basis on which protection would be calculated is that all possible economies would be introduced. They have suggested that the fair selling price at works should be taken at Rs. 116. We are going very carefully into that question. We may or may not allow this Rs. 116, but we will certainly say that whatever price we fix is a price which will make it necessary for the Tata Iron and Steel Company to introduce every possible economy in their works. Once you do that and put your protection on that basis, it seems to me not fair to allow overproduction to develop in the industry, because in that case you are defeating the whole object of protection. Once the stage of protection is passed, you can have any kind of competition.

Mr. Pearce.—That is a strong argument which is this: when you get 115,000 tons surplus, unless the industry further expands, that must be imported.

President.—That is what I am suggesting too.

Mr. Pearce.—If you have a high duty, an unnecessarily high duty, it is going to be a burden on the consumer who is relatively a poor man,—mostly the poor agriculturist—who is dependent on the world price for primary products for his surplus to spend on galvanised sheets.

President.—What I really want to get at is this: till the market for galvanised sheets revives in this country to more or less normal dimensions, there is room in the country for a considerable quantity of imports, but the moment we reach the normal dimensions, there is the possibility of another sheet mill being started in the country.

Mr. Pearce.—But the Tata Iron and Steel Company have asked you to budget for seven years. That is also within the discretion of the Board, but you will not budget, I take it beyond that. Therefore within the seven-year period that condition may or may not arise. I have taken the average for the last seven years, of the consumption of galvanised sheets in India and I think it is exactly 232,000 tons.

President.—That is the average of how many years?

Mr. Pearce.—1926-27 to 1932-33. It is slightly lower than your figure.

President.—I thought at first of taking an average over a period of years, but I feel in these matters probably you get more accurate results by taking a typical year.

Mr. Pearce.—It is possible. We have in those years two peak years of 335,000 tons and 338,000 tons.

President.—Yes. I don't quite know the details of the arrangement of co-operation that you propose, but I should like to say this that our object should be to develop the production of sheets in this country as much as possible. Taking the actual circumstances I see little prospect of another sheet works being started in the country until the market revives considerably. In the meantime there is room for any arrangement which may make it possible for imports to come into the country at prices not unduly burdensome to the country, but at the same time consistent with the interests of the Indian Steel industry.

Mr. Pearce.—That is how we understand it.

President.—But we cannot remove the protective duty or reduce the protective duty, because if we do that, then the possibility of another sheet works being started in the country if the market revives would disappear.

Mr. Pearce.—When you say, you would remove the duty

President.—I mean remove the protective duty. If we remove or reduce the protective duty, this incentive for another sheet works to be started in this country is considerably diminished.

Mr. Pearce.—You are protecting the existing Steel industry and the existing Steel industry says that all it requires is a fair selling price which you are also investigating. Therefore if they are to get their fair selling price, the duty should be the difference between the import price and the fair selling price.

President.—The protective duty would have a very definite relation to the fair selling price of the existing industry. That is perfectly clear.

Mr. Pearce.—Yes.

President.—All that I am suggesting is that, during the period which we may consider necessary for the purpose of protection, the protective duty should be fixed at a figure which would give the existing industry a fair selling price; otherwise the possibility of another sheet works being started in this country would considerably diminish. But in the meantime there is a considerable balance in the country which may be catered for by imports, so that if there is any arrangement on the basis of co-operation, it is essentially a very temporary arrangement.

Mr. Pearce.—The last arrangement was until March next year. It has been temporarily prolonged. We quite understand that it is a temporary arrangement.

President.—In para. 10 you draw attention to the incidence of overhead and profit. I am glad you raised this point, because it is a point which has been worrying the Tariff Board a great deal not merely in this enquiry, but also in other enquiries. The depreciation and other overheads and profit that we allow to Indian industries do bear a very considerable proportion to their works expenditure and we are always sort of challenged to explain this big proportion. I should like in the first place to mention this, although it is perfectly true that on black sheets and galvanised sheets the incidence of these charges has increased very considerably in 1933 as compared with 1926, at the same time the incidence on sheets is considerably lower than the incidence on all other steel products. I am taking the Tata Iron and Steel Company's representation, Table 5. I worked out the proportion of these overheads and profit to the works costs. On the basis of the Tata Company's suggestion, the proportion of overheads and profit to works costs in rails is 67·8 per cent.; fishplates 55 per cent.; structurals 61·6 per cent.; bars 61·6 per cent.; plates 62·9 per cent.; tinbar 52·1 per cent.; black sheet 50 per cent.; galvanised sheet 43·1 per cent. and sleepers 64·1 per cent., so that you get the lowest incidence.

Mr. Pearce.—The whole point in raising this at all is this: that this overhead is shown as part of the necessity of having a fair selling price of Rs. 185 and we wanted to make sure that this would be examined to see if overheads of Rs. 50 and Rs. 43 were really necessary.

President.—The only way in which we can examine that—I quite admit that it is a very important point—is from this point of view. The Steel industry here is at present a definitely protected industry—protected industry in the sense that we want the industry to maintain its works in a sufficiently efficient condition, not merely that, we want also the industry, if the market conditions demand it, to develop. These are the essentials underlying the scheme of protection. If that is admitted, then you must allow sufficient depreciation for the industry to maintain its efficiency. If you want the industry not merely to be maintained in an efficient condition,

but also to be developed, then the return on the capital that you provide must be sufficient to attract new industries. Admitting these two conditions, then the question that remains for consideration is this: we take a rate of 6½ per cent. on plant, machinery, buildings, everything included in the assets of the Company as a fair rate for depreciation for a steel works. Would you consider that as reasonable?

Mr. Pearce.—I am not quarrelling with that, but we get here in para. 65 an average incidence of about Rs. 37·5 on the whole production.

President.—Yes.

Mr. Pearce.—Is there any reason why galvanised sheets should bear such a heavy share of the overhead?

President.—It bears really a smaller share per ton.

Mr. Pearce.—It bears a smaller percentage than some other products, for instance, rails Rs. 67, but that is the whole point of raising this question. They are enormous figures in comparison with the British practice and that is what has struck me.

President.—I admit that the figures are striking. I have been trying to explain the thing to myself since I read your statement, because it is a question that comes up constantly before us and I have had considerable searchings of the heart over this question and I want to know where we stand. The way in which I was trying to look at it is this: if 6½ per cent. is a fair rate for depreciation, if 8 per cent. is a fair return on capital sufficient to attract capital in this country and if you admit further that Rs. 12½ crores is a reasonable replacement value on Tatas' works, then the rest automatically follows.

Mr. Pearce.—That is the point. That is the whole reason for drawing the Board's attention to it.

President.—Do you accept 6½ per cent. as a reasonable rate for depreciation?

Mr. Pearce.—We would.

President.—Would you consider 8 per cent. as a reasonable return?

Mr. Pearce.—We wish we could get it.

President.—You don't want to attract new investors into your industry.

Mr. Pearce.—We can't make 2 per cent. Unhappily many can't make even one per cent.

President.—If we want another Steel works in this country, as soon as market conditions permit it, then it seems to me, taking the conditions in this country into account, a return lower than 8 per cent. may not be sufficient. You must remember that interest rates of this country are very much higher.

Mr. Pearce.—Yes.

President.—We are lacking banking habits and investment Companies and various other things. If I can in my own village lend money on first class landed security to a man whom I know everything about and get a return of 6½ per cent., if I can do that, I am not likely to put any money into the Tata Iron and Steel Company. If you want to draw a person like me to invest my money into the industry, you must at least give me 8 per cent.

Mr. Pearce.—8 per cent. is not unreasonable in normal times.

President.—If we allow 6½ per cent. for depreciation and 8 per cent. for profit and Rs. 12½ crores as a reasonable estimate of Tatas' replacement value, then it seems to me the overhead charges which they have claimed follow automatically.

Mr. Pearce.—I know the total amount must automatically follow.

President.—Your point is that the actual amount allowed to galvanised sheets is too high.

Mr. Pearce.—I have not compared it with the percentages of others. As you have pointed out it is relatively low. We have looked at it from the point of view of British practice, and these figures certainly seem abnormally high.

President.—If we allowed only a surplus for the Indian Steel industry to the same extent as you are getting in the British Steel industry, I am afraid the Steel industry in this country would not develop.

Mr. Pearce.—That is quite possible.

President.—I will tell you what we have been considering in connection with this matter. It is perfectly true that the amount allocated in respect of overhead and profit to galvanised sheets is Rs. 50 and it is higher than that of any other product and considering the very great importance of keeping the price of galvanised sheets as low as possible in this country, we have been considering whether we cannot allocate a lower figure for galvanised sheets and make it up to the industry by allocating a higher figure than given here to some other product. There is a straightforward method of doing it and that is to average the overhead among the total tonnage. That would give you Rs. 37-8 per ton. As you will see, on rails, it is very nearly the average; on structural sections, very nearly the average; on bars, very nearly the average; on plates, very nearly the average, on sleeper bars, very nearly the average. The only way therefore in which we can reduce the overheads on galvanised sheets is by increasing it on tinbars and billets. In the first place it is very unsatisfactory that prices of semi-finished materials should be raised. But more than that, there is a practical reason. The prices that the Tata Company can get for their tinbars and billets are all fixed by contracts. We cannot by tariff adjustment enable them to get better prices; so if you allowed a higher overhead on their tinbars and billets, they would not realise it. From that point of view the problem is almost impossible of solution and their allocation has to be taken as the best practicable under the circumstances.

Mr. Pearce.—Of course there is this point: their capitalisation per ton may be too high.

President.—That brings us back to the question: would you accept a figure of Rs. 12½ crores?

Mr. Pearce.—That I am not able to say. But I should imagine the Board would go very carefully into that.

President.—We are going into that question. If that is admitted, then it is very difficult to propose any alterations in the figures.

Mr. Pearce.—Quite so.

President.—In para. 11, you point out the benefits enjoyed by the Indian iron and steel products entering the United Kingdom. I personally should not like to raise this question in connection with the Tariff Board enquiry. I tell you for this reason. You have asked for differential duties. That is your whole position in this application?

Mr. Pearce.—Yes.

President.—Differential duties are based on the perfectly valid reason that if the prices of imports coming from a particular country are higher than the prices of imports coming from another country, then the consumer who wishes to have products from one country is burdened with a duty which is correspondingly less. When the Tariff Board in 1926 proposed a scheme of differential duties for the Steel industry, the Tariff Board did so solely and exclusively on the ground that the interests of the Indian consumer required it. That was our whole reason for doing it. Now if we propose a continuance of differential duties in this enquiry we would do it on the same principle. It is not because we expect a *quid pro quo* from anybody else. We said that the interests of the Indian consumer required that the duties on British imports should be reduced. Having done that we cannot now base the differential duties on conditions which involve

reciprocity of benefits because we should be stultifying our own logic in doing so. We being a body concerned only with economic matters, we ought to put these matters on purely economic considerations. Anything else would render our position somewhat illogical. It is for the Government of India concerned with matters of policy to take considerations of this kind into account.

Mr. Pearce.—We have emphasised this merely to show that a large quantity of pig iron is coming into the United Kingdom free of duty. We assume that it is of some value. That has caused dissatisfaction. If the result of this enquiry is not to their liking, some of our people who are already discontented are very likely to go to the Government and say "Look here, this is hardly right. We expected something better than this after the Ottawa arrangements. Can't we have protection?" That is the only reason for mentioning the question of free imports. I admit that it has really not much to do with the particular case of sheets, but it should be borne in mind in connection with the whole problem.

President.—My feeling about it is this. Protective duties have to be based on protective considerations. The Indian industry requires a certain amount of protection. The tariff should be so arranged that protection is ensured to the Indian industry. That is all that is involved in this protective enquiry. If the Government of India consider the level at which revenue duties are to be fixed, then is the time for taking considerations of this kind into account.

Mr. Pearce.—I quite agree.

President.—With regard to the last paragraph, I understand from your representation that you agree with the Tata Iron and Steel Company that there is not any great room for the continuance of the agreement on the present lines.

Mr. Pearce.—We had no option. They said that it might be left out of account. We took them at their word and we left it out of account.

President.—I was trying to work out what the position would be if an agreement on these lines were continued and the conclusion that I have provisionally come to is that unless it can be arranged that sheets manufactured in the United Kingdom are admitted into this country free of duty is would not be worth while for the Indian steel industry to export sheet bars.

Mr. Pearce.—Because their return would be insufficient.

President.—Under the best of conditions, I think they would get a surplus of Rs. 10 over their bare works cost. Considering their increased capacity for sheets and the increased demand for billets from re-rolling mills in this country, it seems to me not in the least unlikely that they would be able to get a better surplus for their billets over their works costs if they disposed of them here.

Mr. Pearce.—Quite.

President.—So that we may take it on the present figures that an arrangement which involves the export of sheet bars to the United Kingdom for conversion there into sheets would not be a practicable arrangement. At any rate, it would not be sufficiently attractive to make it worthwhile.

Mr. Pearce.—It does not look so at the moment.

President.—Apart from that, when you refer to co-operation have you any definite suggestions to make?

Mr. Pearce.—If we undertook not to underquote the Tata Company and to work that in conjunction with a quota scheme—the details of course will have to be worked out—it seems to me that that would be a suitable form of co-operation.

President.—Would you be able to work it out in detail? I do not mean to say, negotiate with the Company, but only give us an idea of the lines on which a practical arrangement of that kind can be made which would

be consistent with the interests of the Indian industry? Have you thought it out in detail?

Mr. Pearce.—Not in detail, I have thought of it in this way though. The orders booked from January to August by the Tata Company and the Oriental Steel Company were in the proportions of 56½ per cent. and 43½ per cent. If that could be combined with a price undertaking for a period, surely that would meet the case.

President.—I have not quite followed it.

Mr. Pearce.—Orders were booked for the period—January to August. The proportions were 56·5 and 43·5 to the Tata Iron and Steel Company and the Oriental Steel Company respectively.

President.—That is for January to August, 1933.

Mr. Pearce.—Yes. Now my proposal is that if for a period—you pointed out before it would have to be a short period—there were a price undertaking in conjunction with that, it would ensure to the Tata Iron and Steel Company their full share of the market.

President.—Then the proportions would have to vary?

Mr. Pearce.—They would have to be varied on the increasing tonnage. That is what I mean when I say that it would have to be worked out.

President.—That is to say, the proportion allowed to the Indian Steel industry would increase as their output increases.

Mr. Pearce.—If we take the demand at 180,000 tons and the Tata's output, i.e., maximum output at 90,000 tons in that year, it would mean fifty-fifty and it would still give them their maximum tonnage. As their capacity increases, the percentages will have to be varied.

President.—Would you like to send us a little more detailed statement—just to give us some basis for thinking about the problem?

Mr. Pearce.—Yes, with the greatest pleasure.

Mr. Wiles.—I would like to take you back to the question of overheads as shown by the Tata Company. In a situation like that of Tata's who are fast reducing their works costs, there can of course be no constant relation between works costs and overhead.

Mr. Pearce.—Quite.

Mr. Wiles.—For instance, I find at the beginning of this period of seven years, the percentage of overhead to works costs was a good deal lower than it is to-day, the reason being that the works costs were much higher and the overhead has remained constant.

Mr. Pearce.—Quite.

Mr. Wiles.—You have referred to the British practice. Is there any touchstone by which we can work?

Mr. Pearce.—Conditions would of course vary, as I have pointed out, with a large number of works, but I should say the average for overhead and profit in the sheet works would be 15 per cent.

Mr. Wiles.—Of overhead to works costs?

Mr. Pearce.—Yes, to works costs.

Mr. Wiles.—What would you be including in your overhead?

Mr. Pearce.—All the things that are usually included in overhead.

Mr. Wiles.—Excluding profit?

Mr. Pearce.—Yes.

Mr. Wiles.—Taking a works of the type of Tata's who are turning out a good deal of products besides sheets, is there any constant relation between the capital value of the plant and the gross output?

Mr. Pearce.—That would depend on the tonnage from time to time.

Mr. Wiles.—It of course depends on the output. Take capacity. Is there any constant relation between the capacity for output and capital outlay?

Mr. Pearce.—We would like to look into it.

Mr. Wiles.—For instance, I have heard it suggested that there is a recognised ratio between the ingot capacity and the total capital value.

Mr. Pearce.—Would you allow us time to look into it! It is rather an important point.

Mr. Wiles.—You might note that the block value which has been put by the Tariff Board in the past at Rs. 12½ crores includes certain things which would not normally be included in British works, I take it. For instance, there is a very large town at Jamshedpur, the capital outlay on which is I think about Rs. 3½ crores. When the Board reduced the nominal block value of the Tata Company from something like Rs. 23 crores to Rs. 12½ crores, that included the town expenditure as well, so that you have to deduct from the Rs. 12½ crores a proportion which I should put at about Rs. 2 crores which would leave the works outlay at about Rs. 10½ crores.

Mr. Pearce.—Yes, it would probably include an Estate Department.

Mr. Wiles.—We have for our purpose included it in the works costs, but I take it in a normal works much of that would go out?

Mr. Pearce.—Yes.

Mr. Wiles.—On the question of prices, the vital necessity for ascertaining with some accuracy the prices of imported steel needs no emphasis, does it?

Mr. Pearce.—You mean imported sheets?

Mr. Wiles.—Yes, we are talking of sheets at the moment. We have received much evidence to show that quoted prices differ very materially from the actual trading prices. That is particularly evident from what you have told us this morning from your latest information about the actual trading prices in Continental sheets where you have now given a figure of Rs. 130 as compared with your quoted price of Rs. 153. Do you assure us that the minimum world prices quoted by your Conference are the equivalent of trading prices?

Mr. Pearce.—We of course cannot prevent a man from selling at a loss, that is to say, if a man has over-bought at £11-5 we have no means of making an individual merchant sell in any given market at that price but I think that it would be only isolated cases where a merchant would sell at a lower price. He is generally out to make a profit.

Mr. Wiles.—You must admit that it is the average price at which such material is sold which must influence us.

Mr. Pearce.—The position really is this. There is always some interval between actual selling and delivery. It would probably take, we would say, 4 weeks for a contract to be executed. Now you get prices quoted and if you order the materials on a rising market, deliveries may come in at a time when the invoice prices are a little lower than actual prices at time of arrival. That of course can only happen on a rising market. If prices were stationary, they should bear the same relation in both cases.

Mr. Wiles.—The quoted prices to-day will be the actual prices three months hence.

Mr. Pearce.—Yes, when the goods actually arrive in India.

Mr. Wiles.—We have certain evidence of the actual prices over a period of months in 1932. Was at that time the fixed minimum price issued by your Conference?

Mr. Pearce.—The fixed price came into force, if my memory serves me well, in October, 1932. Before that there had been a period of free prices.

Mr. Wiles.—That would not help us very much.

Mr. Pearce.—Here is a statement (handed in). You will find a widely fluctuating market before October, 1932 when the minimum prices were not being quoted.

Mr. Wiles.—What prices would you be in a position to give us for 1932? I would like to compare them with the prices which we have received on actual transactions done during that year.

Mr. Pearce.—What months would you like? I can cable Home for them.

Mr. Wiles.—Give us your minimum prices from October, 1932.

Mr. Pearce.—I will give you the minimum prices from October, 1932 to September, 1933.

President.—Have you any prices later than September?

Mr. Pearce.—That price is still in force and is not likely to be reduced on account of the cost of raw materials.

Mr. Wiles.—For the later months of 1932 £10-10 is likely to be unchanged?

Mr. Pearce.—I think £10-10 would be about the price we were quoting at that time. It may be 5 shillings lower. I have not got the exact figures in mind.

Mr. Natesan.—After reading your memorandum and hearing the answers given to the Chairman and Mr. Wiles, I wish to state your position as I understood it. You are of opinion that the Indian steel industry should continue to be protected?

Mr. Pearce.—I think so.

Mr. Natesan.—And you are of the opinion also that the interest of the Indian consumer should always be borne in mind and I am glad you refer to the sufferings of the agriculturists in the country.

Mr. Pearce.—Certainly they must be safeguarded.

Mr. Natesan.—Will it be too much to ask you that if the Tata Iron and Steel Company stress their claim, nothing should be done to prevent their growing and expanding on a purely commercial basis

Mr. Pearce.—The Board is deciding that at the moment.

Mr. Natesan.—Therefore I am asking you that if you think that protection should continue and if you think that the interests of the consumer should always be borne in mind, it follows that nothing should be done to hinder in any way the expansion of the Tata Iron and Steel Company on a purely commercial basis.

Mr. Pearce.—Nobody can hinder the development of the Tata Iron and Steel Company.

Mr. Natesan.—Therefore if they have facilities and if they are able to expand purely on a commercial basis nothing should be done to hinder the process. If these statements are accepted then I would like to put you one or two more questions. In the Ottawa Delegation's Report, para. 80, it is stated that the Indian delegation decided in the middle of 1933 that a price of £10-10 f.o.b. would leave you a margin for depreciation and overhead. Now you claim £11-5. What has happened since then to justify the increase that you now propose, unless you tell me that the increase in the price of spelter warrants you to claim this change in the price of galvanised sheet.

Mr. Pearce.—Spelter would be dearer to-day than at that time; that would be the justification for a higher price.

Mr. Natesan.—That accounts for the difference of 15 shillings between £10-10 and £11-5?

Mr. Pearce.—The selling price is based upon the costs and the margin of profit that the manufacturer must have to live if he can get it.

President.—The difference between £10-10 and £11-5 is partly to be accounted for by a rise in the price of spelter but that £11-5 includes also a certain element of profit which was not taken into account in the £10-10 which the Ottawa delegation took into account?

Mr. Pearce.—I am not quite sure about that. I have not got the Report. I should have to refer to that before I can answer whether that figure of £10-10 does include a profit.

President.—They use rather a vague phrase “a reasonable return on capital”. If you would look into this question and let us have a note, it would be helpful. The point that we are concerned to bring out is that £11-5 as contrasted with £10-10 would not merely give you your expenses but also might give you a small return on the capital.

Mr. Pearce.—Of course that would depend with individual works on the amount of work they have. There may be some works who can't make a living at £11.

President.—We have to go on normal figures in these matters. If you could give us a statement regarding the normal position it would be useful.

Mr. Pearce.—£11-5 would certainly include profit.

President.—In answering my colleague probably what you meant was this, that the difference of 15 shillings between the price which the Ottawa Delegation took into account and the latest export price, the whole of that difference may be explained on the ground of increase in costs: what I would like to know is whether that 15 shillings include not merely the increase in costs but also a small return on capital?

Mr. Elliot.—I think I am correct in saying that between those dates the price of sheet bars sold to sheet mills not owning their own steel works had advanced by 10 shillings a ton.

President.—So that the whole of that would be covered by the increase in costs?

Mr. Elliot.—I think there is no question about that.

Mr. Natesan.—Do you contend that when that £10-10 was fixed, a margin for overheads and profit and depreciation was not at all taken into consideration?

Mr. Pearce.—I have not the report at hand to answer this question. I must consult it.

Mr. Natesan.—Is it your aim that the market for sheets should be more or less reserved between you and the Tata Iron and Steel Company?

Mr. Pearce.—I should like to see it reserved. It is the aim that the Indian industry should first be satisfied and then the British industry.

Mr. Natesan.—Then where would be the competition in fairness to the consumer if for instance you and Tatas are to have the field? Both of you are shrewd businessmen and you may so manipulate prices to the prejudice of the consumer in India.

Mr. Pearce.—It is not a reasonable inference that if Tatas needs were first supplied and the rest of the demand by Great Britain, the price to the consumer would be advanced, because if the price advanced the outside competitor would come in because his prices are always lower.

Mr. Natesan.—I want to put it in another way. If the field is more or less reserved between Tatas and the British sheet manufacturers, you would be more or less monopolising the market between both of you; where does the foreigner come in?

Mr. Pearce.—He does come in.

Mr. Natesan.—If the foreigner does come in and if he is allowed the same terms, that is a different thing. You answer my question: is it your aim to reserve the field for Tatas and for the British manufacturers: then where does the interest of the consumer come in? It is virtually two people who are dictating prices, who are holding a monopoly; then where does the continental man come in? If you had not said that your object was to reserve the whole market for Tatas and yourselves then that would be a different thing.

Mr. Pearce.—You base the whole of your case on the fair selling price which presumably is the fair selling price of Tatas and that is also a reasonable price to the consumer, and if that price is observed then the consumer is buying his goods at the most economical price.

Mr. Natesan.—How do you arrive at the fair selling price? We arrive at the fair selling price by considering their cost of production, and the allowances necessary for overheads and profits.

Mr. Pearce.—Fair selling price is established on the Tata Company's cost plus the overhead and profit plus certain adjustments which are explained in Chapter VIII.

Mr. Natesan.—If the whole thing is to be reserved between you and the Tatas it strikes me that the only reasonable inference would be that the interests of the consumer would be seriously affected.

Mr. Pearce.—I can't agree that we would have the opportunity of overcharging the consumer if that is your point.

Mr. Natesan.—What sort of sanction do the Sheetmakers' Conference have behind it to enforce their decision? You state in your reply that many of the members and directors of the Sheetmakers' Conference were also connected with the management of the Oriental Steel Company. I may tell you that only a week ago a British fabricating firm established in India nearly a century ago with a good deal of reputation gave us facts and figures and protested loudly that a quotation had been given by a British firm far below the cost price which would not give them any profit and which had actually resulted in completely ruining that concern involving them to a loss of lakhs and lakhs of rupees.

President.—As far as that particular case is concerned there was no undertaking given by manufacturers of that class of steel products that imports would be landed in this country at a minimum price.

Mr. Natesan.—I have full knowledge of that, but I am only pointing out the danger, the possible difficulty into which we may be landed.

Mr. Pearce.—Your fear is not justified.

Mr. Natesan.—Did I understand you to say that you withdraw the statement which you make in your representation, viz., "the Sheetmakers' Conference submit that a reduction of the import duty, while not proving onerous to Indian producers, would result in a considerable benefit to the large consuming classes and the community as a whole in India"?

Mr. Pearce.—No, we would leave it there as a point to be borne in mind.

Mr. Atha.—With reference to the estimate Mr. Wiles has asked for could you keep the capital value of the sheet works separate from the other portion of the steel plant?

Mr. Pearce.—That is certainly done.

Mr. Atha.—It is rather unusual to combine the sheet mill with steel works as they have in Tatas?

Mr. Pearce.—They should be divided up.

Mr. Atha.—In giving what you consider the British figure you might give it in that form.

Mr. Pearce.—I will.

INDIAN MERCHANTS' CHAMBER, BOMBAY.

**Evidence of Mr. S. R. DAVAR and Mr. J. K. MEHTA,
representing the Indian Merchants' Chamber,
recorded at Bombay on Friday, the
8th December, 1933.**

President.—Professor Davar, you appear on behalf of the Indian Merchants' Chamber?

Mr. Davar.—Yes.

President.—We have invited you here this afternoon because there are a few points in your representation on which we should like to know a little more definitely what the views of the Chamber are. The first point to which your Chamber draws attention is the lack of appropriate machinery in the scheme of protection to cope with altering conditions.

Mr. Davar.—Yes.

President.—Now has the Chamber any definite proposals to make in this connection?

Mr. Davar.—The idea is that if it can be done, the scheme of protection should be so arranged that immediate steps could be taken by Government by ordinances or any other means.

President.—At present, as you know, in the Steel Protection Act, on the recommendation of the Tariff Board, Government inserted a provision to the effect that when prices fluctuate the Executive Government should have power without reference to the legislature to alter the duties in accordance with variations in prices.

Mr. Davar.—Yes.

President.—Does the Chamber want any provision over and above that?

Mr. Davar.—No doubt Government have that. The Chamber's idea is that whatever alterations have to be made, there should be a machinery by which they could make them immediately or quickly with as little waste of time as possible.

President.—Theoretically the provision in the present Act does give Government the power of acting automatically; that is to say, immediately there is a fall in prices, Government have power under the existing provision in the Act to act without delay, but I want to know whether there is any way in which, in the opinion of the Chamber, the provision could be made more effective.

Mr. Davar.—The committee of the Chamber do not particularly wish to suggest any method. They have never thought of that point. All that they say is that the tariff should be fixed at a rate or on a scale which would give liberal protection and at the same time, if necessity should arise through any outside or inside causes operating which makes that protection less than what it should be, within reasonable limits you might lay down by some machinery they should act immediately. It is only left to you to decide.

President.—The only alternative to a scheme of off-setting duties.....

Mr. Davar.—There is one idea that the Collectors of Customs may be given power that if the exchange goes against the country and if the importer gets an advantage thereby, the Collector may act immediately as far as the adjustment goes.

President.—That would not work. There are five Collectors of Customs in the country and since the rates of duties are fixed on a uniform basis, it won't do for each Collector of Customs to act independently.

Mr. Davar.—The idea is that the Central Board of Revenue should regulate that and give immediate instructions.

President.—That would practically amount to the same thing as the present provision because the Central Board of Revenue is really a part of the machinery of the Government of India. They are Joint Secretaries of Government. If you gave the Executive Government power, it would work in almost exactly the same way.

Mr. Davar.—If because of the nature of the Government machinery formalities could not be got over and if action could not be expedited, we have nothing more to say on that point. We are not acquainted with the internal working of the Government machinery, but if it could be done, the idea of the Chamber is that the adjustment should be automatic or immediate.

President.—The scheme of protection must be sufficiently flexible.

Mr. Davar.—Yes; not only flexible but the flexibility must almost automatically apply as far as circumstances would permit.

President.—Has the Chamber studied the proposals made by the Tata Iron and Steel Company?

Mr. Davar.—We have seen their proposals.

President.—Do they generally meet with the Chamber's approval?

Mr. Davar.—Yes, generally speaking. What we want to put forward is this. We find that Tata's have put in their modest scheme. They are actually asking for a lesser protection than what they were enjoying so far. It may be that as they stand, Tata's themselves might do with that much protection but what we think is there are other industries and we want besides Tata's other concerns to spring up. In that case, just like sugar protection, if your protection is as liberal as circumstances would permit, without throwing any very great burden on the consumer, what we have in our mind is that new concerns may spring up and the ideal which has been put forward by the Tariff Board itself that India should be self-contained in connection with the supply of iron and steel may be more easily attained.

President.—There is one big difference between the sugar industry and the steel industry from this point of view. At the time the Tariff Board enquired into the case of protection for the sugar industry, practically the whole of the market in India for white sugar was met by imports, and there was scope in the country for quite a large number of sugar factories. The position with regard to steel at the present time is very different.

Mr. Davar.—But as far as our information goes in Bengal and in various other places, new works can be found if properly encouraged.

President.—But I notice that the Chamber later on draws attention to the necessity for avoiding an undue burden on the consumer, so that if we accepted your suggestion that the measure of protection should be fixed not necessarily on the basis of Tata's costs but with reference to the costs of a new unit which may be started in the country then the possibility is that the measure of protection may be found to be too liberal, as far as the Tata Iron and Steel Company are concerned. If you allow a margin of profit to the biggest unit in the industry which is very much more than is sufficient to meet the requirements of that particular unit, you give them a reserve out of which they can finance very severe competition with any new unit which may come into existence.

Mr. Davar.—If they do that, other measures may be taken, but I would anticipate if Tata's want to enjoy protection, they would not compete with at least indigenous sister institutions in that way.

President.—All the new units which we have heard of so far are units which are interested almost exclusively in the production of steel bars and after all the market for bars is very limited. If you have half-a-dozen new small mills coming into existence solely for the production of bars, you may easily reach a stage of over-production which would be a bad thing.

Mr. Davar.—In that one respect.

President.—For the whole industry.

Mr. Davar.—Supposing there is a chance of another iron works of the type of Tata's being planted somewhere, if you don't give them a chance to grow up in the early stages because you have simply calculated the measure of protection on the basis of an industry which is existing for the last 9 years and which has made already some progress in efficiency and experience, the ideal of the Tariff Board expressed in your past reports that India should be self-supporting would never be achieved. What we want to put before you is: try to achieve that ideal as far as possible. You are in the best position to judge. You have all the evidence before you and you have the benefit of looking at documents which we have not. You have all the details before you. If you can possibly arrive at a measure of protection which besides protecting adequately Tata's would encourage some new works to be planted as well, we would welcome it.

President.—Are you definitely making the suggestion that the rate of the protective duty on steel products should be fixed at a level higher than is required on the basis of Tata's costs?

Mr. Davar.—Yes.

President.—But then at what level are you going to fix it?

Mr. Davar.—That is left to you.

President.—No other unit making steel on anything like the basis of the Tata Iron and Steel Company is now in existence.

Mr. Davar.—Quite so.

President.—And therefore we have no definite data on which the costs can be taken.

Mr. Davar.—I quite see your difficulty, but supposing there is one, keeping in mind your own idea that India should be self-supporting, you would naturally like to encourage, would you not?

President.—Provided there is sufficient market for absorbing the output of the new unit which may come into existence along with the old.

Mr. Davar.—There is no doubt as to that I should think because only less than half is supplied by Tata's at present.

President.—It depends on the way you look at it. Protective duties at present are confined to what is called rolled steel, that is raw steel. If you take the market for raw steel in the country at present it is rather doubtful whether another steel works working on anything like the basis that Tata's work on can possibly come into existence. It is quite true that there is a large quantity of steel imported into the country but that is steel to which protective duties do not apply. Therefore by extending the present scheme of protection for another period, a steel industry which may come into existence in India for the production of products other than rolled steel would not get the benefit of the protective duties and we cannot very well at this stage extend the duties to articles of classes which are not at present manufactured in the country. Therefore in practice, it would be rather difficult.

Mr. Davar.—In regard to certain articles which are not at present produced you might not give them as ample a protection as you would otherwise give. But why not leave in your report a statement to the effect that if such things were manufactured in the country, they would be protected to a particular extent.

President.—As a matter of fact, as far as that is concerned, it is quite unnecessary for the Tariff Board to make any suggestion to Government because under the policy of protection which has been accepted by the legislature if an industry comes into existence for the production of steel products other than those which are now protected, it is open to that industry to apply to the Government of India for protection and a fresh enquiry would be ordered. You cannot do away with an enquiry in that case.

Mr. Davar.—Your idea is that the industry must come into existence first and then apply for protection.

President.—Yes.

Mr. Davar.—The industry can never come into existence. If you look at the actual sequence of events in the business world, the sugar industry has come into being as soon as you protected.

President.—It was in existence.

Mr. Davar.—Yes, to a limited extent. A lot of foreign sugar used to come. The moment you applied the principle of adequate protection or liberal protection, you saw what a large number of sugar mills came in. It may be that they overdid it in the beginning but ultimately if the experts are to be believed, it is expected that India would become self-supporting. Mr. Mehta tells me that according to the present calculations within one more year, i.e., next year, we should expect to be self-contained.

President.—The year after that you would be more than self-contained.

Mr. Davar.—May be. Choosing between the two evils of a permanent burden of imports for which we have to pay by raw materials and production at home and consumed at home, I think there should be no doubt in your mind as to which is more important. If they overdo it, they will die a natural death.

President.—It would be a great pity.

Mr. Davar.—The weakest must die. Industries in other countries have grown on that basis.

President.—At the time the Government of India ordered the enquiry into the sugar industry, there were a sufficient number of units in the sugar industry, on the basis of whose costs it was possible for the Tariff Board to frame a suitable scheme of protection, but in the case of steel products of those classes which are not at present manufactured it would be impossible for the Tariff Board to find any definite data on which the necessary scheme of protection can be based.

Mr. Davar.—I quite realise your difficulties. The data would not be there.

President.—I may also point out that in regard to industries which are entirely new the recommendation of the Fiscal Commission is that the question of protection must be held up till one or two units have actually come into existence. For the industries which are entirely new, the Fiscal Commission do not contemplate protection. Generally may I take it that the view of the Chamber is this: if protection is renewed for the steel industry, it must be renewed on terms which would make it possible, if the market admitted of it, for other units to come into the steel industry?

Mr. Davar.—Exactly.

President.—And secondly that if during the period of protection prices fell to a level below that assumed by the Tariff Board, then the machinery provided in the scheme of protection for adjusting the measure of assistance should be such as would work speedily and automatically.

Mr. Davar.—Yes.

President.—These are the two general principles which the Chamber want to bring to our notice.

Mr. Davar.—Yes.

President.—There is another point which you make later on in your statement: we are anxious to see that after a reasonable period of adequate protection, the Company should be placed in a position which would enable it to stand on its own legs.

Mr. Davar.—Yes.

President.—From what you state here I take your view to be this that if protection is continued for a period of seven years and if further there is sufficient demand for railway products such as rails, then in your opinion it would not be necessary to extend protection after the expiry of the seven-year period.

Mr. Davar.—We hope so at least. Subject to nothing untoward happening as it has happened during the last ten years, we hope and feel confident that if adequate protection is given, Tata's will make good in seven years.

and a time may come when they will be entirely independent of any tariff protection, because we expect that various extensions which Tata's have in contemplation will be possible if the capital which is at present sunk in Tata's concern is able to get an adequate return. At present as you know, the ordinary shares and deferred shares are getting nothing.

President.—They have distributed an average rate of 2 per cent. taking all the three different kinds of shares together during the last five years.

Mr. Davar.—That is a poor return to capital in those years. Barring this year when there is a glut of capital—even now that glut is threatening to disappear,—I think 9 per cent. was the rate at which money could be obtained for trade purposes. We have no doubt within a year or so things will adjust themselves.

President.—As far as the proposition you make is concerned personally I wish the Tariff Board were in a position to make a categorical statement as to whether the industry would be able to dispense with protection in another seven years, but the factor which presents the greatest difficulty in regard to that is the level of Continental prices. If the prices of Continental steel do not improve then it seems to me to be very difficult to make any definite statement of that kind.

Mr. Davar.—The price of Continental steel depends on cartels unorganised or better organised. One or two cartels in the Continent are now better organised than ever before and at any time they might improve or lower the prices.

President.—We have been warned that it will be risky to take the present level of Continental prices as prices likely to persist for so long a period as seven years. It is impossible for anybody to make a forecast.

Mr. Davar.—Yes, it is very difficult; concerning the present condition of exchange and currency on the Continent no one can say what is going to happen.

President.—From one point of view it is rather unfortunate that an enquiry of this kind should be undertaken at this time because the conditions in the money market and generally in business are so very uncertain that it is almost impossible for anybody to make forecasts.

Mr. Davar.—Yes. But it is better to err on the right side. It may be that the consumer may have to bear a little burden.....

President.—He is a very unreliable person!

Mr. Davar.—As far as we know the Indian consumer is one who is most patriotic and who is prepared to bear his share of burden provided he is quite sure that the industry will be protected so well that it will develop and become powerful and competent.

President.—On this point that you raise in the last paragraph of your representation about the burden on the consumer, in every country consumers are probably a section of the population which is the least organised because they represent a great variety of interests and classes, and it is very difficult to get them into some organization which could act effectively. We as a Tariff Board having a duty to all sections of the population have to form the best judgment that we can on this question. The point that I am interested in raising is this. You rightly drew attention to the fact that the burden on the consumer should not be unduly high. Is there a danger if we fix the measure of protection on what you call a liberal level, a level higher than the price of the Tata Iron and Steel Company, that the demand for steel in this time of low purchasing power in the country will decline to such an extent as to make it impossible for a new steel unit to come into existence?

Mr. Davar.—There are two considerations to be taken into account; first of all the assumption is that the present state of depression is due to both external as well as internal causes. According to my Chamber it is due entirely to the overvaluation of the rupee and fixing of the ratio at an absurd price which has brought down the prices even lower.

President.—You consider the present depression is due largely to monetary causes?

Mr. Davar.—Yes; at the same time other world causes have conspired to bring about the present situation in India which is rather unfortunate and the Tariff Board can take it that within the whole of the seven years or ten years for which you are going to give protection this position is not likely to settle down, it must improve.

President.—In our proposals we are not competent to express any opinion on currency matters; we may have our individual views but as a Board we are not competent to express any opinion on the matter. But supposing we accepted the present currency situation being likely to continue during the next five or seven years whatever the period we ultimately fix for protection, are we justified in fixing the price of steel at a level which is likely to reduce the demand for steel in the country in view of the low purchasing power of the population? There is almost a startling example: before we discuss the point I would like to tell you that. Take a thing like galvanised sheets. Now, that is a class of steel which has a very uncanny way of reacting almost automatically to the level of agricultural prices in the country. We had a total demand in the country of over 300,000 tons four or five years ago: at present the total demand in the country is about 115,000 tons. The interesting thing about it is that this decline in the demand for galvanised sheets has occurred almost exactly in proportion to the fall in the price of jute. Bengal is the largest consuming centre for galvanised sheets. If we decided to raise the price of galvanised sheets then we can't be doing much good either to the consumer or to the industry because the industry would get a lower output and its costs go up, and the situation both from the point of view of the industry and from the point of view of the consumer may be worse than it is now. That is rather a clear case.

Mr. Davar.—That is no doubt one side of the case: I don't deny it. But against that there is this: when you calculated protection for seven years the Tariff Board could not possibly look into the position as it stands to-day and on the footing of that they made no allowance for the improved conditions that might follow later. It may be that you are not expected to go into currency questions but anyhow the chance of prices rising through certain events occurring in the country must I submit be taken into your calculations. Besides that there is this ratio operation. At present according to us the foreigner who imports here gets protection of at least 25 per cent.

President.—On a comparison of exchange?

Mr. Davar.—Yes and currency alone and whatever protection you may have given seven years ago, whatever scale you may have fixed, you must have fixed according to the prices current on the basis of the exchange.

President.—Exchange in 1926 was 1s. 6d.

Mr. Davar.—According to Government 1s. 6d. and according to the public 1s. 4d.; according to the public 12d. or thereabouts. Then I must say that you should make up for that deficiency in your own calculation for protection. I quite agree with you that there is the other factor, namely the danger of demand falling when prices are rising.

President.—What I would like to suggest is this. Without expressing any opinion on the currency question that you have raised, may I say that your suggestion amounts to this, that if we find that protection should be continued for a period of seven years, in view of the possible variation in economic conditions in the country, which may be very considerable and very frequent, while we fix the period of protection for seven years you would like a provision for an enquiry say at short intervals during the seven years' period since admittedly the conditions under which this enquiry is being made are conditions regarding which no definite forecasts are possible?

Mr. Davar.—You may, but the only disadvantage of a provision of this character is that an enquiry means a certain amount of time and the foreigner

is quite free to dump as Japan has been doing for example by the time you interfere and protect: already a good bit of articles would have been dumped.

President.—The only alternative to that I can think of is that straightaway in fixing the measure of protection we ought to allow a substantial margin over and above the fair price that we estimate for the industry.

Mr. Davar.—Yes, that is what I suggest.

President.—It is difficult to calculate precisely the margin that we ought to allow because we are thinking of hypothetical factors. And supposing we were in a position to fix the margin of that kind, that margin in respect of certain important classes of steel products may under present conditions prove to be a too heavy burden on the consumer and thereby react both on the consumer and the industry.

Mr. Davar.—You fix the prices at liberal rates and then leave a possibility of investigation where it is found that the consumer is complaining; then there will be no chance of the foreigner dumping in the meanwhile.

President.—Are you agreeable to a proposal on these lines: that while we fix protection for a definite period there must be provision in the scheme of protection for varying the duties in both ways, that is to say varying it in the upward or downward direction. Are you agreeable to that?

Mr. Davar.—I may say that the idea of our Chamber is that adjustments if they are to be made should be made for raising and not for lowering the duties.

President.—That is to say if there is a fall in prices you put the provision of the off-setting duties in operation but if there is a rise in the import prices you do not want the arrangement for off-setting duties to come into operation?

Mr. Davar.—That is right.

President.—In that case you provide only for the interest of the producer and not for the interest of the consumer. That would not be the logical way of looking at the position?

Mr. Davar.—That will be some guarantee for permanency. The idea of our Chamber is that if your protection is liberal enough to start with, that it is going to continue for seven years, then there will be a guarantee for new works when they start and sink capital to develop the industry: they will have sufficient time to make good and at the same time for the present works there will be a sort of guarantee stability.

President.—It all depends on the assumption that the market for steel would revive in the sense that there would be better demand for steel products in the markets.

Mr. Davar.—Markets must revive irrespective of tariffs.

President.—Therefore why say that?

Mr. Davar.—You are an economist and you will appreciate that the purchasing power of the people entirely depends on the prosperity and various other circumstances. Prices may be high but with the improvement in agricultural produce for example the purchasing power of the people may improve and they may be able to pay a higher price than at present. If they don't improve that is because of the currency situation and also other world factors. Even the present ratio we don't believe will be permanent the way things are moving and whoever is now thinking that it is fair and just will soon be forced to realise otherwise. The return of prosperity apart from other circumstances into this country must bring up the demand for steel products to what it had been in the prosperous years of the post-war period.

President.—In 1926 when we made this enquiry there were people quite competent who took the line that prices were going to improve generally; things have not turned out exactly that way and it is rather risky to make statements. You may be perfectly justified on such reasonable suppositions as can be made in expressing your views on that matter, but looking at the practical aspects of the situation I should be rather chary of making calculations on what after all is a hypothesis.

Mr. Davar.—I know the calculations cannot be precise as to the time because of the error that has preceded, and it is difficult to gauge what damage it has done. But apart from that those who are competent in the world to judge have calculated and are expecting the working of this economic cycle. The economic cycle has not worked in the same way as it used to work in pre-war days. They think the present depression is exceptional. If the cycle does not alter then we must say that there is something wrong in our economic ideas.

President.—We used to have definite period for these cycles in the past before the war but the period seems to be alterable.

Mr. Davar.—If the normal period is on the point of expiring then we cannot take the normal period as the basis; something abnormal is wanted.

President.—There are two matters in regard to which the reaction of the level of duties in relation to consumption is important. The first is this question of galvanised sheets. It is a very important article for the people especially in other parts of India, and the other is the kind of steel required by engineering firms. There has been a great decline in the demand for fabricated steel. The demand for fabricated steel again reacts almost directly to the general level of purchasing power of the people in the country. While therefore I am raising this point from the standpoint of the consumer, I feel it is at the same time of equal importance to the producer because the producer does not get a satisfactory output as costs go up and he is going to be affected adversely too and it is a matter of very considerable difficulty.

Mr. Davar.—As far as the producer is concerned prices going up will not affect him very much because he will realise better prices for his steel as well.

President.—Provided he can get his output; if his output goes down his costs must necessarily go up.

Mr. Davar.—How could the output go less? I submit you may take it that this depression will not exist after two or three years.

President.—I wish I could be so positive as you are.

Mr. Davar.—You can make that assumption.

President.—It is really a question of balancing these two factors, but I suppose in the end we must form such judgment as we can and then may find ourselves in the end quite wrong.

Mr. Davar.—You have found, not that it was your own fault, that you went wrong with Mr. Ginwala. We were all confident that it was ample, but unfortunately strikes, world depression, currency depreciation and what not, have militated against the whole thing and that is why we submit that all factors that were likely to militate against the protection which you will possibly fix will be taken by you in your calculation. That is the idea of the Chamber.

President.—And not varying the duties during the period of protection.

Mr. Davar.—The capital is there, but it is shy to come into the Iron and Steel industry under present conditions. If it is made worth while for them they will come in. If the production is more, prices must come down in competition. The other factor is the lessening of the demand from those quarters from which Tata's expect to draw, namely the railway companies.

President.—That again to some extent is a reflection of the depression which has prevailed in the country.

Mr. Davar.—The return of prosperity to normal conditions or anything near normal conditions must bring orders so that there is no fear of high prices permanently keeping down the demand for the seven years to come. That is how I would put it. There is another factor I would like to put forward and that is this: I understand that the Steel industry of Britain has also made certain representations.

President.—You mean the National Federation?

Mr. Davar.—Yes. They have asked that their steel should be allowed to come in without duty. In that case what we submit is that if you want to

keep a margin for Tata's steel works, if you wish to keep a margin for new works which as you have pointed out will in some ways also increase, then to grant them anything like what they have asked for is to do quite the opposite thing.

President.—The whole matter is under consideration.

Mr. Davar.—That is my opinion.

President.—What precisely is your opinion?

Mr. Davar.—We had the advantage of hearing this gentleman in our Sub-Committee which you have not yet had. I was present and we had a couple of hours discussion over it. Of course they have not appeared before you and naturally you don't know what their case will ultimately be. After you cross-examine us and ask questions, if it is necessary, we would like to give you a supplementary memorandum on their case from our standpoint.

President.—You are perfectly entitled to send us a memorandum.

Mr. Davar.—Thank you.

Mr. Wiles.—You say, Professor Davar, that you would like to have some sort of automatic machinery for adjusting the tariff protection in certain circumstances. Do you envisage any other sort of circumstances than alterations in prices?

Mr. Davar.—Strikes, for example, might be taken as one of them. Particularly in the case of the Tata Iron and Steel Company, unfortunately the labour being concentrated in one centre there is great scope for the agitator and as Tata's might improve their chances of making profit, perhaps they might always have to face the demand for raising their wages as is generally seen in most of the industries.

Mr. Wiles.—Any other?

Mr. Davar.—Another will be or might be that prices may be lowered.

Mr. Wiles.—Putting aside prices?

Mr. Davar.—They might have a cartel.

Mr. Wiles.—Apart from the question of prices of imported steel, are there any other circumstance which you think requires adjustment?

Mr. Davar.—There is the exchange manipulation.

Mr. Wiles.—I put it to you that an automatic adjustment which you have asked for cannot possibly deal with anything but prices. Anything like an automatic machinery must work on some basis.

Mr. Davar.—Yes.

Mr. Wiles.—You cannot have an automatic machine for dealing with subjects like strikes and the result of strikes on the costs of the industry. There is no automatic machinery to deal with that sort of circumstances. I am also a little doubtful of the possibility of an automatic machine regarding rises in prices and not regarding falls. Can you have an automatic machine which will only go up and doesn't go down?

Mr. Davar.—I am not here to give my own opinion. I have just put forward my Chamber's opinion.

Mr. Wiles.—You would not like to give your own opinion.

Mr. Davar.—I may, but I have not come here to give my opinion and the Chamber would not like it.

Mr. Wiles.—Does your chamber think that an automatic machinery can possibly deal with the rise?

Mr. Davar.—Their idea of an automatic machinery is to fix the most liberal scale you possibly can without putting any undue burden on the consumer and keep it at that at least stable for seven years and the reason they have put forward as businessmen is that there will be then stability both for Tata's and for any new concern that may be started. With regard to strikes, I have discussed that with my Chamber. In case of strikes what they want you to do is in fixing the protection and in calculating the profits which the Tata's ought to make and the dividends that Tata's ought to pay to the

shareholders, you must take the possibility of the strike within 7 years. Also deducing that problem you may say how that is to be done. By giving them adequate protection they would be able to lay aside a sort of reserves by which they could meet the exigencies like that.

Mr. Wiles.—I suggest that it would be most improper to burden the consumer with an insurance of that sort against what might conceivably be a maladministration.

Mr. Davar.—You are always thinking of the consumer as if the consumer was paying an abnormally high price. The position as it is, is this: according to my Committee if the Tata's works were not on the spot and they were not able to compete with the outside importations and with the cartels and various other syndicates, then the prices which the foreigner would charge us would be much higher and therefore the consumer must take that into calculation before he puts forward a grievance that he has got to pay more. In fact he is paying less, because the industry exists. If it doesn't exist, he will have to pay much higher. That is our way of looking at it.

Mr. Wiles.—That is perfectly true.

Mr. Davar.—While thinking of the grievance of the consumer you will perhaps we submit with great respect, take this factor into your calculation, that is to say give the credit to the industry as it exists here for maintaining a price which is reasonable to the consumer.

Mr. Wiles.—I come back for one moment to the question of automatic machinery. Your idea, I take it, is that the amount of protection should be based roughly on the level of imported prices. Is that what you consider to be the basis on which the automatic machinery should work?

Mr. Davar.—You must take some basis and that basis should be price in one sense, because it is the price with which the foreigner will compete with the local industry as Japan is doing at present with their price. They are killing our industry and all other industries.

Mr. Wiles.—Your idea is that the Tariff Board should fix what they consider to be an equitable level of the foreign prices. If the foreign prices fell below that, protection should automatically go up, but it should not automatically come down. However low the prices may be of foreign imports, protection should go on up and up and should remain there.

Mr. Davar.—There are no chances, we submit, of prices falling lower than what they are already.

Mr. Wiles.—Tata's themselves fear much more lower prices than higher prices.

Mr. Davar.—That is Tata's way of looking at it. Our way of looking at it is that we have practically touched the bottom as far as the depression is concerned. We hope it could not be lower than that.

Mr. Wiles.—I sincerely hope too. There is just one other point. I understand you to say in regard to the period of protection that if Tata's consider themselves capable at the end of seven years of doing without protection, you would be content.

Mr. Davar.—Yes, as far as Tata's are concerned.

Mr. Wiles.—Protection can be removed if Tata's are sufficiently prosperous at the end of 7 years.

Mr. Davar.—Yes.

Mr. Wiles.—But what about these other concerns which you are so anxious to introduce which may come in before the end of seven years.

Mr. Davar.—That would be a matter for consideration at the end of seven years, why consider them now.

Mr. Wiles.—Why I consider them now is because the Legislative Assembly and Government have envisaged an end to the period of protection. If we follow up logically your contentions, there cannot possibly be any end to protection, because there will always be new industries which will require

protection, some individual industries within an industry will always require protection.

Mr. Davar.—If Tata's become prosperous, I understand they will be able to expand their works to such an extent that in respect of practically three-fourths and even more—I understand from their experts with whom we have discussed—of the requirements of the country, they will be able to answer themselves and further they are practical dreamers. They may start plants elsewhere and with their own efficiency and experience run on their own.

Mr. Wiles.—Where do you mean elsewhere? Tata's are not likely to leave Jamshedpur.

Mr. Davar.—Nobody ever thought of Sakchi before Jamshedjee Tata was prospecting. I know my father came one day from Calcutta and told me that Jamshedjee Tata was in the wild goose chase in the jungles in search of iron ores and coal.

Mr. Wiles.—You are hoping that iron ore and coal may be found in other parts of India.

Mr. Davar.—There is ample scope if the experts were to be believed. I particularly put this question and they say there is ample scope. The only thing is given encouragement and capital they could do it. Capital would be easily coming forward if there is a flourishing industry.

Mr. Wiles.—Does your Chamber look forward with equanimity to the whole Steel industry of India being in the hands of one monopolistic Company?

Mr. Davar.—If you don't have it in 5, rather have it in one purely indigenous concern of the true type.

Mr. Wiles.—It is not a question of indigenous industry. It is a question whether they look forward to Tata's production covering the whole industry. Would you prefer other industries to expand which would compete possibly with Tata's or ultimately work with them.

Mr. Davar.—We should welcome other industries with greater pleasure than having one industry expanding.

Mr. Natesan.—You made one statement that if there was no protection the consumer would have to pay a little more.

Mr. Davar.—I didn't say if there was no protection. I said if there was no iron and steel works locally planted like Tata's, no protection would wipe off Tata's. If Tata's close down, the natural result will be that the Continental works as well as our British friends would naturally take the best out of us for want of competition. I only argued when Mr. Wiles put that point, in this way about the consumers' interests, then I said that the existence of the big works like Tata's who are in a position to a certain extent to compete with outsiders has kept the prices down, because Continental cartels are supposed to manipulate their prices with a view to capture markets and the existence of Tata's on the spot has retarded their capacity and that is how the consumer is being indirectly benefited.

Mr. Natesan.—You have used the word "reasonable". What do you think will be a reasonable period?

Mr. Davar.—We have put down 7 years.

Mr. Natesan.—You stick to that period?

Mr. Davar.—Yes.

Mr. Natesan.—Do I gather from your evidence that you think in Tata's memorandum they have put in some cases a somewhat lower protective duty?

Mr. Davar.—I say Tata's have been very modest in their demand, because they have asked really less than what they used to get so far. That is what I see from their statements.

Mr. Wiles.—10 years ago they said they would ask for nothing.

Mr. Davar.—In fact they would not have done so but for the circumstance such as the depreciation of currency.

Mr. Natesan.—Throughout your evidence you have stressed on the fact that in fixing the scale of protection, we should not be guided by Tata's concern only, but we should also think of the possibility of other concerns coming into existence if the Tariff Board fixed a fair price.

Mr. Davar.—The basis of protection has to be given both with a view to protect Tata's as well as to encourage new industries-and new concerns will spring up.

Mr. Natesan.—When you are talking of new industries, are you thinking of concerns like Tata's or identical ones or of other industries in the steel line so as to supplement what Tata's are producing now.

Mr. Davar.—I am thinking of both.

Mr. Natesan.—Do you think there is any possibility of a concern like Tata's?

Mr. Davar.—There might be.

Mr. Natesan.—You have nothing in view?

Mr. Davar.—At present there is nothing on the paper planned out. The point is the business world works in a peculiar way all the world over and so it is in India. An industry begins to flourish and make profit. Immediately the promoters and founders become active, spend money on all sorts of prospecting, because they know they will succeed in getting finance. If they think there is no chance for an industry, they will never make an effort or plant new industries even on the scale of Tata's or on a smaller scale.

Mr. Natesan.—I would like to put the question in another form. Is it your contention that if India is to be self-sufficient with regard to iron and steel, it cannot be achieved by Tata's only.

Mr. Davar.—No.

Mr. Natesan.—And that other concerns will have to step in.

Mr. Davar.—One or two or three others. It depends upon the sizes of those concerns.

Mr. Natesan.—Supposing we fix the scale of duties on a liberal scale, it will result in other consequences which will not be very pleasing.

Mr. Davar.—What are those consequences?

Mr. Natesan.—I don't pretend to be a great Economist. The President drew your attention to the evil consequences which would arise if the measure of protection was fixed on a very liberal scale.

Mr. Davar.—I am not talking of any extravagant scale. We do not want to dogmatise. We would leave it to you to give enough protection so that new industries can be fostered or encouraged to come into existence. What that will be is for you to decide with all the materials in front of you, and if your question is whether Tata's themselves could also expand or not, then I may say that I have enquired of Tata's themselves. They think that they can considerably expand their present position if the prices and profits make it possible for them to get the necessary capital.

Mr. Natesan.—You have stated in the latter part of your statement—“Although my Committee support the claim of the Tata Iron and Steel Company for protection so strongly, they cannot but recognise that there is a definite burden on the consumer in consequence of protection.” If that was so, will it not, if I may say so, accentuate this burden if the Tariff Board were to levy a duty higher than what Tata's themselves have suggested?

Mr. Davar.—What we meant to convey by putting that down is that you may not think that we have not, while asking you to give adequate and even liberal protection to the industry, considered the position of the consumer as well. We say that even considering the burden which will be imposed on the consumer, we will ask for this protection so long as you do not make it too burdensome.

Mr. Natesan.—You are giving your views but I wish you state them more definitely.

Mr. Davar.—I have already said what would be considered to be a burden on the consumer. If the prices are lower to-day than before, there is no burden on the consumer, so that the burden on the consumer will entirely depend upon the consumer's capacity to pay. The consumer's capacity to pay will not depend upon tariff on iron and steel. It will depend entirely upon causes independent of your tariff, namely, the general prosperity of trade and commerce in this country and other industries. If he has more purchasing power, if he has got more capital at his disposal, he will go in for more iron works of different types and naturally there will be a demand in spite of a higher price.

Mr. Natesan.—I wish to put you one more question. You cannot but recognise that there is a definite burden. As an Economist, will you be in a position to enlighten the Board if you were asked to calculate in rupees, annas and pies what is the incidence of the burden?

Mr. Davar.—That is impossible. As an Economist, I say that every protection is a burden. Every protective tariff that increases the price in the bazar or maintains a high price in the bazar is a burden. Every country in the world has submitted to this protection. Even England with its oldest iron industry in the world which claims to be at least the most efficient in the iron and steel trade has now imposed a tariff of 30 per cent. which it never had before. Why have the British Government done so? Why has the consumer been asked to share a burden by a Government elected by the people themselves?

Mr. Natesan.—I put one question to you but you have put a number of questions to me?

Mr. Davar.—I am answering your question. The British Government have thought that to burden their own people to the extent of 30 per cent. is worth doing because it is for general benefit of the industry. That is how we should put it. You can burden the consumer in this country for the time being. That is a process, unpleasant though it may be, which every country has gone through and this country cannot escape it. If you are sure at the end of protection the industry will thrive and attain its manhood and then without protection it can keep out outsiders or compete on equal level with the outsiders at the same price, then I submit that it is worth doing.

Mr. Natesan.—Thank you for this information. You are an Economist. If you are asked to compute exactly in rupees what would be the amount of this burden, could you give me some idea?

Mr. Davar.—Will you kindly read the last few lines of our representation? We have put it as follows:—"The consequent extra burden temporarily thrown on the consumer will be more than repaid if, thereby, the steel industry, which is a natural and essential basic industry of the country is firmly established, because ultimately all industrial progress in India will depend on the existence of a strong indigenous steel industry."

Mr. Natesan.—I don't wish to say anything about that paragraph. I was only curious to know whether you as an Economist could tell me and my colleagues on the Board what exactly is the amount of the financial burden which the consumer in India bears on account of protection which we are now giving?

Mr. Davar.—I don't think that it is possible to calculate the burden. It is impossible.

Mr. Natesan.—You feel there is a burden but you cannot possibly calculate it in any way.

Mr. Davar.—We would welcome the burden just like all other industries in the world for reasons that have been given in the memorandum.

Mr. Natesan.—Is it your contention that protection should be continued until India becomes self-sufficient with regard to steel?

Mr. Davar.—As far as possible.

President.—That is a safe phrase.

Mr. Natesan.—A phrase about which every one has complained in the past.

Mr. Atha.—Listening to the discussion, I am not sure whether it is always appreciated what a complex thing the so-called steel industry is and to what an enormous extent it depends on steel using industries because obviously you cannot bring into being a steel making industry until there is a demand. Only to a limited extent does the steel from the steel producer go straight into use. Rails go straight to the Railways and corrugated sheets also go straight into use but a great amount does not. It has to pass through the hands of other industries—a large number of them. I remember seeing in America the figures in connection with American output not long ago. It indicated that 17½ per cent. of the total steel produced in America was used by railways and an equal amount was used in building motor cars. In India you have railways and you have motor cars. Rails for railways are made in India but nobody in India yet builds locomotives for instance. Railway wagons to a limited extent are made but not all the parts necessary for wagons. Motor cars are not built at all. All these industries have to be developed to make the full development of the steel industry possible. Being such an enormously complex thing, it must of necessity be of slower growth than for instance the sugar industry where the sugar comes from the factory and you eat it and there is an end of it. The difficulty in building up many of the steel using industries in a country such as this are far greater and therefore they must of necessity be of slower growth than the building up of the steel producing industry.

Mr. Davar.—Quite.

Mr. Atha.—A large proportion of the steel articles that come into this country to-day come in not because the steel could not be made but because the industries to fashion it into the required articles do not exist.

Mr. Davar.—Quite so. You are, I submit, supporting practically the case for a longer period of protection. That is what appears to me.

Mr. Atha.—Not necessarily for the steel producing industry but tariffs will undoubtedly accelerate the development of steel using industries if applied to the manufactured articles. You started off by comparing the steel industry with the sugar industry which to my mind presents very different problems.

Mr. Davar.—I have put in the case of the sugar industry just to bring out only one point, viz., that a liberal scale of tariff has brought in capital which was shy and a large number of sugar mills have been started, as a result of which we have now come to a stage when in one more year we will supply all the sugar that we want in the country and we will be independent of all other countries. I don't say that in the same way we can succeed in respect of steel within one or two years. I quite agree that it cannot be done. But what I meant was that a similar gesture in the case of the steel industry might bring in other works and ultimately result in the expansion of steel and steel using industries. No doubt we have not got motor car factories which we should very much like to have, but if we had a protective duty against the import of steel, it might be that ultimately steel using industries would come into being. If a motor works were considered in connection with the duty on motors which are made of steel, ultimately it might result in the steel using industry in the shape of motor works being planted in India which we hope to see at an early date. With regard to locomotives, in fact a Company was started to manufacture locomotives from Tata's steel and because it could not find a buyer in Government railways, it had to close down. It had very good capital. That is how it comes and all our calculations are based that way. Ultimately, as I was saying to Mr. Natesan, the burden on the consumer would be really not a burden in the long run. That is how the case has been put by our committee in the representation.

Mr. Atha.—The point which has been continually stressed is that the steel industry must be developed, but in my opinion the real problem is the development of the steel using industries.

Mr. Davar.—I am obliged to you for having corrected me, because in my mind I had both the steel and steel using industries. I am very thankful to you.

Mr. Atha.—The steel using industries appear to me to be the bigger problem.

Mr. Davar.—And the more important problem.

BENGAL NATIONAL CHAMBER OF COMMERCE.

Evidence of Messrs. J. C. BANERJEE and J. N. BOSE, recorded at Calcutta on Wednesday, the 20th December, 1933.

President.—Gentlemen, you represent the Bengal National Chamber of Commerce?

Mr. Bose.—Yes.

President.—In paragraph 4 of your memorandum, you consider the extent to which the Tata Iron and Steel Company have been able to fulfil the estimates made by the Tariff Board in 1926 and you make the point that the anticipations of the Board in regard to the volume of production have not been realised which of course is quite true, but I take it you are not suggesting that it is due to any fault on the part of the Company, as you yourself go on to explain that it almost entirely due to the general depression and the fall in the demand for steel. Is that the position?

Mr. Bose.—Yes.

President.—And the statement you make in paragraph 6 that the Steel Company has been able to satisfy a larger proportion of the Indian demand than it has been estimated by the Board in its previous enquiry. That of course is perfectly a correct statement.

Mr. Bose.—Yes.

President.—The first important point which I would like to discuss with you this afternoon is a point that you raise in paragraph 10 at the end of page 6. You say: "The Committee would, however, suggest that the Board should recognise the necessity of national ownership or control over an important key and basic industry like Iron and Steel. Very great care should be taken so that non-nationals may not acquire the ownership of such an industry nor should they be able to secure any control over it". You suggest that the Board should prescribe certain conditions regarding the proportion of the shares and so forth. Before I ask you to explain more fully the views that you express in this paragraph, I should like to invite your attention to what the Fiscal Commission said in regard to matters of this kind. The recommendation of the Fiscal Commission was that in all such cases it would be reasonable to insist that Companies enjoying such concessions should be incorporated and registered in India with rupee capital, that there should be a reasonable proportion of Indian Directors on the Board and reasonable facilities should be offered for the training of Indian apprentices. Would these conditions satisfy you?

Mr. Banerjee.—The present position is from the Chamber's point of view that certain measures should be adopted by legislation. These measures can be adopted. We fully realise the difficulties against it. At the same time the recommendations of the Fiscal Commission ought to be carried out. Generally these are the aspirations of the country. At the present time there is a certain amount of difficulty which we believe is evident in this case of national ownership, but at the same time we think that some form of legislative measures can be adopted by which the recommendations of the Fiscal Commission should be taken into account.

President.—That is to say, if I understand the position correctly, what you ask us to do is not so much to vary the conditions laid down by the Fiscal Commission, but to see that provision is made by legislation for a due enforcement of these conditions.

Mr. Banerjee.—That is our point.

President.—There is just one point in your statement which gave me rather a different idea as to your own position in the matter, because you will notice that the Fiscal Commission in suggesting these conditions makes no reference to a specified proportion of share capital. All that they say is that the Company should be a rupee company, registered in India, there should be a reasonable proportion of Indian Directors and reasonable facilities should be given for the training of Indian apprentices. They don't make any reference to a specified proportion.

Mr. Banerjee.—There are practical difficulties against that.

President.—You realise that.

Mr. Banerjee.—Yes and that has got to be evolved in the present state of affairs. For example in the case of the Indian Airways, Reserve Bank, etc., the cry of the country is that there should be a reasonable proportion between the shares held by Europeans and Indians, but how that is to be done.

President.—That is the difficulty.

Mr. Banerjee.—Yes.

President.—I was wondering whether the Chamber had any suggestions to make with regard to that. As you know, in the External Capital Committee's Report this particular point was discussed and the chief difficulty that they pointed out there was this that if you said that a minimum proportion of the share capital should be held by nationals, then you are, so to speak, restricting the market for shares.

Mr. Bose.—Yes.

President.—To the Indian shareholders who hold shares, it is rather unfair that by the restriction of market they should not get the benefit of a proper rise in the prices of shares if the market conditions warranted it.

Mr. Banerjee.—We have foreseen that. We have gone into that at some length, but the national aspiration has become insistent and we have to find ways and means to meet it.

President.—It is really a practical question of devising means.

Mr. Banerjee.—Yes, the best men could sit together and find out means to satisfy the national aspirations.

President.—There is also another difficulty with regard to that and I do not know whether your Chamber has considered that. Supposing in the case of the steel industry hereafter we propose that the whole of the protection required by the industry should be given in the form of protective duties and not in the form of subsidies or bounties, then even if we are able to prescribe a basis for determining the proportion of Indian share capital, how far would you be able to enforce it? Under a system of duties every unit engaged in the industry will benefit by the rise in prices. It is like rain which falls both on the just and unjust. If it is a subsidy or bounty, then you would say that the bounty or subsidy cannot be given to a Company, if it doesn't fulfil these conditions, but the likelihood is that under present conditions the protection required by the steel industry will have to be given entirely by means of duties, because the financial exigencies of Government would not permit protection being given by bounties.

Mr. Bose.—I understand.

President.—That would be an additional difficulty.

Mr. Bose.—We have realised that.

President.—This question has in the past been often raised before us and in every case the difficulty has been in finding a practical method, so that if your Chamber has no suggestions to make with regard to ways and means, it would be rather difficult for us to go any further. In

paragraph 12 you refer to the question of fabricated steel. You make the statement that it has to be regretted that in spite of the protection granted, results have been rather disappointing.

Mr. Banerjee.—Yes.

President.—I do not know what is in the mind of the Chamber with regard to that point.

Mr. Bose.—They have ultimately come to the point. Simply because of the depression in the market, other industries have not come forward, because there is dearth of work and secondly the capital is naturally shy in a particularly depressed state of the market. Capital is furthermore not forthcoming for investment in enterprises. If there had been plenty of work and the price had been maintained at a proper level, then capitalists would have come forward and this assistance that you have given to the structural section people would have been of some benefit, but with the falling of prices it has had no effect. That is what we have actually meant.

President.—That, I think, is on the whole a correct statement of the position, because we have been examining the figures with regard to the fabricated steel and at present very nearly 90 per cent. of the orders for fabricated steel have been placed in the country so that if we want to assist the fabricating industry, we can do so only by an expansion of the market for fabricated steel.

Mr. Bose.—How far it is possible in the present state of the revenues of the country, that is the question.

President.—It is a question of revenues, because most of these fabricated steel are required for works of a public character which must be financed out of public funds.

Mr. Bose.—Yes.

President.—But the point that arises in that connection is this: suppose the chief requirements of the fabricated steel industry is an expansion of the market, then the method of increasing the duties on fabricated steel may be a very unsatisfactory way of solving the problem, because if you want to expand the market, what you have got to do is to reduce the prices.

Mr. Banerjee.—That is true, but at the same time we feel that there should be protection against this and that the industry should be supported. Therefore that an import duty on that which you have already granted should be maintained, although it might be said that it is not beneficial to the other industries, because the other industries are being burdened with extra expenditure in blocks, etc. So it is not altogether very highly recommendable, but as we feel that there should be protection in this country in order to maintain the key industry as well as to maintain the industry against competition, an import duty like this is recommended and also at the same time it would give when there is a demand in India, a certain amount of protection to those industries who will be coming out in the future and those already existing will be able to do something.

President.—Your suggestion really is not that there should be an enhancement of the duty on fabricated steel, but such protection as fabricated steel now enjoys should be continued for whatever period of protection may be fixed hereafter.

Mr. Banerjee.—Yes.

President.—In paragraph 13 you raise a question of very considerable importance and that is that an elaborate scheme of protection should be formulated in respect of subsidiary industries. In fact you contend that subsidiary industries will not be started unless adequate protection is granted in advance. It is a proposition which as you state is one which is not easy to dispute, but there again we are up against the practical difficulties. As you know, the Tariff Board is simply an advisory body and we are carrying out a policy which has been laid down for us by the

Legislature, so that all that we can do is to carry out whatever principles are laid down by the Legislature. I do not know if you have considered the recommendations of the Fiscal Commission with regard to this question of new industries. If applications for tariff assistance are entertained on behalf of industries which have not yet come into existence and the Tariff Board has to consider not facts but the anticipations of the promoters, it will be a task of great difficulty to make a selection with any reasonable assurance of success, and the Commission say in paragraph 102 "not only in our view are there strong objections as a rule to granting tariff protection to new industries". What they suggest is that duties are unsuitable expedients for the development of new industries but they are prepared to agree to the grant of bounties or subsidies for the purpose of encouraging new industries: that is their whole position. They consider that bounties and subsidies are legitimate methods of assisting new industries so that there again we are faced with a practical question.

Mr. Bose.—That exactly is the reason why the word protection has been mentioned, not duty.

President.—If we are going to address ourselves to the task of preparing a scheme of protection with a view to developing subsidiary industries which are not now in existence but for which necessary materials and resources are present in the country, the only way in which we can do that under the recommendations of the Fiscal Commission is to provide a scheme of bounties and subsidies.

Mr. Bose.—Yes.

President.—If the object aimed at is to be fully carried out, it would have to be devised on a fairly extensive scale.

Mr. Bose.—I admit that. The thing is that it should be extended only to such concerns as would appear before Government with their schemes cut and dried and with such facts and figures as would assure a reasonable return and a reasonable probability of success and as would also be able to maintain that the industry is a national industry in this country. That is the only point urged there.

President.—While your object is a perfectly laudable object, the whole question as far as we are concerned would be whether under the present financial conditions it would be possible for us to make suggestions for the grant of bounties and subsidies which would have any reasonable chance of being accepted. At present if you are suggesting a scheme of protection which combines duties and bounties and if there is no considerable fall in imports as a result of the duties, the excess revenue that you get out of the duties may be utilised for financing the bounty.

Mr. Bose.—That should be done.

President.—Where that is not the position?

Mr. Bose.—There would have to be fresh taxation.

President.—Bounties would involve new taxation.

Mr. Bose.—Yes. We are suffering for protection at the present moment. What I say is this. Consider the possibility at some time or another of some kind of extra taxation in regard to the products of this industry.

President.—You mean so far as the present steel industry is concerned.

Mr. Bose.—Yes, because steel is possible to be obtained in this country at a lower price from whatever source it may come. Still we are paying a higher price so to speak for a time so that there might be an establishment of this industry in this country for all times to come. So, why not suffer in the same way—not to any great extent that might be involved in very many industries but only in reference to key industries as such and with reference to such concerns as will have a reasonable chance of success in different parts of this country where conditions would be more or less favourable. That I do not suppose would involve a very great amount of money.

President.—The proposal that you are making is analogous to the proposals which were made say in a country like the United Kingdom about 15 years ago on the conclusion of the war when the establishment of new industries became a matter of considerable importance.

Mr. Bose.—Particularly in this iron building trade.

President.—If you take key industries which are important from the point of view of national defence what the Government of the United Kingdom did then was to establish what they called a development fund out of which subsidies and grants were made. The question would be if you are going to make a proposal of this character at present, are we in a position to finance a development fund immediately? When finances revive possibly Government might be in a position to organise a national development fund.

Mr. Bose.—True.

President.—The difficulty is this. It is not merely that you have got to provide bounties for industries which are likely immediately to come into existence but you must be in a position to finance also similar industries which may come into existence later, that is to say, the charge that you throw on the national exchequer is to that extent a somewhat indeterminate charge.

Mr. Bose.—The point is that it can certainly be restricted with reference to one or two typical industries in certain centres where the probability of success would be great. As a matter of fact that might be an inducement for every industrialist to come and operate in the same lines within a reasonable period of time and the originally subsidised industry would be competing fairly with all imports and other productions in the country as well. It is merely to give a fillip, to give a start that we are making this suggestion.

President.—In that case you would have to organise a national executive because there must be a standing body whose business would be to investigate propositions of this kind and who would have to decide what are the particular types of industries to which assistance should be given out of this fund; to organise a national development fund and to organise a national economic organisation.

Mr. Bose.—Yes.

President.—The unfortunate part of it is we have almost reached a stage in regard to steel when although the protective duties are higher than revenue duties the effect of the protective duties is that the country's requirements are met more and more locally and therefore the amount that Government gets in the shape of Customs duties is getting steadily diminished. Take the case of sugar. They used to get Rs. 18 crores and now they are getting Rs. 3 crores so that the protective duties are successful in their purpose.

Mr. Banerjee.—It is due to the fall of demand in this country. We do not know what the demand will be later on. If the demand increases, the income will increase.

President.—The whole object of protective duties is to see that the requirements of the country are supplied within the country itself. If that is so, you would necessarily postulate that imports will ultimately disappear and therefore the income derived from imports would also disappear. I think the only solution of the problem from the point of view of finance in the case of protected industries which have reached a stage where they are able to stand on their own legs is to have a system of excise duties. I do not know whether your Chamber would support a suggestion of that kind. I am not suggesting that at present it is applicable to the case of the steel industry but if you are going to go on with the policy of protection and you are anxious at the same time that other industries should come into existence and assistance should be given in anticipation of new industries which may come into existence, the fund that you require for that purpose would I am afraid have to be financed largely by means of

excise duties levied on industries which have been able to establish themselves under protection as a result of public assistance.

Mr. Bose.—Theoretically speaking there is no objection to that, provided at the same time this principle is laid down at the present moment. That principle comes as a corollary. The problem would be the proper apportionment of these two items.

President.—I remember when we were enquiring into the match industry before the duties were imposed much the greater part of our supplies of matches were drawn from abroad. Now the imports from abroad are almost negligible and so the Tariff Board considered the question whether it would not be legitimate for Government having surrendered all its revenue to make good the loss by the imposition of an excise duty and it seems to me that if your ideas are to be carried out proposals on those lines would have to be considered by a responsible commercial and industrial association like your Chamber.

Mr. Bose.—Given time probably the Chamber would be in a position to express the opinion but I should, with due respect to you, think that the case of match imports and these things that you are suggesting at the present moment are not identical; they are not on a par with each other. As a matter of fact when they found that duties were very very high, the Swedish concerns came over here and opened factories. The imports stopped not with reference to the Indian industries being bounty fed or being established by you but with reference to high import duties. The imports stopped because the concerns found that it was profitable for them to have the factories over here so long as there were these high rates of duties which might not have lasted for long or for ever. It was foreseen even then by the Finance Member that the effect of such import duties would be to bring over the concerns here but it was probably not foreseen that the Swedish concerns would come in such a headlong way.

President.—I don't go quite so far as you do with regard to that, but your estimate of the situation is quite right. What happened as a result of the duty was that people who exported to the country before began to produce inside the country, inside the tariff wall. But you take a case like sugar where there is no such development. All the new companies which are coming into existence are Indian Companies and the works are financed by Indians and are under Indian management. Taking the last instance where the sugar industry is able to stand on its own legs and able to make a profit, when the sugar industry benefits by protection there may be new industries regarding which there is a reasonable possibility of development. Is it not fair, is it not reasonable, that an industry which has been able to establish itself as a result of public assistance should be prepared to render some assistance in order that other industries may come into being.

Mr. Bose.—Theoretically it is quite correct, but even in regard to the sugar industry I suppose it is a bit premature at the present moment to say that the industry is established.

President.—I am not suggesting that at all. I am not saying that the time has arrived for the imposition of an excise duty.

Mr. Bose.—No.

President.—I put that forward simply as an illustration.

Mr. Bose.—In that case I cannot certainly object to it as a matter of principle but how far it will be feasible is another matter.

President.—As a result of our discussion the point really resolves itself into this: the question of affording suitable protection to new industries—industries which have not already come into existence—is largely a question of finance. The more you have of protective duties the less is the amount of revenue you are going to get out of import duties,

Mr. Bose.—True,

President.—Therefore if the question of protecting new industries is a question of finance, you have got to find your finance from some source other than import duties.

Mr. Bose.—Yes.

President.—Therefore the practical question with which we are concerned is where exactly is that source to be found. That would be a correct analysis.

Mr. Bose.—Yes.

President.—In paragraph 16, you raise a question which I believe has engaged public attention for a considerable time and that is the question of price charged by the Tata Iron and Steel Company for pig iron consumed in the country as distinct from pig iron exported. I should like, before I ask for a fuller statement of your views, to put before you a statement of prices that we have received from the Tata Iron and Steel Company for pig iron. What after all matters is the price that they realise at the works. That after all is the important thing. I want to give you the export prices and the Indian prices *ex-works* during the past 8 years beginning with 1925-26.

| | Indian price <i>ex-Tatanagar</i> Rs. per ton. | Export price Rs. per ton. |
|--------------------------------|-----------------------------------------------------|---------------------------------|
| 1925-26 | 47.1 | 35.7 |
| 1926-27 | 50.2 | 38.3 |
| 1927-28 | 50.2 | 39.7 |
| 1928-29 | 47.0 | 37.0 |
| 1929-30 | 46.4 | 34.8 |
| 1930-31 | 29.5 | 29.7 |
| 1931-32 | 28.2 | 21.5 |
| 1932-33 | 30.6 | 19.7 |
| January to June 1933 | 28.7 | 17.9 |

I presume that you have not seen this statement of prices. I should like to know, looking through these figures over a period of eight or nine years, whether you would consider the margin to this extent between export prices and internal prices as an unreasonable margin. The question is a very difficult one. You find it in regard to not merely pig iron but in regard to various other commodities in the country: if they are able to realise a price of say Rs. 50 *ex-works*, the distances in our country are such and railway freights relatively to the distances are also so considerable that at different centres of consumption you may find considerably higher prices than these *ex-works* prices. But after all the company is responsible only for the price that he charges *ex-works*.

Mr. Bose.—As far as our information goes their price is double what it was before.

President.—Have you any idea of the current price—I am not thinking of foundry pig because what Tatas really export is basic pig iron and not foundry pig iron.

Mr. Bose.—The information the different foundry people have given us is that they cannot buy foundry pig iron for anything less than Rs. 55 to Rs. 64.

President.—If you take January-June, 1933, Tatas have been able to get at their works for pig iron Rs. 28.8.

Mr. Bose.—That is new to us. We have consulted various foundry people residing near about Calcutta and we were informed that it varied from Rs. 55 to Rs. 64.

President.—Would you agree to prepare a statement for us of current market prices in the areas with which you are familiar of pig iron at present?

Mr. Bose.—Yes.

President.—On these figures I feel I am not in a position to criticise the policy of the Tata Iron and Steel Company.

Mr. Bose.—These are very fair charges but our information was quite distinct and that is how we based our representation on them.

Mr. Wiles.—The explanation given to us about the price of pig iron by the pig iron makers was something on these lines, that the price of foreign pig is determined by world prices and not by the costs. What enables them to export at all is their mass production and the benefit of the mass production applies equally to the price of pig in India and to foreign. The demand for pig in India to start with is far less than the demand from abroad, possibly about one-third and two-thirds, so that if the Indian price is to get the benefit of mass production it must go abroad—the bulk of the pig iron must go abroad. The price they can get abroad is fixed not by their costs but by world conditions.

Mr. Bose.—Yes. But people who are contributing for protection and who expect the growth of ancillary industries would naturally expect that Tatas should sell their iron at cost price with a fair percentage of profit.

President.—As far as the export market is concerned Tatas are not in a position to fix the prices themselves because the export market prices are determined by changing world conditions so if they sell in the export market they must be prepared to get such prices as it would fetch under world conditions.

Mr. Bose.—Yes.

President.—Therefore the only way they can regulate the price of pig iron to earn something like a reasonable surplus is to sell in the export market at a price which prevail in the export market and get in the Indian market a price somewhat higher but still the sort of price that results from competitive conditions in the country.

Mr. Bose.—That reduces the question to this, that there should be a fair proportion—what is the fairness in the proportion? To sell pig iron in foreign countries at Rs. 20 and in India at about Rs. 30 is really absurd. Can't there be found a way in between these two? Should not Tatas make really such fair profit on their pig iron sold in India as would be conducive to the growth of subsidiary industries and make for greater facilities for these industries to use pig iron in the country as well.

President.—As a matter of fact when I read your representation it occurred to me that that was the point that you were trying to make. You refer to the question of a reasonable margin of profit so I looked at the estimates we made in 1926. We fixed a certain scale of protection for Tatas in which we said that in the aggregate they ought to get so much on their business. Much the greater part of that return they ought to get out of steel, but in fixing the scale of protection for steel we took into account that they would get a reasonable surplus for the pig iron they sold. If you look at paragraph 71 of the 1926 report, in fixing the scale of protection for steel we took into account that the surplus pig would earn a return of Rs. 15 over and above the works cost. If you take the last three years where the Indian price of pig iron *ex-works* have been round about, say, Rs. 30. We thought Rs. 15 per ton would be a legitimate surplus over works costs, that leaves them Rs. 15. So that on their current figures on their Indian prices they are not getting a surplus on their pig iron which is by any means in excess of the surplus we considered reasonable in 1926.

Mr. Bose.—You are quite right, but the difference lies in this that in considering the price at Rs. 30 as the figure for the last three years, you are not considering the price at which pig iron is being sold round about Calcutta, which is Rs. 55 to Rs. 64 per ton. Even if it is taken at Rs. 50, that sure enough with a Rs. 15 margin leaves Rs. 35 for works price.

President.—Assuming that Rs. 64 or something like it is the figure that they realise at the works—by the way, have you any information of the

source from which these foundries in Calcutta get their supplies of pig iron?

Mr. Bose.—Mostly from the Tata Iron and Steel Company. The Indian Iron and Steel Company sell whatever they can provided they have a surplus because they are the greatest exporters of pig iron. The little that they sell in the country they keep in parity with Tatas price and therefore the price of pig iron is ruled within the country by the Tata Iron and Steel Company more than by any other firm.

President.—We have got Tatas figure here. I would like you to investigate the question in the light of the figures that I have given you.

Mr. Bose.—You want us to give your figures for pig iron prices in Calcutta and the area within the influence of our Chamber?

President.—Yes.

Mr. Natesan.—Do these foundry people purchase straight from Tatas?

Mr. Bose.—Tatas are not the actual sellers. They are doing it through their appointed brokers, but the point is what is the commission they are paying to these brokers. The selling organisation is another thing on which we have just a word to say. We have had some complaint from dealers out here that they are not getting the benefit of what they call fair dealing so that they are being ousted out of the market by Tatas appointing what might be termed as their wholesale agents. We have not yet been able to make any investigation in the matter, nor can we vouchsafe for the accuracy of the statement of these dealers. Assuming that the dealers are correct even to a certain extent, then it comes to this that Tatas getting the advantage of being able to sell their goods through better financed, organised or stable firms, it is possible for them to sell these goods in bulk, wholesale so to speak, as we deal in other goods even including imports; therefore it is reasonable for Tatas to sell these goods through their dealers as such. The dealers according to the demand in the market and the supply or of the future that they expect sooner or later, modulate these prices and charge local dealers accordingly. Tatas have a system we are informed of a system of providing bonuses to their dealers to a certain extent, a sort of rebate, which alone represents their margin of profit. If the dealers do not get the rebate they do not make any profit. Coming through wholesale houses like that they are entirely dependent upon the demand of the market and the rebate. The effect is that the market becomes a little speculative so that the dealers themselves do not know where they stand and gradually as time goes on and as depression is not diminishing they are unable to resist the fluctuations and provide for themselves in the way they should. How far this is correct or incorrect we cannot say, but here is a proposition which requires investigation. This too has got certain connection with the sale of pig iron apart from merchant sections, bars and other things.

President.—Are you suggesting that probably this big margin between the price of pig iron *ex-works* and the price at which foundries are able to get it is partly due to speculation on the part of dealers? Do you suggest that this big difference is made up of the commission charged by the dealers?

Mr. Bose.—No. The dealers themselves are in the position of buyers at the present moment. Between the dealer and the actual consumer the variation in price is not very great. It is rather small. The big margin is to be located between the Tatas and the dealers whoever may be in the middle or at one or the other source.

President.—We have received no information as regards commission and so on on pig iron but we have fairly detailed information as to commissions, discounts and so on charged on their steel sales and I will straightaway give you the figures. There is a cash discount of 1 per cent., there is a merchant's commission of 1 per cent., a deferred rebate of Rs. 1-8 and then miscellaneous claims, bad debts, defective material and so on might account

altogether for about 75 per cent. That is all in the way of commissions and discounts and other charges.

Mr. Bose.—But what about prices?

President.—On these percentages it does not strike one as by any means excessive.

Mr. Bose.—These are very reasonable and as a matter of fact if it were not steel but any other goods I should say it is ridiculously on the low side. But that is not the point. The question is, why is it if Tatas according to this figure are getting their pig iron at the factory at Rs. 30 the thing is selling at Rs. 55?

President.—As my colleague Mr. Natesan suggested if the figure is Rs. 30 ex-works and Rs. 60 in Calcutta and Tatas commissions are on this scale then obviously somebody past the stage of wholesale dealer who is getting the benefit of the duty. Even then I can't possibly believe that the middleman however favourably situated can make a commission to the extent of Rs. 30.

Mr. Bose.—If the margin were really so there will be many middlemen willing to invest their money and take advantage of the element of speculation that they are now in.

Mr. Natesan.—Or there is another possibility, that the information given to you is exaggerated.

Mr. Bose.—As a matter of fact this we know that the Calcutta ruling price is over Rs. 50.

Mr. Natesan.—You will do us a service if your Chamber could kindly investigate that point and let us have a statement, if possible with vouchers too.

Mr. Bose.—We will do that but those would of course have to be very confidential.

Mr. Bose.—Yes.

President.—We have a letter from the Indian Iron and Steel Company in which there is a reference to this very question. I will read out the statement: "The present prices at which pig iron is sold is about 25/30 per cent. below the price at which it could be imported into this country and furthermore, we have agreed with the Tata Iron and Steel Company, Limited, that they should sell low silicon iron up to 1.25 per cent. in silicon at the low price of Rs. 30 per ton in order to assist the small bazaar founder with his business".

Mr. Bose.—With reference to low silicon pig iron, that is true. We are talking of the foundry iron and things like that which are greatly in demand in Calcutta.

President.—There can't be very great difference between the low silicon iron and the foundry iron.

Mr. Banerjee.—People are finding it difficult to make castings like *karais* with foundry iron.

President.—There is no imported pig iron used by small foundries. I believe practically all the pig iron imported into this country is of very special quality. On an average the value is about Rs. 75 a ton.

Mr. Banerjee.—That is true.

President.—It is a very different class of pig iron?

Mr. Bose.—Some time back very low grade pig used to come into this country before Tata's were in a position to supply such things for ballast purposes.

President.—That is stopped.

Mr. Bose.—Yes.

President.—I consulted my technical colleague, Mr. Atha, about it and what he thinks and I agree with him is that if the price of low silicon iron is Rs. 30, it is quite impossible that the price of the ordinary kind of

foundry iron would be as high as Rs. 60. That difference is much too big in the circumstances.

Mr. Bose.—Yes.

President.—With regard to this question of sales organisation which you raise, has the Chamber any particular views to urge with regard to that? I find you have expressed your views in a very tentative manner.

Mr. Bose.—We are not in a position at the present moment to make any suggestions whatsoever: We have really not gone into the matter.

President.—We have been examining responsible Associations of Iron and Steel merchants in Calcutta and we examined the Calcutta Iron Merchants yesterday.

Mr. Banerjee.—What we suggest is that Tata's is going to be a monopolist concern.

President.—I hope not.

Mr. Banerjee.—It has almost become and there should be a check from the Government side or somewhere where the grievances of the general public can be attended to—correctly develop the concern. They will not have full power of overlooking the grievances of the others.

President.—The Tariff Board is as much interested as you are in preventing an industry which benefits by protection from developing itself into a monopoly in the country, because it would be a very unfortunate result of protection if that happened and we are anxious in this enquiry to see whether the fairly strong position or increasingly strong position of the protected industry is likely to result in any serious abuse. We are anxiously considering that question.

Mr. Banerjee.—Our idea is that the Tariff Board might enquire into that position and find out ways and means. Even if abuses might creep in, they could be detected and they could be corrected.

Mr. Wiles.—You don't suggest that the Tariff Board should become *ex-officio* Directors of the Tata Iron and Steel Company.

Mr. Banerjee.—That is not our idea, although I would like you to sit in judgment over their action.

President.—The only remedy that you can provide against the creation of a monopoly is to provide encouragement for other units to come into existence in the industry. Ultimately that is the only effective remedy that you can provide.

Mr. Banerjee.—Yes.

President.—The trouble as far as that is concerned is that in the present exceedingly restricted condition of the market, it seems to me there is not probably very much room for the creation of another.

Mr. Bose.—Not at all. At the present moment there is no scope, but sure enough, assuming that there is a suggestion for the protection to be continued, we are not looking at it two or three years ahead but further more, and let us take the present Finance Member in his optimism and let us expect that good times are coming . . .

President.—I think you are perfectly right in taking a long view on an important matter of this kind, but as far as this question of sales organisation and its relation to what you call the monopolistic position of the Steel industry, as far as that is concerned, you don't wish to make any concrete suggestion at this stage. All that you want is that it is a matter that the Board should consider very carefully before it makes its proposals. I think I have covered most of the points that you have raised. Is there any other point that you would like to raise?

Mr. Bose.—There is just one point, which probably Mr. Banerjee will be in a better position to place before you and that relates to the relation between the British Association of this industry importing their products into this country, the relation between them and the industry in India. Mr. Banerjee might give you some idea about it.

Mr. Banerjee.—We find that the National Federation are desirous of working in co-operation with the Indian industry and they don't want to have any protective duty. Our chief aim is to have a protective duty, so that the Indian industry can be placed on a proper footing in course of time and secondly this would give birth to new industries. By co-operative arrangement between the Indian industry and the British industry, the whole thing would be that the extra prices that we pay as protective duty would be simply for the subsidy of this United Kingdom Steel industry and secondly our revenue will fall short and naturally Government will have to supplement this shortage of revenue in other directions which means further taxation in this country. Thirdly it will be wholly an uneconomical arrangement for our industries in India to co-operate with them, because they are much bigger Companies and stronger Companies. Apart from Tata's the Companies in India will be small and will naturally find it very difficult to co-operate with these people. It will be wholly an uneconomical arrangement. We therefore do not like the Scheme of Co-operation proposed by the British Steel industry. We want you to levy protective duties upon foreign steel.

President.—Would you like to have imports if they become necessary to supply the Indian market from all countries?

Mr. Banerjee.—Yes if protection is abolished. But we don't want protection to be abolished. We want that the key industry should be established.

President.—Your conclusion is that protection to the Indian industry should be granted by means of tariffs.

Mr. Banerjee.—Yes.

President.—A system of protection by agreement is, in your opinion, not in the interests of the country?

Mr. Banerjee.—That is true.

President.—Even if the agreement provides as the National Federation suggests that an essential condition to the scheme would be that the output of the Tata Iron and Steel Company and any other steel industry which may come into existence hereafter, would have the first claim of the market to the extent of the total output of the Indian industry, even if that were made absolutely clear?

Mr. Banerjee.—The practical side of it, if it is taken, should be very small. No other smaller industries beyond what is already started can really be able to compete with them. It is now 23 years of since Tata's started manufacturing steel and still they are unable to establish themselves on a proper footing. It will take them some more years before they could do so. In the meantime if any new industries are started, it would be impossible for them to get on to that basis.

President.—You would like protection to be granted more or less on existing lines?

Mr. Banerjee.—Yes.

Mr. Wiles.—Regarding your remarks which you just made, I suppose co-operation implies mutual benefit to both sides.

Mr. Banerjee.—According to the dictionary, "Co-operation" implies mutual benefit.

Mr. Wiles.—Does it not in practice? Are you a non-co-operator?

Mr. Bose.—We are great co-operators.

Mr. Banerjee.—It is co-operation only when there is real co-operation and not when there is co-operation by word of mouth. We have felt it very seriously.

Mr. Wiles.—We do not know exactly what the co-operation between the industry in India and the industry in England mean. It is quite obvious that the Indian industry is capable of looking after its own interests and it is unlikely to agree to any form of co-operation which is not likely to benefit it. I would only beg you not to shut your eyes towards the word "Co-

operation " merely because it is co-operation. I think it is quite conceivable that some arrangement may be made between the Indian industry and the British industry which may be of great benefit to the Indian industry.

Mr. Banerjee.—Provided the advantages are equal on both sides.

Mr. Wiles.—I am not going into that question. But just because they use the word "Co-operation", don't condemn the proposal on this ground. There is only one other small point. As regards paragraph 6, I think you may possibly be under a misapprehension unless it has been unfortunately worded. You say: "The Committee understand, the Company has been able to supply as much as 72 per cent. of the present total demand of India". That is not true.

Mr. Banerjee.—There we have relied mostly upon the Chairman's Report.

Mr. Wiles.—The point is this: a little lower down you say: "Of the country's requirements of the kinds of steel produced by the Company, about 72 per cent. are being supplied by Tata's" and as you point out in your note higher up only 320,000 tons were produced by the Tata Company in 1925-26 as against the total demand of 1½ million tons. Therefore the total output of the Tata Company is only about 56 per cent. of the total demand of the country. There is a large volume of steel production which Tata's does not touch. You will have to add that to the total output of Tata's in order to get the total demand of the country.

Mr. Banerjee.—That is true. As a matter of fact this 72 per cent. was taken from the Chairman's Report. If, as you say, the total consumption has got to be added to what the Tata's themselves produce, and even if the production is a bit lower than what is given here, it does not vitiate the argument as a whole.

Mr. Wiles.—You must not exaggerate what Tata's have been able to do. They have not been able to produce 72 per cent. of the total demand, but they have been able to produce more than half.

Mr. Banerjee.—Yes. The improvement they have already made during the six years will sufficiently indicate that they will touch at the figure of 72 per cent. in a very reasonably short time. Of course we have gone by the Chairman's Report. Naturally our idea is also that Tata's will be able to manufacture a very large bulk of the Indians needs.

Mr. Wiles.—Their total output is put by Tata's themselves at about 600,000 tons, whereas the total demand is about 1½ million tons.

Mr. Banerjee.—In that case by tariff we mean other steel industries would be established in India.

Mr. Wiles.—It is not relevant to this particular point. There is still a very large proportion of the Indian demand which cannot at present be supplied by the Tata Company.

Mr. Banerjee.—Yes.

Mr. Natesan.—Is it the considered opinion of your Chamber that a Scheme of Co-operation as proposed by the British Steel Federation, between them and Tata's however well meant it may be, will ultimately not improve the condition of the industry in this country.

Mr. Bose.—To a certain extent it is true.

Ms. Banerjee.—We have had very little time to consider the question. At yesterday's meeting we considered this question and came to the conclusion that it was not to the advantage of the Indian industry.

Mr. Natesan.—Do you apprehend it will in the first place prevent the growth of another industry of a like magnitude?

Mr. Banerjee.—That is also our opinion. It will retard the progress of other industries.

Mr. Natesan.—Have you any such feeling of apprehension that it will also retard the growth of smaller industries?

Mr. Bose.—Yes, we do. Shall I give my reason?

Mr. Natesan.—Yes.

Mr. Bose.—As a matter of fact these graded steels being divided between the British manufacturers and the Indian manufacturers would so regulate the demand in the market as never to allow at least for very many years to come any Indian industry in the line to produce things in the particular line in which the British goods will by that time have a monopoly with or without duty, market conditions being more or less quiet in the day to come.

Mr. Natesan.—You want the existing protection to continue on the present lines?

Mr. Banerjee.—Yes.

Mr. Natesan.—In one place you say that there should be adequate protection and in another place you refer to higher rate of protection. Will you please explain what your views are. May I read the passage for you? “As it appears to the Committee, the protection granted, besides being not fully adequate”

Mr. Bose.—Adequate with reference to time.

Mr. Natesan.—You want that protection should be for a longer period than that of seven years.

Mr. Bose.—In that case alone the other industries of a like nature and subsidiary industries will have time to grow. I can only refer as a general analogy and not as a particular one, because I shall be floored on the same match business. Take the case of the Sugar industry. It has got 15 years and that is the incentive that has brought more capital into the industry, so that people who have invested in this business have more or less reasonable expectation of getting their money back, at the same time making some profit within a certain period. Even a tea garden cannot manage to cover their hypothecation money.

Mr. Natesan.—Your opinion is that if the period of protection is longer, there would be a better sense of security for capital.

Mr. Banerjee.—Yes and at the same time there would be more capital available for the industry both with regard to any big concern that might come in and sure enough with regard to smaller subsidiary industries provided of course as we have said that the facility of the protection is also extended to the buyers of these products.

Mr. Natesan.—Tata's themselves have suggested 7 years. In your opinion it should be a longer period.

Mr. Bose.—In our opinion it should not be less than 10 years.

Mr. Natesan.—Not only in your opinion the period of protection should be longer, but you want a higher rate of protection. Does it mean higher rate of protection, that is to say, higher than the rates suggested by Tata's in their memorandum?

Mr. Bose.—We express no opinion on that. It will depend on what the Tariff Board from the figures may determine what is equitable and just.

Mr. Natesan.—Your sentence is this:—“The Committee, therefore, consider that in view of these facts, the steel industry as it is at present situated may require protection even at a higher rate than at present”.

Mr. Bose.—That is merely a pious wish, but what I have explained is really the point. It may be higher or lower than it is according to the view of the Board. That matter is left to the Board.

Mr. Atha.—In regard to foundry iron, could you ascertain from these people whether they have to pay this high price if they buy iron which must be guaranteed to any special analysis or specification? That might account for the high price.

Mr. Bose.—As a matter of fact, if you had met these bazar dealers and foundry men, you would never mention about their asking for iron according to any specification. They buy iron at the fixed rate. They can hardly

speak two words in English but many of them are millionaires in this particular line. Only they do not know where they stand. Very few of them do banking business so to speak, or banking transactions. They carry their money on their back and some of them get stabbed in the train or in the street, and things like that are happening. This has been going on for centuries. We cannot alter it to-day. The market is there. They are known as dealers. In this case people go to them and buy. They won't go to another person. Probably the dealers give them credit. At times they do—not in specific terms as 90 days' credit or 60 days' credit. They will probably say "if you want more money, take another period and wipe out your transaction". In this way transactions take place. It is a very intricate problem and it is a very close trade so to speak amongst themselves and the consumers.

President.—I have not quite followed your point. What you are suggesting is that these people who have the pig iron trade in their hands are people who have been able to make large fortunes out of it.

Mr. Bose.—Yes. It does not necessarily mean that they have got a pile now.

President.—Since the Tata Iron and Steel Company began to make pig iron their fortunes have steadily diminished.

Mr. Bose.—As a matter of fact they have steadily diminished by other means—joint family system, partition and so forth. The thing is I was talking about men who launched in this business but their descendents are in this business to-day. They are very shy of their capital—big or small, whatever they have got. Two or three or even five men may have a very great amount in their hands. The rest are now living from hand to mouth. Whether they have any private funds which could be invested in this business or not, why should they invest when the fluctuations are so great and uncertainties are so large.

President.—That is to say, the business has become less profitable partly on account of the smaller margin of profit that they are able to make and partly because there are no reasonable chances of profitable speculation now.

Mr. Bose.—That is true. But speculation in the former days was done at random. Now the speculative element has entered into the thing because of the system of supplying all these products.

President.—It is speculation under very risky conditions that if you make money in one transaction you lose in the other.

Mr. Banerjee.—The technical detail is this. Formerly pig iron used to be imported by these people at a lower price and the articles manufactured out of this pig iron are cast iron pipes and cast iron *karais*. There are hundreds of people in different parts of Bengal making these things. They are not metallurgically efficient or technically efficient. They know from father to son that five tons of pig iron would give them so much of pipes and *karais*. Now they cannot import pig iron in this country at a price at which they used to do. The present prices of pipes and *karais* practically vary very much. Formerly English 4" cast iron pipes used to come at 4½ annas per foot. When they started, it was 6 annas a foot and the price of the raw material was Rs. 40. In 1918 or 1920, they used to buy pig iron at an average of Rs. 55 to Rs. 65. The foundry casting depends upon the first class pig that they get. They know only of three classes, 1st, 2nd and 3rd. They make it a mixture so that they can make a slightly bigger profit. Another disadvantage has cropped up now. Since the Eastern Light Casting Company have abolished their blast furnace they have come to an arrangement with the Indian Iron and Steel Company.

President.—You mean Bengal Iron.

Mr. Banerjee.—Yes. The Eastern Light Casting Company have come to an arrangement with the Indian Iron and Steel Company by which the latter would sell the former pig iron at Rs. 30 per ton, whereas the Bengal foundry people have to get the same foundry iron by which they will be able to make light castings at an average price of Rs. 60.

President.—I see your point.

Mr. Banerjee.—This has created an enormous difficulty for the bazar people to carry on their business of pipes and *karais*. Another point is this. If Tata's and the Indian Iron and Steel Company do not reduce their price of Rs. 60 to the small foundry, and maintain their present export price of pig iron, the fear is that Japan would come and floor the small manufacturers altogether. Japan may ship goods to India at a cost of 2 or 3 annas per foot.

President.—But then the point is this. Since the Bengal Iron Company get their pig iron from the Indian Iron and Steel Company at a price which you say is about Rs. 25 or Rs. 30 lower than the price at which these small foundries are able to get, it is out of the question for small foundries to make the kind of castings which the Bengal Iron are making. The principal forms of castings that the Bengal Iron Company are making are pipes. Therefore it would be impossible for the small foundry any longer to carry on their business of making pipes.

Mr. Banerjee.—The Eastern Light Casting Company has specialised certain products but the Bengal foundry are making various kinds of castings. In the case of pipes they have to compete with the Eastern Light Casting Company. In the case of sleepers and things like that, they cannot get any order because they cannot continuously work their foundries. The general workshop industry cannot pay unless they continually work upon a special article.

President.—What about miscellaneous castings?

Mr. Banerjee.—It cannot be a paying proposition. They are casting one day something and another day something else. It raises a tremendous amount of difficulty for them. The heavier articles for which there is a steady demand, are supplied by the Eastern Light Casting Company because the small foundry cannot compete with that Company.

President.—Let us concentrate on one particular type of casting. Take cast iron pipes.

Mr. Banerjee.—Take water pipes.

President.—Any kind of pipe you like. Take 12" pipe. The Bengal Iron Company is able to get its pig iron at a considerably lower price.

Mr. Banerjee.—Yes.

President.—Therefore, even if we fixed the tariff as high as 100 per cent. it would be impossible for us to assist the small foundry because the benefit of the tariff would go entirely to the Bengal Iron Company.

Mr. Banerjee.—I quite admit. This unholy combination which has taken place has become detrimental to the growth of the small industries. It has been an unholy combination between the two. Neither the Tariff Board nor the people can say anything against it. This is what has taken place and the result is that these small people are out of the market for these big castings which were profitable to them.

President.—It is perfectly clear to me that if we fix the tariff on cast iron pipes at a higher figure than now we may probably succeed in keeping out Japanese cast iron pipes but then the place which is now held in the market by Japanese cast iron pipes would under a higher tariff be captured entirely by the Bengal Iron Company because their costs are lower. Their pig iron costs are lower. Therefore your point comes to this that if you want to assist the small foundry as against the Bengal Iron Company the only way in which it can be done is by reducing the price of pig iron to these people.

Mr. Banerjee.—Tata's should reduce their price of pig iron.

President.—Therefore the importance from your point of view of getting the price of pig iron reduced in Calcutta to these small foundry is that it is only by that means the small foundry would have a chance of competing with the Bengal Iron Company.

Mr. Banerjee.—The price charged by Tata's to these small people should be in parity with the price that the Eastern Light Casting Company is paying to the Indian Iron and Steel Company. If these four Companies have made a combination of some sort and are ruling the market, there should be some sympathetic treatment for these people.

President.—Are there many small foundries which make pipes?

Mr. Banerjee.—The demand is becoming less and less.

President.—The demand is very restricted for cast iron pipes.

Mr. Banerjee.—Take the case of *karai*—an ordinary vessel that is being used by millions of people. If instead of paying Rs. 60 per ton they pay only Rs. 30, the price of *karai* would be reduced to half. If they are now selling at 6 annas they would be selling at 4½ annas.

President.—What precisely is a *karai*?

Mr. Banerjee.—It is a semi-circular vessel in which *dal* and other things are cooked.

President.—What is the price of a vessel of that kind?

Mr. Banerjee.—It varies according to diameter.

President.—Give me a typical diameter.

Mr. Banerjee.—18"—costing probably one rupee.

President.—I should like to know to what extent the consumption is likely to be helped. I want to know what the price is.

Mr. Banerjee.—I will have to obtain it.

President.—I tell you what I am trying to get at.

Mr. Banerjee.—I will give you an instance. Suppose a 10" *karai* is sold at 6 annas with the price of pig iron at Rs. 60; if the price of pig iron is reduced to Rs. 30, the metal cost would be reduced to half but the labour charges would remain the same. So instead of selling at 6 annas they will probably be able to sell at 4½ annas.

President.—If the price of pig iron to foundries is reduced let us say from Rs. 60 to Rs. 30, would it make a difference of so much as 1½ annas.

Mr. Banerjee.—It will. The metal cost forms a very large proportion of the total cost. They have got moulds into which they pour the molten metal. The cost is mainly made of pig iron cost and the cost of mould.

President.—I should like to get, if your Chamber is so kind as to assist us, a statement showing the present prices of castings of this kind—not pipes—the cost of production of these small vessels that you are talking about and the proportion of material cost and labour cost.

Mr. Bose.—If you give us time, we shall be able to investigate this matter and give you full particulars.

President.—You can take a month over that.

Mr. Banerjee.—It is very difficult to get accurate figures. As Mr. Bose has told you, these people are very conservative. They do not know even their own interests.

President.—A Chamber like yours must be in a position to do it.

Mr. Banerjee.—We will be able to investigate it and let you know.

President.—The kind of statement that I want is a statement which would enable the Board to understand the extent to which a given reduction in the price of pig iron will mean a reduction in the price of the finished material.

Mr. Banerjee.—There is also one more point to be taken into consideration in this connection. At present the price of aluminium things has almost become equal and therefore when the price is equal, people are going in for better things. If the price is reduced, it will give them a stable industry to be carried on.

President.—You think it over and prepare it in any form you like but it must be such as to enable the Board to understand that a reduction in

the price of pig iron will help the small founders to reduce their price of vessels like *karais*.

Mr. Natesan.—Do many of these *karais* come from Japan?

Mr. Banerjee.—I cannot tell you.

President.—Enamelled iron comes from Japan.

Mr. Banerjee.—Another difficulty is this. Aluminium and enamelled *karais* have become much cheaper than ordinary *karais*. They are not of course lasting as these ordinary *karais* but people do not go in for lasting goods if they could get cheaper and more shining goods.

Mr. Natesan.—Your contention is that if the price of pig iron is reduced not only *karais* and things of that sort will be sold cheaper, but the industry also will be kept alive?

Mr. Bose.—Yes.

THE INDIAN MINING FEDERATION.

Evidence of Rai Bahadur A. C. BANERJEE, Mr. M. N. MUKHERJI and Mr. S. C. GHOSE, recorded at Calcutta on Thursday, the 21st December, 1933.

President.—Rai Bahadur, you and your colleagues appear on behalf of the Indian Mining Federation?

Rai Bahadur.—We have come on behalf of the Indian Mining Federation. Mr. Mukherji who is an ex-chairman and member of the Committee and who has made a special study of this subject will lead the conversation.

President.—Before I proceed to examine you on the points that you make in this memorandum, I would like to take advantage of your presence here this morning to ask a few questions about the proposed coal restriction scheme. What stage has that scheme reached now? Is that definitely accepted by the industry?

Mr. Mukherji.—It cannot be said that it has been definitely accepted but practically. There are a few vital differences outstanding. The Indian Mining Association have brought out a scheme; previously we have had mutual consultation on all the points with regard to a scheme but later on the Mining Association thought it fit to make changes, so we could not see our way to subscribing to the views of the Indian Mining Association. The idea really originated with the Indian Mining Federation, as put forward by Rai Bahadur A. C. Banerji in his presidential address in March last; nobody else moved in the matter. In July last there was a proposal from the Indian Mining Association to the Railway Board to shut down the Railway collieries. We said we were prepared to subscribe to their view with some modifications if the Association would consider a scheme of restriction on output of coal and we placed our scheme before them. At that time they did not agree to consider that but later on they came to like it and we had mutual consultations on all the points. Sometime in November last we had our differences which could not be made up. So the Association have submitted their plan to the Government of India to which we could not fully subscribe. We are going to submit our own scheme.

President.—Who is the authority responsible for putting this restriction scheme before the industry and generally putting it through? There must be some co-ordinating authority. The suggestion with regard to restriction originally came from the Mining Federation and the suggestion has been considered also by the Indian Mining Association.

Mr. Mukherji.—Yes.

President.—They have made certain proposals and then a definite restriction scheme was evolved out of your joint consultations. On that particular scheme there are still a few outstanding differences between you and the Association. Is there any co-ordinating authority between the two which acts so to speak as a clearing house?

Mr. Mukherji.—The Chief Mining Engineer to the Railway Board interested himself in the affair at the beginning at the request of the trade as a whole but now I don't think he takes so much interest in it as he used to.

President.—So that the matter now is under consideration between the Mining Federation and the Mining Association?

Mr. Mukherji.—Not exactly that. The Mining Association have presented a definite scheme to the Government of India and now it rests between us and the Government of India if we are going to submit our own scheme.

President.—Which department?

Mr. Mukherji.—The Department of Commerce. A deputation from the Mining Association waited on the Hon'ble Member for Commerce, but Sir Joseph Bore said he was not quite sure whether it would be handled by his department or by Sir Frank Noyce. When they last submitted the scheme they did it to the Labour and Industries Department.

President.—Is there anybody interested in the coal industry except the Mining Federation and the Mining Association?

Mr. Mukherji.—There used to be no other body but four or five months ago one association under the name of Indian Colliery Owners' Association was started; that was in July last. Most of them are still members of the Indian Mining Federation but because of some differences, real or fancied, that they have suffered at the hands of the Mining Federation, they have formed an Association of their own.

President.—They represent really a very small proportion of the whole output?

Mr. Mukherji.—Exactly and their Association is only five or six months old—registered in July last.

President.—The real reason why I ask you this question about the coal restriction scheme is that for the purpose of estimating the protection required by the Steel industry if any during the next few years it is necessary for the Board to take a particular figure as the probable price of coal during the protective period. Prices of coal recently have touched a very low level and the Tata Iron and Steel Company have suggested to us that instead of taking the present price of coal if we are going to fix protection for a period of years we ought to take a figure of Rs. 5-12-0 delivered at Tatanagar which, as you know, is considerably higher than the present price. So I was wondering whether the Federation would be in a position to help us in estimating the factors upon which the price of coal may depend during the next few years. Of course it is impossible for even an association so directly concerned with coal as you are to estimate precisely the level of prices of coal, but I was wondering if you could give us some indication of the probable trend of prices.

Mr. Mukherji.—The tendency is for coal prices rather to sag; it is still sagging. In fact when the largest buyers, the State Railways, came to the market for their purchases in January, prices that we quoted were considered to be low enough, but this time those prices are going to be lower still. They are of course uneconomic and unremunerative, still some of the collieries somehow secured the contracts even at a sacrifice hoping for some better time to come. They are quoting even lower rates than last year, rates which are considered absolutely uneconomic.

President.—Can you give us some idea of the rates quoted last year? Generally you tender for Railway Board supplies; suppose you tendered f.o.r. collieries what would be the price for last year?

Mr. Mukherji.—Last year prices quoted ranged between Rs. 1-12-0 and Rs. 4-4-0 per ton for various qualities of coal.

President.—You know the sort of coal that Tatas buy for coking purposes; it is first class Jharia. What was the price quoted for these for the railways?

Mr. Mukherji.—Tatas own Jamadoba they sold to the State Railways at Rs. 3-4-0 f.o.r. colliery. This year they have sold I think to the B., B. & C. I. Railway at the same figure.

President.—As far as these prices are concerned there has been no change between this year and last year?

Mr. Mukherji.—As far as our information goes last year they quoted 8 to 12 annas per ton less than that quoted by other collieries for similar quality of coal.

President.—Similar qualities are quoted at about Rs. 3-12-0 to Rs. 4 and they quoted Rs. 3-4-0 per ton. They quoted the same price this year?

Mr. Mukherji.—Yes,

President.—What exactly is your estimate of the probable trend hereafter unless a scheme like the restriction scheme came into force? Will the downward trend continue?

Mr. Mukherji.—The turn over of the industry is going down; the demand that we have been expecting to get better has not at all improved. On the other hand it is still further going down.

President.—It really depends on two factors, either production has got to be restricted by some scheme like this or the demand must increase as a result of the general industrial revival in the country.

Mr. Mukherji.—That is so.

President.—If you are trying to estimate over a period of seven years from now, I suppose on the whole it would be reasonable to estimate an increase over the present low level of prices?

Mr. Mukherji.—In the average of seven years much improvement cannot be expected.

President.—Rs. 5-12-0 is what the Tata Iron and Steel Company have suggested f.o.r. Tatanagar. The position is this. From f.o.r. colliery Tatas add a few charges representing railway freight from colliery to Tatanagar and then there is the cost of unloading, cost of stocking and certain allocations of departmental expenses there; altogether you may say it comes to about Rs. 1-8-0, so that if it is f.o.r. Tatanagar, if you deduct Rs. 1-6-0 from that you get f.o.r. colliery Rs. 4-6-0.

Mr. Mukherji.—That is not our expectation at all.

President.—This is the average price of gas coal and coking coal.

Mr. Mukherji.—Deshargarh is now available at Rs. 4 per ton; last year Deshargarh quotation was Rs. 4-4-0 and there is still margin for Deshargarh to cut down because working cost on coal will be very much less than Rs. 4 and there is still margin for that coal to cut down costs and they are likely to further reduce prices.

President.—Supposing you are taking an estimate proceeding from the average of the past six years; making an estimate on this basis what is the sort of rate as an experienced businessman you would take?

Mr. Mukherji.—For the last nine years prices have continued sagging. This is an abnormal phenomenon. Previously what used to happen was we used to have three or four lean years and two better years on an average of five to six years. That continued right up to 1913. Since 1913 prices continually came down till 1917 when Government requisitioned coal for war purposes. Since then prices continued to rise and the peak year for coal prices may be taken to be 1919. Thence up to 1921 there was not much variation in these prices. Then prices came down from 1922; they remained steady up till 1924 and since 1925 it has been continually declining all these years and there is no hope of our being able to arrest this downward tendency. Even with restriction we are not quite sure that we would be able to arrest this.

President.—Why?

Mr. Mukherji.—Just at the present moment whatever demand is there we restrict raisings to the limit of the demand, but if the demand declines further; there is no knowing whether the demand will be steady at the figure of this year or last year.

President.—What is the proportion suggested in the present restriction scheme for reducing output?

Mr. Mukherji.—20 per cent. of the average of 1930-31 and 1931-32; during those first two years, i.e., 1930 and 1931 we had record raisings for Indian collieries. Those were the peak years.

President.—Supposing, therefore, the coal restriction comes into force and you are able to restrict output to the extent of 20 per cent. of the raisings of these favourable years, then if there is a further fall in the demand, the effect of the restriction scheme would be practically wiped out?

Mr. Mukherji.—That will be the position.

President.—So that it is a very rash thing to make a forecast.

Mr. Mukherji.—It is; besides there may be other reasons.

Rai Bahadur.—In spite of the restriction scheme if the general trade in the country does not improve, the demand for coal will go down and consequently in spite of the restriction scheme prices may not rise.

President.—That is a very bad outlook for the coal industry!

Rai Bahadur.—In the first place we do not know as yet whether the restriction scheme will be put through or not although we are hoping for it, and consequently we have got to consider all these different prospects.

President.—It all depends on how long the period of economic depression will continue, so I don't think we can carry on the discussion further. Suppose we put this proposition to you: Tatas have proposed to us that in fixing the price of coal for the next few years the average of the past six years should be taken as the basis; would you consider that a reasonable proposition?

Mr. Mukherji.—I do not think so because if you took the last six years you would come back to 1926 and if you came to 1926 the influence of the high prices prevailing during the war period and the postwar period would come in.

President.—The effect of that continued?

Mr. Mukherji.—Yes, because although the prices tended to come down the effect of the very high prices was still there.

President.—Your point is that if you include 1926 and 1927 in calculating your past average, 1926 and 1927 prices although lower than the prices of 1919 and 1920 still they were higher than what you would call normal?

Mr. Mukherji.—Very much higher than normal prices so the past six years would not be the right criterion.

President.—What period would you take if you were to estimate an average?

Mr. Mukherji.—I think we can safely take a period from 1928.

President.—1928 to 1933?

Mr. Mukherji.—Yes.

President.—1928 to 1933 would be a reasonable period because the prices of 1928 may be taken as a normal figure?

Mr. Mukherji.—Yes.

President.—That is an interesting suggestion. Are there any other suggestions you would like to make?

Mr. Mukherji.—The normal price of the quality of coal that Tatas require if it be put in the region of Rs. 4 per ton, or between Rs. 3-12-0 and Rs. 4 per ton, that might be taken as the normal price.

President.—I will give you the exact proportion. If you took the consumption of Dishergarh and first class Jharia in the proportion of 2 to 12, 2 gas coal and 12 coking coal, then what kind of average f.o.r. colliery price would you suggest?

Mr. Mukherji.—There is one thing I would like to suggest to you. In taking into consideration the coaking coal that Tata's would consume, I would request the Board to consider the case of second class coking coal.

President.—I am coming to that. That is a highly technical question. I am going to discuss that with you later. For the present I want you to proceed on the basis of present conditions.

Mr. Mukherji.—And the quality of coal that Tata's consume.

President.—Yes.

Mr. Mukherji.—The price of Dishergarh can be taken at Rs. 4 per ton and the average price of the quality of Jharia coal may be taken at Rs. 3-8-0.

President.—Is that the present price or would you take that to be the average price?

Mr. Mukherji.—That is fairly an average price. About the present price you will have accurate figures to-morrow from the tenders that are going to be submitted to the State Railways.

President.—That is going to be published to-morrow.

Mr. Mukherji.—I do not know if it is going to be published to-morrow.

President.—Tenders will be opened to-morrow.

Mr. Mukherji.—Yes in public in this building.

President.—The Chief Mining Engineer opens the tenders.

Mr. Mukherji.—Yes, any Reporter can take down the prices.

President.—Your idea is that if you went on the basis of the average since 1928, it would be fair to take a figure of Rs. 4 for Dishergarh and Rs. 3-8-0 for first class Jharia and that in the proportion of 2 to 12 would give you an average price of Rs. 3-9-0.

Mr. Banerjee.—Yes.

President.—If you add Rs. 1-6-0 for the charges from f.o.r. colliery to Tatanagar, that would give you Rs. 4-15 or say about Rs. 5.

Mr. Banerjee.—Yes.

President.—Rs. 5 f.o.r. Tatanagar in your opinion would be the fair estimate to take?

Mr. Banerjee.—Yes a fair estimate of the average cost of gas and coking coal.

President.—I quite understand that it is very much in the nature of a speculative estimate.

Mr. Banerjee.—Yes.

President.—Coming to your representation, I presume since you presented this memorandum to the Board, you have seen the detailed works costs of Tata's since 1926-27.

Mr. Mukherji.—We have been supplied with figures.

President.—I am referring to the statement that you made: "The Board while judging the actual progress made by the industry in reducing its works costs would take into consideration the reduction in the price of coal and the reduction in the price of spelter". All that I wish to say is even in making allowance for the reduction in the price of coal and in the price of spelter, there has been, on the whole, substantial reduction in the works costs in the Steel Company's works.

Mr. Mukherji.—Yes.

President.—Of course it is quite conceivable that further reductions are possible and before we accept any estimate of works costs for the purpose of fixing the fair selling price, we very likely would take into account reductions further than those which have been achieved so far. There is nothing else which you wish to state there.

Mr. Mukherji.—From our point of view the price of coal has already been taken into account and the other factor is the collieries that are run by the Tata's themselves.

President.—What is your point with regard to that?

Mr. Mukherji.—Our point is they have stated in one of their letters to the Bengal Chamber of Commerce, a copy of which has been sent to the Mining Federation by Tata's, that the Tariff Board definitely stated that in estimating the amount of protection that is to be given to Tata's, the money invested in their collieries should not be taken into account at all and it should be considered as a separate venture altogether. So, they state that they run their collieries on commercial lines, as a separate business proposition altogether, but really speaking that is not so. My submission is really speaking they are losing tremendous lot of money in running their collieries. Our proposal to the Board is that they should consider the idea, of shutting down their collieries altogether and thereby we anticipate that there would be a great deal of saving. Even if we take the collieries to be a separate commercial enterprise, the loss due to the working of collieries

must be met by the Steel Company as a whole, because the collieries have not got any separate reserve to meet such losses from. If the working of the collieries bring on any loss, that loss is to be met by the Steel Company. My point is that the collieries are really very great losing concerns. In the first instance they have been reducing their raisings. When prices really tend to sag, the stimulus always is to increase the output in order to cheapen the cost of production, but Tata's have gone absolutely the other way about. They have been reducing their raisings, but the effect is that the further they reduce their raisings, they increase the cost of production. They are placing their coal in the market at a very low price of Rs. 3-4-0 per ton. There also they make a loss.

President.—I suppose if they quote a specially low price for the Railway Board, the price at which they buy their coal from outside is correspondingly lower.

Mr. Mukherji.—That is so. When they purchase nearly one million tons from the market, that is another complaint of the Mining Federation that their action is tending to further depress the market already depressed. They ought not to be allowed to do so. It is to their interest to depress the market, because of the purchases they have to make.

President.—If they purchase about 11 lakhs from outside and get about 2 lakhs from their own collieries, if they can by any means push down the prices at which their 11 lakhs are bought, on the whole looking at it from their point of view they would benefit.

Mr. Mukherji.—Yes and at the same time the losses that they make in running their collieries mount up.

President.—In fixing the fair selling price for steel and the measure of protection required for steel, we didn't take that into account. The point is this: if they lose on the collieries, the loss is borne by the Company. The loss will not be borne by the public of this country, because in fixing the measure of protection we leave out the Tata's charges on the collieries. They do not as a result of the protection get a return which will cover them against losses on collieries, so that if they do suffer on account of the collieries, that suffering has got to be borne by them in silence, but the public do not share it.

Mr. Ghosh.—The coal trade share it. They are depressing the coal trade and unfairly competing with the coal trade.

President.—In fact the real reason why originally the Tariff Board left out the capital cost of collieries from the block allowed to Tata's was precisely this that the Coal industry was a separate one and in fixing the price of steel for the purpose of protection it would be on the whole fairer to the country if any possible losses which may occur from their collieries, are not to any extent placed on the shoulders of the public. We decided to make that absolutely certain. I quite understand from the point of view of the Coal industry as a whole probably there is force in your contention. I am not in a position to judge, because I am not directly acquainted with the problem, but looking at it entirely from the point of view of the Steel industry and the protection required for the industry, you would admit that the practice of the Tariff Board in separating the cost of collieries is a sound one from the point of view of public assistance.

Mr. Ghosh.—Yes at the sacrifice of another key industry.

President.—If we are considering the question of assistance to the Coal industry, I would certainly take that into account.

Mr. Ghosh.—Thanks.

President.—I will take up that point later, Mr. Mukherji. You put it in your representation, I take it, from both points of view, because I gathered one of the points that you make here in paragraph 5 is from the point of view of the Steel industry itself, it is probably desirable that the resources of caking coal should be preserved and should not be frittered away.

Mr. Mukherji.—That is our point,

President.—You have suggested from that point of view it might be desirable to close down Tata's collieries, and preserve them for the Steel industry's requirements at some future date.

Mr. Mukherji.—The position is this: in Tata's case really speaking they are burning their candle at both ends. On the one side they are making loss in running their collieries. They have invested Rs. 2 crores and have shut down 5 of their collieries, working only one. Even for that one colliery the capital outlay was very heavy. It is in the region of one crore of rupees and even ordinary depreciation charges will mount up to Rs. 2 per ton. Even taking 5 per cent. as the ordinary depreciation charge on the capital outlay in that colliery, it will exceed Rs. 5 lakhs annually. On the present basis the figure will be about Rs. 2 per ton on depreciation alone. Therefore they are making a heavy loss. On the other side without benefiting themselves in any way, they are really frittering away their reserve of caking coal. Their contention is if they cease to raise the caking coal, that coal will be drawn from other collieries outside their own, so that the country as a whole will lose that quantity of coal undoubtedly. That is true, but the Federation has been hammering that subject for the last 15 years. The attention of the Government of India again and again has been called by the Federation to the fact that the reserve of caking coal in this country is not at all by any means unlimited. After we made representation, Mr. Trehearne Rees, the Mining Engineer Expert from England, was brought in and he made extensive examination into the reserve of caking coal. It was found out that the total quantity of available caking coal would be in the region of 2,000 million tons.

President.—That is against 2,400 million tons.

Mr. Mukherji.—2,000 million tons leaving aside Assam. If it be 2,000 million tons, the highest quantity that we can hope to recover out of the deposit of coal is 50 per cent., i.e., 1,000 million tons at the outset. My reason for stating that is in the ordinary process of mining we estimate that we can win at the outside 75 per cent. of coal. 25 per cent. must be left inside the mine in the process of mining—that is according to the system adopted in this country—and 5 per cent. goes towards the consumption of collieries. So 30 per cent. goes there. There is another factor to be borne in mind in this connection. There have been extensive fires. Just at the present moment nearly a score of collieries in the coalfields are on fire. That fire is inevitable. It is by spontaneous combustion that fire occurs which cannot be prevented. In some places they are bound to occur, and they destroy the whole deposits of coal in those areas. 20 per cent. can be the lowest estimate that may be taken for the destruction of coal owing to that cause.

President.—That makes up 50 per cent.

Mr. Mukherji.—50 per cent. is the quantity that we can hope to recover at the outside.

President.—Supposing you take the net resources of caking coal accessible to the Steel industry leaving out Assam at 1,000 million tons.

Mr. Mukherji.—Much of it has already been worked out. That is on the estimate made by Mr. Trehearne Rees about 12 or 13 years ago—I think it was in the year 1920. Since then there has been a good deal of extraction of that quality of coal. So just at the present moment what the exact quantity of coal still available is not known to us.

President.—Was Mr. Fox's estimate a later one than the estimate that you have given?

Mr. Mukherji.—I have no idea.

President.—I have a sort of impression that Mr. Fox made the survey for the purpose of the Tariff Board enquiry in 1923.

Rai Bahadur.—I think you are right. Fox's estimate is later.

Mr. Mukherji.—Even then there is not much difference. From the Government point of view they might not look with as much concern on the

prospect of the exhaustion of caking coal as Tata's have got to do. Sooner or later, perhaps much sooner than later, Government must be compelled to take steps to conserve the caking coal resources of the country, but it is the immediate business of Tata's themselves to try to reserve their caking coal. On the one hand by working the collieries, they are losing money and on the other hand they are wasting the reserve of caking coal.

President.—Supposing we took your figure of the net available quantity of 1,000 million tons, I should like to try and see to what extent the exhaustion of the resources of caking coal is a question of practical importance. I will tell you what I want to do. If you take the consumption of caking coal at present used by Tata's working it out on the basis of average of finished steel, you might say $1\frac{1}{2}$ tons of caking coal per ton of finished steel. At present Tata's production, let us say, is in the neighbourhood of 500,000 tons of finished steel.

Mr. Mukherji.—3 tons.

President.—3 tons is rather out of date. They have improved on that figure. If you are concerned only with the question of caking coal, you must take a figure of 1.75. That, I think, is fairly correct.

Rai Bahadur.—Yes.

President.—Tata's output at present is about 500,000 tons and the total consumption of the classes of protected steel which Tata's are making at present is say about 700,000 tons.

Rai Bahadur.—Yes.

President.—If you assume that industrial conditions revive and the demand for steel improves, you might take a figure of somewhere about $1\frac{1}{2}$ million tons. Take it at $1\frac{1}{2}$ million tons.

Mr. Ghosh.—For Tata's only?

President.—No. Supposing the Steel industry in this country produced all the rolled steel that is required, then the consumption on the present figures might be fixed on a somewhat liberal basis at $1\frac{1}{2}$ million tons.

Mr. Ghosh.—The present consumption of steel is more.

President.—Put it at $2\frac{1}{2}$ million tons. I am trying to see to what extent the question is of practical importance. Supposing we put it at $2\frac{1}{2}$ million tons, that, at a rate of $1\frac{1}{2}$ tons per ton of steel may be taken at 4 million tons.

Rai Bahadur.—Yes.

President.—On your estimate there is an available nett reserve of 1,000 million tons. That means taking the demand not merely on the present basis but on the basis of future development you have available caking resources in the country for a period of 250 years.

Mr. Mukherji.—Tata's are not the only consumers of this coal. The caking coal is taken away not merely for the Steel industry but for other industries as well. Our contention is that the reserve of coal should be taken over a period of at least 100 years so that 400 to 500 million tons ought to be reserved entirely to meet the requirements of the Steel industry, but they are not the only consumers of that coal. What we drive at is that at least a certain portion of it should be reserved for the Steel industry alone. The other consumers now take away a much larger quantity; in fact the present raisings of caking coal may be taken to be 10 million tons annually.

President.—The present raisings you mean?

Mr. Mukherji.—Yes.

Rai Bahadur.—They are used for purposes other than caking.

President.—All the coal for example that passes through the Coal Grading Board is caking coal.

Mr. Mukherji.—Not all.

President.—The bulk of it is caking coal.

Mr. Mukherji.—Nearly 50 per cent. of it is caking coal.

President.—Let us take your figure of 10 million tons of caking coal.

Mr. Mukherji.—Yes.

President.—Tata's present requirement of caking coal is somewhere about or a little over 1 million tons.

Mr. Mukherji.—Yes.

President.—So that about nine times that is used for other purposes.

Rai Bahadur.—Unfortunately, yes, and if the period be proportionately reduced it would be 25 years.

President.—Obviously these other industries which are using caking coal can very well use other kinds of coal.

Mr. Mukherji.—They can.

Rai Bahadur.—That is the point which we have been urging for the last so many years evidently to no purpose.

Mr. Ghosh.—The railway freight stands in the way of other coal being consumed in place of the caking coal. At upcountry stations, practically all the consumers use entirely caking coal.

President.—Supposing you consider the period of the contracts which Tata's have with coal companies, these contracts run on I suppose till about 1945.

Mr. Mukherji.—Yes.

President.—What is to happen after that? Won't it be an advantage to the Steel industry to draw its coal from its own collieries to be sure of a continuous supply?

Mr. Mukherji.—You mean after that date.

President.—Yes.

Mr. Mukherji.—I do not know whether they will be able to get all the coal that they need for their own requirements. If they go on working their collieries as they have been doing up till now, I don't think that all their requirements can be met after 1945 from their own collieries.

President.—I am afraid this is not a question which we have considered and I don't think we have the data to do it.

Mr. Ghosh.—If they go on working as they do now, there will not be much coal left after 1945 in their collieries.

President.—I will make a note of all the facts you have placed before us and discuss the question with the Steel Company.

Rai Bahadur.—Yes.

President.—From an immediate point of view it is an advantage to the Tata Iron and Steel Company to put their own coal on the market since the basis of their contracts is practically market price *plus* eight annas.

Mr. Mukherji.—We would like the Board to consider that in granting protection to Tata's you should not look at the Tata Iron and Steel Company as a business proposition only. It should be taken more as a national concern than as a business concern, and from that point of view I don't think that the Board should allow Tata's or Government should allow Tata's to depress the coal market any further on their present lines.

President.—It works both ways, Mr. Mukherji. Supposing we told Tata's "you are not to sell your own coal in the market and depress the coal prices", that means we have got to take a higher figure for coal in estimating a fair selling price for Tata's so that the consumer of steel in this country pays more while the coal industry gets a better price.

Mr. Mukherji.—That is not exactly the case. Tata's are not the only people who by placing their coal on the market depress the price but in an already depressed market what they do has a further depressing effect.

President.—It is one of the contributory factors.

Mr. Mukherji.—Yes. If their coal is withdrawn, it is not that prices will at once go up or it will have much effect on prices. We don't think so but only the adverse effect we want to avoid.

President.—Supposing they close down their collieries with the expectation that they would work them again after a period of five or ten years, that is rather a wasteful policy from the point of view of working expenses.

Mr. Mukherji.—No, it is not.

President.—When you resume working, it means a very considerable capital expenditure.

Mr. Mukherji.—Not exactly. They have their machinery there. They have to keep them on care and maintenance basis and they have to pay minimum royalties for the collieries. The only loss that accrues to them is the cost of care and maintenance of their machinery and in some places where there is heavy accumulation of water, pumping must be done. Our point is that the loss they will be put to on account of these things will be very much less than what they are now suffering by working their collieries.

Mr. Wiles.—Are they under any obligation under their mining lease to raise coal?

Mr. Mukherji.—No, not at all. If they don't raise coal, they have to pay the minimum royalty: that is all.

President.—They have to pay minimum royalty and they have to incur the expenses of repairs and maintenance?

Mr. Mukherji.—Yes.

Mr. Ghosh.—That figure will be very much less than the present loss which they are incurring.

President.—To that you have got to add a probable rise in the market to the extent to which the contributory cause has been removed.

Mr. Mukherji.—It is so very slight that it need not be counted at all.

Mr. Ghosh.—Because they have already a running contract.

President.—It is true they have a running contract, but the prices are variable.

Mr. Ghosh.—Tata's are not the only factors. Therefore when the market goes down, it is not because of Tata's only.

President.—It was Mr. Mukherji's own suggestion that Tata's might be a contributory cause.

Mr. Mukherji.—Yes.

President.—It is really on a balance of these various factors that we ought to make up our minds on this question. We have not got the data at present. We do not know the views of the Tata Iron and Steel Company themselves. I think we might defer the question at this stage. I know your point of view and we can have a discussion with the Steel Company when they come before us again.

Mr. Wiles.—Would you say that Tata's are wasting away their resources? Is it that caking coal is not being used?

Mr. Mukherji.—Coal after all is a wasting asset. It is an asset *in situ*. The moment you remove it, you will be wasting it if you don't make the best use of it. The reason why Tata's are not able to make the best use of it at present is that they can get coal from the market at a very much cheaper price than their own cost price.

President.—The difference between coal, that is to say a mined product, and an agricultural product is that the agricultural product renews itself from time to time.

Mr. Mukherji.—Yes, but coal does not.

President.—Coal is a fixed definite deposit.

Mr. Mukherji.—Yes.

Mr. Wiles.—They have got to have coal for making their steel. Whether they use their own coal or outside coal, it does not matter.

Mr. Mukherji.—It does.

Mr. Wiles.—Do you say that if they don't use their own coal they would save money?

Mr. Mukherji.—They will save money at present: at the same time they will save the wastage of caking coal which is taking place now.

Mr. Wiles.—That is to say, if they use other people's coal.

Mr. Mukherji.—They have something to fall back upon in case of necessity. If caking coal is not available or if the price of caking coal is put up so high as during the war that it would be uneconomical for them to purchase, then they can fall back upon their own resources.

Mr. Wiles.—That is the sole point.

Mr. Mukherji.—Yes.

Mr. Wiles.—From the opposite point of view, it would not matter whether they use their own coal or anybody else's.

Mr. Mukherji.—It does. If there is any scarcity of caking coal or if caking coal is not available then the iron ore deposit cannot be utilised.

Mr. Wiles.—Your point is that it would be better if they use market caking coal.

Mr. Mukherji.—Yes, and Tata's will have a reserve to fall back upon in case of necessity.

President.—At present some portion of the coal raised from their own collieries is used in the Steel works.

Mr. Mukherji.—Yes.

President.—If they don't raise coal in their own collieries that part of their requirements would have to be bought in the market.

Mr. Mukherji.—Yes.

President.—You cannot save the Indian coal resources to that extent.

Mr. Mukherji.—No.

President.—The only extent to which you can save it is that part of Tata's coal raisings which are now put on the general market.

Mr. Mukherji.—Yes. At the same time the Federation is of opinion that Tata's would be well advised if they shut down their collieries altogether because of their uneconomical working. If they don't come into the market, our main objection ends. We think that Tata's would be well advised if they do not work their collieries any further because they can secure the same quality of coal at a very much cheaper price.

President.—That is on the assumption which you have made and which I have no means of testing that the cost of coal in their own collieries is higher.

Mr. Mukherji.—Yes. We suggested that thing to Tata's themselves. We had a meeting with Sir N. B. Saklatvala and Sir Chunilal Mehta. On our suggestion they agreed to supply us some of their figures. They wanted the Federation to suggest in what way they would like the revenue accounts and balance sheets to be shown and we sent them specimen forms of both. Later on—I do not know why—they thought otherwise. They did not supply any figures or tell us that they were keeping their accounts in that form. They only enquired whether any members of the Federation were keeping accounts in that form.

President.—Actually if you take the cost of coal debited in their cost sheets, coking coal from their own collieries was debited at Rs. 4.9 per ton and the coal from other sources at Rs. 5.3.

Mr. Ghosh.—Because they purchase their requirements under contracts.

President.—Till about 1945, they have to buy it under these contracts.

Mr. Ghosh.—Our point of view is that if they purchased in the free market the quantity that they are now raising, it will enable them to save money.

President.—Supposing they purchased under their contract to the extent of their purchases now and whatever they required over and above that was bought in the open market instead of raising it in their own collieries?

Mr. Mukherji.—They would get that quantity of coal much cheaper.

President.—If it is Rs. 4.9 in their works, f.o.r. collieries will be Rs. 3½.

Mr. Mukherji.—Rs. 3.9 is the average.

President.—They cannot get better than that.

Mr. Mukherji.—No. If they test the possibilities of what we call second class coal.....

President.—I will take up that question now. It is a very difficult technical question. I am afraid it would be impossible for us to reach any kind of conclusion on that. The first thing I want to ask is: has the Federation itself investigated this question of the possibility of using second class coal for manufacture of steel? Have you made any kind of preliminary investigation or scientific research?

Mr. Mukherji.—No scientific research can be done by us. I think Tata's themselves did it during the post-war period. During the post-war period they purchased a large lot of what they would like to call second class coal because of the unavailability of first class coal.

President.—That was during the war.

Mr. Mukherji.—During the war and sometime after the war. They themselves must have got figures. We supplied a large lot from our own collieries.

President.—I would like to get a clear idea of second class coal. Does the class vary or is it fairly uniform?

Mr. Mukherji.—It would be on a uniform basis but then the quality differs undoubtedly in the ash content and some other volatile matter contents.

President.—The main difference between first class and second class coal is in respect of ash content.

Mr. Mukherji.—Yes.

Rai Bahadur.—The percentage of carbon is necessarily lower in the case of second class coal.

President.—If the volatile matter is higher necessarily the carbon content must be lower.

Mr. Mukherji.—Yes.

President.—Can you give us an analysis of a typical kind of second class coal? What is the ash content of a typical second class coal?

Mr. Mukherji.—In the Grading Board list, it is given.

President.—Have they got a typical analysis?

Mr. Mukherji.—In the Coal Grading Board list we have got the figures. They put it in four grades.

President.—What is the second class coal in the grading?

Mr. Mukherji.—Grades I, II and III. It depends on the ash content.

President.—Is there any reference to it in the Noyce report?

Mr. Mukherji.—Generally grades II and III are second class.

President.—What is the ash content of Tatas coking coal, Mr. Atha.

Mr. Atha.—The average is about 16 per cent.

President.—On that basis what grade would that come into?

Mr. Mukherji.—Up to 18 per cent, it is grade III, and that would be grade III.

President.—On this standard Tatas caking coal would be second class coal?

Mr. Mukherji.—Yes.

President.—If you went entirely by the ash content, since the average ash content is a little over 16 per cent., it would be second class coal.

Mr. Mukherji.—There are two varieties of coal; low volatile and high volatile.

President.—High volatile is gas coal. If you take low volatile coal with an ash content of 16 per cent., what grade would it come into?

Mr. Mukherji.—I think grade II.

President.—Between 15 and 18 it would come under grade II?

Mr. Mukherji.—Yes.

President.—And if you call grade II second class then it seems to me on this classification Tatas caking coal is second class coal?

Mr. Mukherji.—Yes. What they are purchasing in the market is selected grade.

Mr. Wiles.—Then how do you get this high ash content?

Mr. Atha.—There seems to be no doubt at all that the ash content of their caking coal runs between 16 and 18 per cent. and has continued for many years.

Mr. Mukherji.—That is all the more reason why they should not go in for costly coal.

President.—I rather think what we call second class coal is coal probably with considerably higher ash content than that.

Mr. Mukherji.—No.

President.—Then I am unable to understand the position. If the main test of second class coal is the higher ash content, if the ash content of second class is between 15 and 18 per cent., then by whatever phrase you describe this it really must be regarded as second class coal?

Mr. Mukherji.—But they are purchasing selected grade coal.

Mr. Wiles.—The coal which they burn has an ash content of 16 per cent.

Mr. Mukherji.—The same coal tested in different places may show different results. But at the same time if they can do with coal with an ash content of 16 per cent. that is the more reason why they should not go into the market for costly coal. If they base their purchases on a quality the ash content of which is 16 per cent. they can get that coal at Rs. 2-8 per ton.

President.—But in a thing like steel where the process of manufacture is a continuous process it is of course of very great importance that the coal used must be of a uniform analysis otherwise it seriously disturbs the process of manufacture. Supposing what you call second class has an average ash content of somewhere about 15 or 16 per cent., the real point would be that the steel industry would have to purchase it on a basis of selection so as to ensure that the analysis is uniform and that straightaway pushes up the price.

Mr. Mukherji.—The analysis of collieries is almost always uniform.

President.—You can't get all your supplies from one colliery.

Mr. Ghosh.—You can get it from a dozen collieries.

President.—But they have got to assure themselves.

Mr. Mukherji.—They can make their own test instead of going by the Grading Board test. They can make their selection out of the Grading Board's list, take samples of these coals and analyse them in their own works.

President.—When you speak of selected coal, that selected grade is a sort of super class?

Mr. Mukherji.—Yes, not exceeding 13 per cent. ash.

President.—The question is not merely one of ash content but also a question of guarantee that the quality is uniform.

Mr. Mukherji.—About the uniformity of quality there is not very much difference. If grade II is slightly inferior to grade I, it has its own uniformity, the difference being in the particular calorific values.

President.—Supposing they brought second class coal in the market what would they save per ton of coal?

Mr. Mukherji.—Re. 1 per ton.

President.—The whole question would be, by saving Re. 1 per ton on the cost of coal f.o.r. colliery by how much they are likely to increase the cost of manufacture? That is the big technical issue involved.

Mr. Mukherji.—If the cost of manufacture thereby is thrown up that does not justify their purchasing f.o.r. colliery. But during the post-war period of the coal boom when they were compelled to purchase any coal they could lay their hands on they did not think of the present costs. Just at the present moment it is of course up to them to test the quality of the second class coal which they can get a rupee cheaper per ton; if they find that they failed to come up to their standard of requirements they need not take it.

President.—The fact that they tried the possibility of using second class coal during the war period or the period immediately following the war, that really is no justification for taking that into consideration now because then the price of steel was a boom price.

Mr. Ghosh.—It is not that the quality is not suitable to them; it is a question whether it is profitable to them.

President.—The whole question of profitableness is bound up with the question of suitability. If their present plant has to be radically recast for the purpose of using a different and less uniform kind of coal than they are using now then it is a question of costs.

Mr. Ghosh.—In that case second class coal will be more suitable because of the low temperature carbonisation.

Mr. Atha.—Metallurgical coke cannot be made by low temperature carbonisation. The uniformity of the coke in a blast furnace is of vital importance, because the ash must be fluxed by adding a correct amount of limestone and if the quantity of ash is going to fluctuate from hour to hour or from day to day they cannot get uniform results. This uniformity of supplies is a most important thing.

Mr. Mukherji.—I would like to mention one fact. Tatas had been purchasing from a particular colliery 14 seam coal—that is the Kustore colliery. At the present moment that colliery is working only No. 12 seam; they have practically exhausted 14 and 13 seams. There is a distinct difference between the quality of Nos. 13 and 14 and those of Nos. 11 and 12 seams. Have they got to make any change in their plant or do they find any difference in the uniformity of the quality between the two seams of coal?

President.—They obtain uniformity by mixing the coal from the different seams. If the colliery had to change to a different seam they would undoubtedly have changed their proportion of mixing at the works so as to keep the uniformity.

Mr. Mukherji.—So that that uniformity can be brought about by mixing with better class of coal.

President.—If the coal coming from any one colliery is always uniform then they can deal with the question but if it is going to vary from time to time from the same source of supply then they are in trouble.

Mr. Mukherji.—There is absolutely no reason why the quality of the coal will vary from time to time, I mean in the same colliery and the same seam. Tatas made their 25 years purchases from a particular colliery from which they have just at the present moment been drawing half their requirements. That colliery exhausted their No. 14 and No. 13 seams, the best quality of coal that was available and just at the present moment that colliery is working Nos. 11 and 12 seams. They claim that is the same as Nos. 14 and 13 seam coal. That is a fact which is for the users to decide. Really speaking the Coal Grading Board and everybody else interested in coal have expressed the opinion that Nos. 11 and 12 cannot be the same as the coal they had been

working before or the coal that Tatas are drawing from their own collieries at Jamadoba. Jamadoba used to work No. 17 seam.

President.—Assuming for the moment that the coal that they draw from these new seams is all of inferior quality to Nos. 13 and 14 seam coal which they used to draw before, would the inferiority be so great as to justify their classifying that coal in what you would class second class? Are you quite certain about that?

Mr. Mukherji.—Nos. 11 and 12 seam coal is considered second class in our own collieries and that coal is available even at Rs. 2 per ton; Rs. 2-8 is the average price in the market at the present moment. Exactly that seam coal is being delivered to and used by Tatas. Any quantity of that coal from the same seam will be of the same uniformity. If Kustore be of uniform quality, coal of that seam at other collieries is also bound to be of uniform quality and that is available at Rs. 2-8 per ton in the market.

President.—That is Raneegunj Coal Association: the agreement is for 25 years up to March, 1945, the quantity supplied to be of 12, 13 and 15 seams. There is no reference to No. 11.

Mr. Mukherji.—The seam that is considered to be No. 12 here is a combination of Nos. 11 and 12.

President.—Under this contract they are in a position to insist on their supplies being drawn from seams not lower than 12.

Mr. Mukherji.—That of course is a matter between Tatas and the colliery.

President.—Apparently here the range of variations in the quality of coal being drawn from different seams is very considerably restricted, because definitely three seams have been specified in the contract.

Mr. Mukherji.—My point is that there is a good deal of difference between the quality of No. 12 seam and 15 seam coal. 15 seam has been thoroughly exhausted I don't know if in 13 seam anything is left and if there is it is a very small quantity; that is my information. 12 seam coal is being supplied now. What is considered as 12 seam is really a combination of Nos. 11 and 12. 12 seam coal there is under no circumstances superior to No. 12 seam coal worked in any other colliery.

President.—As a matter of fact in another contract too the output is restricted to particular seams and 12 is the lowest seam referred to in these contracts. Therefore I presume the whole point of restricting the supplies to a minimum of 12 is probably that up to 12 you can draw coal more or less of the kind that they want for their purpose.

Mr. Mukherji.—It is not a fact that 12 seam coal is of absolutely uniform quality from top to bottom; it is a combined seam. There is very little difference in the quality of these two seams. Even assuming it to be wholly 12 seam coal there is a good deal of difference between the quality of 12 and that of 13 and 15.

President.—Nos. 13 and 15 seam coal would be more or less the kind of caking coal they have been using so far. The marked variation in quality arises in respect of the 12 seam; that is your point.

Mr. Mukherji.—Yes.

Rai Bahadur.—What the Indian Mining Federation urge in their memorandum is that grades I and II Jheria might be called second class seams. Even lower than 12, 11 or 10 in some places will give good caking coal. So the Indian Mining Federation urges that Tatas should purchase their requirements from these lower seams which will be equally efficacious as regards caking.

President.—I understand your point of view. It is a highly technical issue and we should have to consider the question very very carefully. As a matter of fact the principal difficulty we feel about this question is this: even assuming as the result of purely experimental research, you find that second class coal can be utilised, it would not be possible for us while making this enquiry to make a suggestion to the effect that Tata's should do it,

because the results that you get from purely experimental research may or may not be confirmed in actual practice.

Mr. Mukherji.—Yes.

President.—Till sufficient investigation has been carried out, it would be a hazardous thing for a body like the Tariff Board to make any definite suggestions on this point.

Rai Bahadur.—The Tariff Board might say that Tata's may do it if possible.

President.—It is quite open to them to say that it is not possible. It won't make our recommendation effective.

Mr. Natesan.—Even to say "if possible" we must have some ground.

Mr. Mukherji.—You have very good ground. You can go upon that ground. If the use of 12 seam coal has not upset their working in any way there is absolutely no reason why the use of this coal should upset.

Mr. Ghosh.—So far as gas coal is concerned they can use grade one, Raneegunge coal.

President.—What is the importance of that point?

Mr. Mukherji.—They can get coal for gas purposes at Rs. 2-8 instead of purchasing at Rs. 4.

President.—That again would have to be judged on a balance of costs.

Mr. Mukherji.—Yes, but if you look to the technical side of it, it is practically proved that there is very little difference between the consumption of Jambad-Kajora and Dishergarh quality, so far as gas is concerned.

Rai Bahadur.—As regards the volatile content, there is very little difference.

Mr. Mukherji.—The Board may recommend that they can test the possibilities of this coal.

President.—We should not care to commit ourselves to a suggestion of this kind till we are satisfied that there was some definite possibility of useful results being attained.

Mr. Mukherji.—Technical people have got to satisfy you on that point. You have got to examine some technical people—the Chief Mining Engineer to the Railway Board. The opinion of the Chief Mining Engineer ought to go a long way to satisfy you.

Rai Bahadur.—Is he going to appear before you?

President.—We have not formally invited the Chief Mining Engineer. It would probably be necessary for us to have at least an informal consultation with him.

Rai Bahadur.—There was a meeting of the Coal Grading Board. The Raneegunge group of Jambad and Kajora has been declared as volatile coal.

President.—Since you have raised these questions connected with coal, I am thinking that it would probably be necessary before we close our enquiry to have consultation with the Chief Mining Engineer.

Mr. Mukherji.—And the Chief Inspector of Mines in India.

President.—We will consider the question of inviting them for consultation. We will also have the issues discussed with the Tata Iron and Steel Company.

Mr. Atha.—It is definitely a matter that the Tata Iron and Steel Company constantly have in mind. I have discussed with them at the works the various grades of coal they use for coking, and the method of mixing so as to get a uniform quality. They are trying to keep a constant quality in the mixture.

Rai Bahadur.—That is quite possible with the grades of coal that we suggest. If it be possible with the kinds of coal which they are using now, it will be equally possible with the grades of coal that we suggest.

Mr. Atha.—As regards the gas coal, I know they have tried various coals and they have arrived at what they consider is the best in the circumstances. They might start a fresh series of experiments and arrive at a different

conclusion, but in any case the conclusion they have arrived at is the result of definite trials and investigations.

Mr. Mukherji.—If they had made that sort of experiment, they would have drawn their coal from some of our collieries. If they had ever done that after the war, we would have known it.

Mr. Atha.—I don't say that they have tried every available coal.

Rai Bahadur.—With all due deference to their experiment and results, which must be on a scientific basis, it might be possible, if they tried to find out more economical coal from other groups which they have not tried.

Mr. Atha.—I don't suppose they have reached finality of selection in the use of coal. All that I say is they have paid attention to it.

Mr. Mukherji.—They have, but not to the same extent that they should.

Mr. Wiles.—Are they not bound by their contracts not to go further afield?

Mr. Mukherji.—Yes.

Mr. Ghosh.—That doesn't prevent them from purchasing coal from outside.

Mr. Mukherji.—We have already stated that if they find it more economical to buy their requirements of coal in the market, they can shut down their collieries.

Mr. Ghosh.—This year they called for tenders for gas coal. They in their specification have asked for a kind of coal which is practically beyond the possibilities of small collieries.

Mr. Natesan.—Is the quality of coal that you are discussing in the same seam in all collieries the same?

Mr. Mukherji.—Not always, but practically.

Mr. Natesan.—I thought you were proceeding on that assumption. Now you say "not always but practically". If you had said undoubtedly, the case would have been different.

Mr. Mukherji.—Coal is not a thing like gold or such other things to be taken in particles and considered like these. If there is a difference of 2 or 3 per cent., the difference is still there, but that difference is not material. When I say practically, I mean there is no practical difference in the consumption. It is consumed in bulk, that is, it is consumed in tons and hundreds of tons, hairsplitting difference in quality of one or two or three per cent. does not matter; but still I must admit that there may be some difference, but that difference does not make the possibility of using this coal an impossible thing.

Mr. Natesan.—Very often in ordinary life a man comes and says "use this new motor oil which will give you more mileage", but the car has been running in a certain way and giving a certain amount of efficiency. Even a very prudent man will hesitate hundred times before using the new oil unless it is proved beyond all doubt that it is satisfactory.

Mr. Mukherji.—Tata's have got the proof beyond all doubt that the coal that they had been using in 1920-25 was not the same coal that they are using just at present, but they have to submit as they are under contract. As I stated the quality of 12 seam is different from 15. If the Board will kindly make enquiries they will find that at the outset when Tata's entered into contract with this particular colliery, that particular colliery was not working 12 seam at all. Since then they have developed the 12 seam coal and they have commenced delivering 12 seam coal during the last 5 years and Tata's had to change willingly to 12 seam coal.

President.—One of their contracts is with Messrs. McLeod and Company. The quantity of output of Gopalichuck and Bansjorah is about 120,000 tons.

Mr. Mukherji.—Yes.

President.—And there is a specification. Nearly half the total output is second class which is not consumed in Jamshedpur and therefore not included here. I do not know what that means. In making these contracts and specifying the seams from which coal is to be drawn, obviously they had

in mind the complete exclusion of what is generally regarded in the coal market as second class coal.

Mr. Mukherji.—They might have it just at that moment, but as experience have shown us that second class coal might be equally efficient caking coal, should they not give it a trial?

President.—Because they were obliged under the contract to have coal drawn from seam No. 12.

Mr. Mukherji.—Yes.

President.—I do not know; it may be, as you say, coal drawn from 12 seam may be inferior quality to that drawn from 13 to 15.

Mr. Mukherji.—Yes, that is a fact. They are compelled to make that coal to suit their purpose.

President.—I don't think we can carry it any further. We will discuss this point with them. Do you wish to press this question of export of pig iron? I suppose you are concerned with this question only to the extent that the consumption of coal on account of the development of the Steel industry would be encouraged in that way.

Mr. Mukherji.—Yes.

President.—But then the difficulty there is this: supposing you stop the exportation of pig iron, it does not necessarily follow that all the pig iron available in the country or the pig iron which is now exported would be used in the manufacture of steel, because the extent to which the manufacture of steel can be increased is very largely determined by the conditions in the market. Therefore there is really no use of stopping the export of pig, when under the present conditions of the market a corresponding increase in the manufacture of steel may not be brought about.

Mr. Mukherji.—That point we do not know, if there is a possibility of increasing the consumption of steel in the market. Certainly our statement goes on the assumption that when there is demand for so much steel in the country and when foreign steel is still being sold in the country, it is just possible that that steel may be replaced by Tata's steel.

President.—What I am suggesting is this: whether Tata's produce more steel or some other works established in the country produce additional steel in the country, whichever way it happens, it is certainly to the interests of the steel manufacturer in this country to sell his product as steel rather than as pig iron, because he makes a better surplus. Therefore we can leave it to him.

Mr. Mukherji.—Yes.

President.—That covers all the important points you have raised in this representation.

Mr. Mukherji.—Yes.

Mr. Natesan.—You want Tata's collieries to be shut down?

Mr. Mukherji.—Yes.

Mr. Natesan.—Because they come and compete with you in the market. I have gathered that impression.

Mr. Mukherji.—Yes.

Mr. Natesan.—That is your point of view.

Mr. Mukherji.—That is not the only point of view.

Mr. Natesan.—The chief point is that they come and compete with you?

Mr. Mukherji.—Not a fair competition. The competition is resented all the more, because it is to Tata's interests to depress the market as much as possible, because they are very much larger buyers of coal than sellers. So by placing their coal in the market, they depress it further and that is one of the depressing factors in this present depression.

Mr. Natesan.—When I read those papers and when I had an opportunity of cross-examining them, as a layman it struck me that they should not have entered into a contract for a long period for purchase of coal when they have

their own collieries. I find that you take an entirely opposite view. So the natural thing which strikes one is this: what is the absurdity of this? Here are these big people who have got so many collieries and yet they purchase coal from outside. Why should they not stop it altogether? I put that question to them and they replied that but for the fact that they had entered into a contract, they would not buy at all from the collieries outside their own.

Mr. Mukherji.—Because of the contracts they are perhaps compelled to place their coal for sale in the market. We say that it is an unfair competition, because it is to their interests to reduce the price of coal as much as possible. Under the terms of the contract they have to pay 8 annas per ton higher than the price paid by the State Railways. That is the term of the contract: if the State Railways purchase at Rs. 3 a ton, Tata's have got to pay Rs. 3-8 per ton to their contractors. So it is to their interest to depress the price of coal offered to the railways as far as possible, and that is what they are exactly doing. Their quality of coal has been offered last year at Rs. 3-12 and even at a higher price the year before, but they have been offering it at Rs. 3-4 a ton.

Mr. Natesan.—What exactly is the remedy you have when other people who are not similarly situated like Tata's adopt this tactics?

Mr. Mukherji.—Every one has got to adopt the same tactics when he has to place his coal in the market. Our position is absolutely different from Tata's. We are not consumers and sellers of coal at the same time.

President.—I suppose Tata's are a member of the Federation?

Mr. Mukherji.—Yes.

President.—I expect you generally have discussions in the Federation.

Mr. Mukherji.—Yes.

President.—They are in a minority, I suppose on this question.

Mr. Mukherji.—Mr. Driver, Tata's representative, is a very able man.

CALCUTTA IRON MERCHANTS' ASSOCIATION.

Evidence of Messrs. B. BANERJEA, S. GHOSH and S. B. NANDY, recorded at Calcutta on Tuesday, the 19th December, 1933.

President.—Gentlemen, you appear on behalf of the Calcutta Iron Merchants' Association.

Mr. Banerjea.—Yes.

President.—Mr. Banerjea, you are going to lead the evidence?

Mr. Banerjea.—Yes.

President.—I want you to tell me first of all how many members you have in your Association?

Mr. Banerjea.—Not less than 40 members but our Association represents all the merchants though they are not actual members of our Association. They have full sympathy with us and they come and consult us.

President.—Besides your regular members you have a considerable number of merchants who make use of the Association for the purpose of getting their difficulties solved?

Mr. Banerjea.—Yes.

President.—You are all wholesale merchants?

Mr. Banerjea.—The majority are.

President.—Some of you also do retail business?

Mr. Banerjea.—Yes.

President.—Can you tell me approximately the extent of the business done by merchants who are in your Association?

Mr. Banerjea.—I have not got any figures.

President.—You deal of course almost entirely in Continental?

Mr. Banerjea.—At the present moment the majority of us deal with Tatas, and all those goods that are not rolled by Tatas we import from the Continent.

President.—The real reason why we have invited your Association to appear before us is that we want to give you an opportunity of stating more fully than you have been able to in your representation what your real grievances are and I want you to take this statement that you make in your memorandum "Messrs. Tata Iron and Steel Works have never appeared to look to the interest of the consumers and of the merchants who are distributors of their products", and I want you to explain to me as fully and clearly as you can what the position is.

Mr. Banerjea.—Consumers' interest has been sacrificed by keeping the prices too high. When the Continental goods could be had for Rs. 65 c.i.f. Calcutta and the cost of Tata's product of bars, for example, was in the neighbourhood of Rs. 66, Tatas maintained their price between Rs. 110 and Rs. 123.

President.—That is because of the duty.

Mr. Banerjea.—They have taken advantage of the duty. Continental price of Rs. 65 calculated with the duty and landing charges come up to Rs. 115. The difference between Rs. 110 and Rs. 66 is Rs. 44 per ton which is too much to meet the overhead charges, etc. This difference is due to Tatas' desire of getting as much profit as possible. By an examination of the Tatas' statements III, IV and V we find that they are earning a profit of about 27 per cent.

President.—You calculate it this way: you take the difference between their prices and their works costs?

Mr. Banerjea.—Their overhead charges and also the fair selling price, everything has been taken into consideration.

President.—The difference between the total price and the works costs; that is what you call profit?

Mr. Banerjea.—Yes. If they would care to be less greedy and agree to be satisfied with a profit of only 10 per cent. the price would come very much below Rs. 97 as estimated by them. We have taken Rs. 60 as the cost, Rs. 10 overhead charges.

President.—What particularly are you thinking of?

Mr. Banerjea.—I am thinking of bars.

President.—In which they give an estimated works cost of Rs. 60. They want a fair selling price at their works of Rs. 97.

Mr. Banerjea.—Profit Rs. 27 and Rs. 10 for overhead charges.

President.—Rs. 60 is the works cost; what are you prepared to add to that?

Mr. Banerjea.—Overhead charges Rs. 10.

President.—What does that represent? What they give is Rs. 10 lakhs.

Mr. Banerjea.—Per ton it comes to Rs. 10. When I calculated I took a difference of Rs. 37.

President.—You want to bring down that difference of Rs. 37 to how much?

Mr. Banerjea.—I want to bring it down from Rs. 97 to Rs. 80. That would give them a profit of 10 per cent. They have calculated profit at 27 per cent.

President.—You want the duty that they have suggested to be reduced to the extent of Rs. 10. That is what it comes to.

Mr. Banerjea.—Rs. 10 to Rs. 15 *ad valorem*.

President.—They want a total price at their works of Rs. 97 and you think a reasonable figure to allow for the price at their works is about Rs. 87?

Mr. Banerjea.—Rs. 80.

President.—So that the duty can be reduced below the figure they have suggested by Rs. 17. That is your point.

Mr. Banerjea.—Yes.

President.—You are prepared to leave the works cost as it stands.

Mr. Banerjea.—Yes; we can't question that.

President.—But you would like the Tariff Board to consider whether the overhead charges and profit which they have suggested cannot be reduced to somewhere about half the figure?

Mr. Banerjea.—Yes.

President.—That is from the point of view of the consumer?

Mr. Banerjea.—Yes.

President.—You think an article like bars which are used widely by the general consumer should not be unnecessarily expensive?

Mr. Banerjea.—That is our view.

President.—That is as far as the consumer is concerned. Now I should like to know more clearly what the position is from the point of view of the merchants.

Mr. Banerjea.—The Tatas have arbitrarily raised prices and lowered prices for the same shipment. If you refer to their price list No. 4 of 26th April, 1933 they quote Rs. 113 for bars for June shipment; if you refer to price list No. 6 of 4th May, 1933 you will find that there the price is Rs. 117 for June shipment.

President.—And the April one was Rs. 113.

Mr. Banerjea.—And the difference in the dates is not much—26th April and 4th May.

President.—Are you quite sure that import prices did not rise between those two dates?

Mr. Banerjea.—Our contention is that they do not calculate their price according to the cost.

President.—Your point is that in fixing their price in the Calcutta market they ought to base them not on import prices but on their own costs. But you can't regulate prices in a competitive market on that basis, can you? It is very difficult to do that. Suppose Tatas were the only people who sold steel in the Indian market then they could do it, but when they are selling in the Indian market in competition with imports they cannot always regulate their prices according to the cost because the market may refuse to pay the sort of price they ask?

Mr. Banerjea.—We pay Rs. 113 and 10 days later we are obliged to pay Rs. 117 for the same shipment.

President.—Supposing Tatas were not in existence the same kind of thing will happen; the position would not be different?

Mr. Banerjea.—Not necessarily for the same shipment.

President.—It is quite a common occurrence in the market for prices to fluctuate within certain limits from day to day.

Mr. Banerjea.—No doubt.

President.—You think that these variations inconvenience the merchants a good deal, do you?

Mr. Banerjea.—Yes.

President.—In what way?

Mr. Banerjea.—Tatas don't sell for any long shipment; they sell only for one-monthly delivery. In the case of Continental goods we used to buy long shipments.

President.—What do you mean by long shipment: you mean forward contract?

Mr. Banerjea.—Yes, but Tatas do not entertain any forward contracts.

President.—What is the sort of period for which you can make purchases ahead from Tatas? Suppose you want to get steel delivered to you say at the end of January, when exactly have you to place your order for that?

Mr. Banerjea.—Ordinarily in December and they give us delivery at the end of January.

President.—When you make a contract on that basis, the prices will be fixed straightaway in December and the price that Tatas would quote for you in December for a shipment delivered at the end of January would be fixed on current prices in the Calcutta market?

Mr. Banerjea.—That is not done.

President.—Do they fix any price they like?

Mr. Banerjea.—They get this controlled by the price that is equivalent to the c.i.f. price of Continental goods.

President.—They take the Continental c.i.f. price ruling in the Calcutta market at the time the order is placed and at that price you get your steel delivered at the end of one month from the date of the order. What happens in the case of imports supposing you place an order for imported steel?

Mr. Banerjea.—When we contract to buy Continental goods, if we purchase goods in December it is June, July or August shipment.

President.—What is the normal sort of period for which you make a contract?

Mr. Banerjea.—Not less than three months.

President.—How does it help you when the period of forward contract is longer?

Mr. Banerjee.—In this way: it enables us to take advantage of the market; it enables us to hold the goods.

President.—You would gain in a rising market but lose in a falling market. Under present conditions I think it is quite likely that you would gain because Continental prices are rising, so that if you make a forward contract for delivery in June it is very likely that you would gain, but suppose you took the position three years ago; you would lose?

Mr. Banerjee.—We did lose.

President.—So you cannot lay down a general proposition regarding the benefits of long forward contracts; it depends on the state of the market.

Mr. Banerjee.—It does. But if we have longer contracts we can hold the goods in stock.

President.—What would you like Tatas to do?

Mr. Banerjee.—Tatas quote us for only one month

President.—Would you like it to be extended to three months?

Mr. Banerjee.—Three, four or six months. I shall cite you one instance. Some of us are suppliers of iron and steel to the Calcutta Corporation and to railways and we have to enter into annual contracts. We have to calculate our price according to the prices prevailing at the time; if we are certain that we would get the goods when we want it we would at once book our orders but in the case of Tatas we are not in a position to do that.

President.—A merchant in your position, how exactly does he get his surplus on the business? You get your steel at a certain price and you pass it to the retailer or to the consumer at a slightly higher price. The difference between the two is the commission on which you are able to carry on. What is the ordinary commission in the Calcutta market?

Mr. Banerjee.—One anna six pies to 2 annas per cwt.

President.—Supposing you took the present price of bars including duty it would be roughly Rs. 100; that is, the price per cwt. would be Rs. 5. That would mean roughly about 2 per cent.

Mr. Banerjee.—We have to remove the goods to our yard.

President.—As. 1-6 would include also your expenses?

Mr. Banerjee.—That is our net profit.

President.—You get As. 1-6 per cwt. as your net profit after all your expenses have been met?

Mr. Banerjee.—As. 1-6 to 2 annas.

President.—If you take it at 2 annas, and if Rs. 5 is the price per cwt., and it is approximately a right figure, that means on 80 annas you get a net profit of 2 annas.

Mr. Banerjee.—Yes.

President.—It is about 2½ per cent.

Mr. Banerjee.—Yes.

President.—Ordinarily a merchant tries to make his livelihood on the sort of margin between the price at which he buys and sells. As far as I understand your position, it is this: in addition to this you would like to make a little profit by speculation. If you are able to make long forward contracts in a rising market, in addition to this regular profit that you are making on the basis of your commission, you might be able also to make an additional profit, if the price at which you have booked your order happens to be lower than the price ruling in the market at the time at which delivery is given.

Mr. Banerjee.—That is an off chance. Ordinarily we would not be doing it, because we have got many competitors. My friends would be doing the same,

President.—Why do you want long forward contracts?

Mr. Banerjea.—Sometimes there is a dearth of goods.

President.—It is the dearth of goods, that is your trouble. That is to say you may find yourself understocked.

Mr. Banerjea.—It has often been so.

President.—When a purchaser comes to you and asks for steel, since you can purchase only over a period of two months, at a time when your stock is very low, you will say "I cannot give you" and you will lose your connection.

Mr. Banerjea.—Yes,

President.—It is not so much the profit that you make by speculation. From your point of view the more important thing is that you could regulate your stock in accordance with the requirements of the market.

Mr. Banerjea.—Yes.

President.—But on the basis of this short period purchases, you sometimes find that you are unable to satisfy your purchasers and your purchasers leave you.

Mr. Banerjea.—That is so. Formerly Calcutta was the principal centre of the whole of Northern India. Now our market has been circumscribed to Calcutta and its neighbourhood—I mean its suburbs only. What the Tata's do is this: if you study their price list, you will see that they give their least price for the up-country one rupee less than the Calcutta price; that is to say if they quote Rs. 113 for Calcutta, they quote Rs. 112 as base for up-country stations.

President.—Let me try to follow.

Mr. Banerjea.—Rs. 117 f.o.r. Calcutta. It is base price for Bengal. The base price for up-country is Rs. 116 which is one rupee less.

President.—What is your point with regard to that?

Mr. Banerjea.—If we want to sell goods to our up-country customers, we are at a disadvantage of one rupee. Another point is this that Tata's do not permit us to deliver goods directly from the station at which we receive the goods. We are compelled to take the goods direct from the station to our yard and then take it back to the station and book the same to our customers. That means an additional cost of Rs. 2-8 per ton. We are at a disadvantage of Rs. 3-8 per ton.

President.—I suppose the Tata Company's reply would be that they have got to sell you in Calcutta at prices corresponding more or less to import prices landed in Calcutta, and there of course the price would be simply c.i.f. price plus duty. There is no freight on it.

Mr. Banerjea.—Rs. 3 freight.

President.—Where?

Mr. Banerjea.—From Tatanagar to Shalimar.

President.—That is what they have to pay.

Mr. Banerjea.—Yes.

President.—What I mean is this: if they allowed merchants in Bihar or purchasers in Bihar to take their supplies from merchants in Calcutta, then the Tata Company would not be able to take advantage of the slightly better prices that they can get in what are called freight advantage areas. If everybody round about Calcutta within 3 or 4 miles were all allowed to buy from Calcutta, it is the lower prices which they get in Calcutta which will govern their prices throughout the whole of that area.

Mr. Banerjea.—Our position is this.....

President.—I understand your point of view. Of course it does hurt the merchant community who have been doing this business for several years.

Mr. Banerjea.—For hundreds of years. My Company is 92 years old, and it has dwindled. We were premier merchants in the town and we are mere shopkeepers. That is the position that we have been reduced to.

President.—What is the practical proposal you would make?

Mr. Banerjea.—My proposal is this: let Tatas be told to sell the goods f.o.r. Tatanagar. We don't want the goods f.o.r. Shalimar. Let them sell f.o.r. Tatanagar. Let everybody dealing with Tatas' goods enjoy the railway facilities. Tatas do not grant any railway facilities to their customers, and they charge the actual freight payable by ordinary people from Howrah to destination. Take for example Cawnpore. They pay to the railways Rs. 16-10 whereas the actual buyer pays Rs. 38-12 from Howrah to Cawnpore. They add this Rs. 38-12 on the f.o.r. Tatanagar price. That is what they do.

President.—I know they do.

Mr. Banerjea.—They gain the difference between the ordinary railway freight and the concession freight. If we were to take delivery of the goods f.o.r. Tatanagar, we would have to distribute the goods up-country. We could have back all our old customers. They would certainly come to us for Tatas' goods. Tatas would not lose anything. We will be dealing in Tatas' goods and Indian goods. What would be their incentive to come to us and not to go to Tatas. If they go to Tatas, they will have to pay cash. If they come to us, they won't have to pay cash. We shall give them three months' credit.....

President.—They have got to pay cash.

Mr. Banerjea.—Otherwise they won't give cash discount.

President.—You will give them a certain amount of credit.

Mr. Banerjea.—We do. If they all buy direct from us, they will get any number of sizes that they may require. We may keep stock of all sizes in our Calcutta market. We have got lots of customers, but they may require quite a number of sizes; they may not require in large quantity of a particular size, but we will have enough quantity of sizes in stock and thus be in a position to supply any quantity—any number of sizes which they may require.

President.—I should like to put an alternative proposal to you for your consideration—not that I have any particular views about it myself. What you want is a uniform price f.o.r. Tatanagar. Supposing we suggested a uniform price f.o.r. destination, would you like it?

Mr. Banerjea.—That will not matter much.

President.—Would that suit you?

Mr. Banerjea.—At the present moment they won't permit us.

President.—Supposing they did agree, would that suit you?

Mr. Banerjea.—My friend suggests on one point, yes. Our position will be the same, but our customers' position will not be the same. In buying from Tatas they would not get the credit that they would require; they would not get the number of sizes that they would require; they would be in a disadvantage.

President.—But then you take the Cawnpore merchant, the Bihar merchant or some up-country merchant who will get his supply of steel at exactly the same price as you in Calcutta and therefore you would not be able to recover the channels of trade that you have lost.

Mr. Banerjea.—I don't understand.

President.—I thought your position was this that the position would be improved as far as you are concerned. If instead of the present system of price fixing, Tatas followed, there was a uniform price fixed f.o.r. Tatanagar, in that case you would be able to supply all merchants up-country, so that you would be able to recover a certain portion of the trade that you have now lost.

Mr. Banerjea.—Yes.

President.—If instead of fixing prices f.o.r. Tatanagar, the Tata Company fixed uniform prices f.o.r. destination so that at Patna, at Cawnpore, at Muzaffarpur, at all these places steel would be delivered at exactly the same price.

Mr. Banerjea.—One price for Calcutta and one and the same price for some other place?

President.—Bars Rs. 100 whether it is delivered in Calcutta or Cawnpore.

Mr. Banerjea.—That won't suit us. That would not improve our position.

President.—Do you want a fixed price f.o.r. Tatanagar?

Mr. Banerjea.—Yes. Let all dealers be permitted to despatch their goods to their destination from Tatanagar whether they have got their own warehouses or not. For example I have got a friend in Benares. If I am to send my goods to Benares, Tatas will require me to prove that I have got a warehouse or establishment there. It is not enough that I have a friend over there. I have got my friends all over the country. I cannot have my establishment all over the country. I have got my friends there to whom I want to send my goods. I must be permitted to do so. Suppose an English Company are sending their goods to India, if they were said that unless they have warehouses in Calcutta, Bombay, Madras and Karachi, they would not be permitted to export their goods to those places, what becomes of their position?

President.—What you want us to consider is that while we protect the Indian industry, we must also protect the interests of the merchant community in the country.

Mr. Banerjea.—Yes and of the consumers also.

President.—I understand your position. Is there anything more that you would like to tell us on the question of merchants' interests?

Mr. Banerjea.—Yes, in the way of illustration about costs: we are obliged to remove the goods from the destination station to our yard and back to the station and despatch the goods. That means a cost of Rs. 2-3 a ton. Recently the centre of gravity of our market has changed from Darmahatta Street to Meerbohour Ghat Street.....

President.—What do you mean, the centre of gravity has shifted?

Mr. Banerjea.—Darmahatta Street was the place where you would find all the iron merchants selling their goods.

President.—Why have they left this place now?

Mr. Banerjea.—On account of the Improvement Trust. Again there is another advantage. At the Meerbohour Ghat Street we have got railway sidings and facilities of both inward and outward booking. We are not required to remove the goods to our yard.

President.—So it reduces your transportation charges.

Mr. Banerjea.—Yes, that helps us much. But unfortunately Tatas don't give us advantage of f.o.r. Calcutta price. Though f.o.r. Ramkristopore freight is higher than f.o.r. Meerbohour Ghat freight, still they have imposed Rs. 2 more on account of the goods being taken delivery of and stocked there at Meerbohour Ghat.

President.—Your reduction in transport charges has been their gain.

Mr. Banerjea.—The Sealdah rate of freight is also much higher.

President.—Don't reduce your transportation charges. Under the system you will be benefiting your enemies.

Mr. Banerjea.—They are not our enemies. We call them friends, misguided friends. We are friends and we want them to be friendly.

President.—Why did they do it?

Mr. Banerjea.—I do not know. This much I understand that they are our competitors; otherwise there is no justification.

President.—How are they your competitors? You take your supplies from them.

Mr. Banerjea.—We take our supplies, but they don't allow us to sell up-country.

President.—They are your competitors in certain markets.

Mr. Banerjea.—Yes, we were the distributors for the whole of Northern India. What is our position now? They have taken the market away from us.

Mr. Natesan.—Formerly you had the monopoly of the business, and all the mufassal merchants were buying from you.

Mr. Banerjea.—Yes.

Mr. Natesan.—All those mufassal merchants buying from Calcutta could get them at prices which would probably not suit the Tata Company.

Mr. Banerjea.—We are buying and distributing their goods. We are their dealers. We can't buy any Continental goods or even British goods. From Tatanagar to Ramkristopore the freight is 4 annas 6 pies per maund; from Tatanagar to Meerbohour Ghat 4 annas 5 pies per maund and from Tatanagar to Sealdah 5 annas 5 pies. But they quote the basis price for both Ramkristopore and Sealdah and not for Meerbohour Ghat.

President.—I quite realise that a system of this kind would seriously affect the interests of Calcutta merchants. I quite see that, but then as against that you will have to realise also that in order that the Tata Company may be able to dispense with protection in the shortest possible time, they must improve their realisations as much as possible.

Mr. Banerjea.—We pay them cash.

President.—You pay them cash under this system; other people who pay cash would pay a little more cash. That is the point. If they were able to arrange their sales in such a way that sales in the mufassal areas would give them a higher realised price if mufassal stations were directly supplied than if supplies were taken through Calcutta, their nett realisations would increase and to that extent they would be in a stronger position from the point of view of dispensing with protection. I am simply suggesting the consideration which may be urged on the other side but I quite realise that the system which have grown up has worked adversely to the interests of the Calcutta merchant community. I do not want for a moment to minimise the importance of the merchant community in India. I am only trying to point out what the other side of the shield really represents.

Mr. Banerjea.—But the thing is this. If Tatas were really agreeable to give the benefit of the concession rates of freight to the merchants and to the customers in the up-country, we could have said nothing and we would not have to say anything. But they do not do so. The people who were once our customers and who are at present their customers are in no way better placed. No matter whether they buy their goods from us or from Tatas their position would not be changed in any way.

President.—The position really is this that under a different system the freight advantage would be yours and under this system the freight advantage belongs to the Tata Company.

Mr. Banerjea.—No, certainly not. It does not matter whether we get freight concessions or not.....

President.—I am not speaking of freight concessions. I am trying to make it as clear as possible. You take an up-country station where you have been in the habit of supplying. Now that place is nearer Calcutta than Tatanagar, so that Calcutta is from the point of view of distance more favourably situated than Tatanagar. Therefore you have an advantage as regards that supply compared with Tatanagar. Under the present system you are not able to get the benefit of that advantage in point of distance.

Mr. Banerjea.—No, we are not arguing on that point. Tatas do not give to their customers the benefit of the reduced rates from Tatanagar to the destination. That they do not do. What they do is that they charge the ordinary railway freight from here to the destination.

President.—That is quite true.

Mr. Banerjea.—When they do that, my customers in the mufassal won't be in any way affected. They would not be in any disadvantageous or better position.

President.—They calculate their full railway freight from Howrah.

Mr. Banerjea.—Yes.

President.—You have also got the full railway freight.

Mr. Banerjea.—Yes, but if we get a railway concession rate, it would go to the advantage of our customers.

President.—Suppose Tatas do not place any restrictions upon you then from the point of view of the actual freight that would be incurred at ordinary rates, you and Tatas as suppliers would be on the same footing.

Mr. Banerjea.—I do not follow your point.

President.—What is happening now is that Tatas in selling at an up-country station within the reach of the Calcutta market charge a price which represents their price f.o.r. Tatanagar *plus* the full railway freight from Howrah to the up-country station.

Mr. Banerjea.—Yes.

President.—If you were selling from the Calcutta market to the same up-country station, you would charge the Calcutta price—that is, the price at which you would get in Calcutta—*plus* the full railway freight from Calcutta to that station. Then the difference between the two would be the freight from Tatanagar to Howrah.

Mr. Ghosh.—Not only that but also there are other carriage charges.

President.—Won't it be so?

Mr. Banerjea.—If they were agreeable to sell their goods in Tatanagar, I would not require anything more.

President.—Let us take some station which would be a representative station in an up-country centre.

Mr. Banerjea.—Take Cawnpore.

President.—Tata's sell at Cawnpore at a price corresponding to the landed import price in Calcutta.

Mr. Banerjea.—One rupee less.

President.—*Plus* full railway freight at ordinary rates.

Mr. Banerjea.—Yes, from here to Cawnpore.

President.—Very well. If Tata's were not supplying Cawnpore and you were selling to Cawnpore, you would sell at the price at which you were able to get your supply from Tatas.

Mr. Banerjea.—Yes.

President.—It would be the import price less one rupee.

Mr. Banerjea.—Full import price.

President.—Including the duty?

Mr. Banerjea.—Yes.

President.—To that you would add the full ordinary railway freight from Howrah to Cawnpore. Is not that so? The price that you pay here is also their price with the small difference of one rupee.

Mr. Banerjea.—No. I have already pointed out to you that under the present circumstances we are obliged to incur at least Rs. 2-8 over one rupee: that is to say, our price must necessarily be higher by Rs. 3-8.

President.—I will come to that. In selling to Cawnpore what Tatas do now is to take a price for Calcutta which is the import price *plus* duty *minus* one rupee and add the full railway freight.

Mr. Banerjea.—Yes.

President.—If you were selling to Cawnpore, you would take the full import price. You don't deduct a rupee and you charge the whole railway freight.

Mr. Banerjea.—Yes.

President.—Plus a commission?

Mr. Banerjea.—We are working under the rebate system.

President.—It is simply a deferred commission.

Mr. Banerjea.—Yes.

President.—Leaving alone the commission in their case the difference would be simply a difference of one rupee.

Mr. Banerjea.—Yes.

President.—Because Tata's initial price before the railway freight is added is a rupee less than yours.

Mr. Banerjea.—Yes.

President.—So that they have an advantage over you of one rupee there.

Mr. Banerjea.—Yes.

President.—What happens at present is that even if you are prepared to sell at a rupee less in Howrah they would not let you do it.

Mr. Banerjea.—We cannot sell the goods at one rupee less.

President.—Under the conditions on which Tata dealers agree to sell Tata's goods, you simply cannot deal in the Cawnpore market.

Mr. Banerjea.—We cannot do.

President.—You are not shut out on the price factor. You are shut out because you are definitely restricted in that way.

Mr. Banerjea.—We are restricted in both ways. First of all, we are not permitted to sell their goods there because we have not got an establishment in Cawnpore.

President.—Even if you had an establishment there you could not do that because you would then cease to be Tata dealers.

Mr. Banerjea.—Not necessarily.

President.—If you want, you can sell at Cawnpore.

Mr. Banerjea.—At the present moment we could not do that.

President.—Because you have not got an establishment.

Mr. Banerjea.—Because I cannot deliver the goods direct from the station. I receive the goods at Shalimar and have to take them to my yard and then take them back to Shalimar and rebook them.

President.—How much extra charges do you incur?

Mr. Banerjea.—Rs. 3-8 per ton.

President.—You would be at a disadvantage of Rs. 3-8 as compared with Tata's.

Mr. Banerjea.—That is exactly the point.

President.—Is there anything else?

Mr. Banerjea.—I have already pointed out that if they are agreeable to sell their goods f.o.r. Tatanagar, we would not suffer this disadvantage.

President.—I quite understand that.

Mr. Banerjea.—Here is a letter that we have received from the Bengal Nagpur Railway in which they say that the concession rate of freight is granted not to Tata's alone. They simply say that all the goods of Indian make in iron and steel despatched from Tatanagar will enjoy that concession rate.

President.—That is perfectly right. What are you going to build on that?

Mr. Banerjea.—We are going to say that our customers will be enjoying the benefit of the concession rate if they are to buy from us. That is what I want to point out. We won't be charging the full freight. There is another point. According to the last circular issued by Tata's they have tied down our hands. We are not permitted to buy Tata goods even from

non-dealers. We have been put into the position of serfs so to say, because we have lost all our liberty in coming to terms with them.

President.—That is, under this agreement if you deal in Tata materials, you cannot deal in any other material.

Mr. Ghosh.—We cannot deal in any other material even if it is manufactured in India. But protection means protection of the Indian industry. By using this phrase “any other material manufactured otherwise than by Tata’s” they are going against the fundamental principle of protection.

President.—Suppose the agreement permitted the Tata dealer to deal in Indian materials other than Tata’s in Calcutta where could you get Indian materials?

Mr. Ghosh.—From re-rollers.

President.—For example you could buy some small standard sections from them.

Mr. Ghosh.—We cannot buy them now.

Mr. Banerjea.—I may refer you to their Circular No. 9 where they have made it impossible for the dealers to deal in sheets manufactured by the Timplate Company though these sheets are made from Tata’s billets. You can see from that how they are moving. Might I add this. They have taken advantage of protection and I am glad they have done so because I want the growth of the Indian industry but that does not mean that they should take the whole advantage of protection to themselves, and that they should take such a position that they would make us an instrument in killing these new rolling mills. We are practically their instruments in their hands. They have tied down our hands by the lure of rebate.

President.—I understand your point of view there. If a re-rolling mill in an area which is accessible to Calcutta merchants produces sections which are generally bought in the market, under this agreement with the principal manufacturers of steel in the country, the dealers are prohibited from putting sections of that kind on the market.

Mr. Banerjea.—Yes.

President.—Therefore it affects not merely the interests of merchants; it affects also the interests of re-rolling mills because they would find it difficult to market their products.

Mr. Banerjea.—Yes.

President.—After all their products have to be marketed through merchants.

Mr. Banerjea.—They will not have any market. At least they will have to create their own dealers. They are not in a position to produce goods sufficient to meet the demands of the country. What is the position of merchants dealing in their goods? They will be treated as enemies.

President.—If a dealer for example accepts business from a re-rolling mill, then the business won’t be sufficient for him to maintain himself.

Mr. Banerjea.—Quite so.

President.—Because it would be small in quantities and it would be limited range of sizes.

Mr. Banerjea.—Yes.

President.—So that you would not be able to do business as a dealer in iron and steel goods on the quantity and kinds of materials that you would get from a re-rolling mill. Therefore it would be on the whole very difficult for re-rolling mills to find means of marketing their products unless merchants like you who are doing this business in the ordinary way can be utilised also by the re-rolling mill. That is the position.

Mr. Banerjea.—Yes.

President.—Is there any other point?

Mr. Banerjea.—At this stage I want to point out our position. Tata’s may remove our names from their list of dealers if they suspect or if they have

any reason to suspect that we have been dealing in goods which are not Tata's. They will at once, without affording any reason, without giving us any opportunity of questioning their information, remove our names from their list. That is our position. Again they are entitled, according to their new circular, to impose any condition they like.

President.—Have there been any recent cases in the Calcutta market of Tata dealers whose names have been removed from the list of dealers?

Mr. Banerjee.—I do not know of any, but we run the risk.

President.—You constantly run the risk.

Mr. Banerjee.—There is another point. For imported goods we are allowed 1 per cent. rolling margin but in the case of Tatas they can compel the dealers to accept a rolling margin of 4 per cent. There are cases where although the rolling margin was in the neighbourhood of one per cent. we were obliged to accept 4 per cent. (hands in a letter).

President.—With regard to this rolling margin in the old days you could accept a rolling margin of one per cent.; that was in the case of British steel?

Mr. Banerjee.—Both British and Continental. Under our contract we are bound to accept 4 per cent. rolling margin though the Tata Iron and Steel Company admit that one per cent. is enough for the imported article.

President.—On the information we have received regarding Continental steel my impression is that the rolling margin in the case of Continental steel is considerably higher than one per cent. That is the information we have received from large importers. I should not be surprised if the rolling margin in the case of Continental steel was as high as 4 per cent. In regard to British steel it would be considerably lower.

Mr. Banerjee.—Tatas do not accept the actual weight.

Mr. Ghosh.—In the case of Continental goods they accept the Bengal Chamber's weight but in the case of Tatas they won't accept any actual weight.

Mr. Banerjee.—They won't remit any shortage, and they want to make the dealers pay the difference in the margin.

President.—When the rolling margin is fixed at 4 per cent. and you buy a ton of material, let us assume that the quantity delivered to you instead of being one ton is let us say 3 per cent. less, in that case you actually pay for a ton less 3 per cent.?

Mr. Banerjee.—We pay for the full ton.

President.—If the quantity delivered to you is short by 3 per cent. and the price fixed under the agreement is Rs. 100 per ton do you for 97 per cent. of a ton pay Rs. 100?

Mr. Banerjee.—We do.

President.—You have got to pay Rs. 100 although the weight is short?

Mr. Banerjee.—Yes.

Mr. Ghosh.—We are bound to accept 4 per cent. margin. Even if at times the shortage is more than 4 per cent.

President.—I agree to sell you 100 tons of bars, if actually as the result of the rolling margin working in the upward direction I as a manufacturer supply you 97 instead of 100 tons, then you have got to pay me the price of 100 tons?

Mr. Banerjee.—Certainly.

President.—Supposing by mistake I delivered 103 tons instead of 100?

Mr. Banerjee.—In that case they will charge the full weight. When the railway weight exceeds the invoice weight the customer must pay them on the railway receipt weight.

President.—This is perfectly clear that if the weight of the quantity actually delivered is less than the quantity declared within the rolling

margin then you have got to pay the price in respect of the declared weight.

Mr. Banerjea.—We have to accept the invoice weight as final.

President.—Supposing you are dealing in imported material what is the position?

Mr. Banerjea.—If we found that the weight was short we would get the goods weighed by the Bengal Chamber of Commerce and our shippers would accept their weight as final and they would return us the money.

President.—And you actually pay for the weight delivered?

Mr. Banerjea.—Yes, and the losing party will pay the cost of weighing.

President.—The only difference is that in this case in some cases you may have short weight, and in the other case you may have excess weight.

Mr. Banerjea.—We do not remember of any case in which we got excess weight. It is a common occurrence that we get our goods short and they do not admit any short claim.

President.—If the weight is actually short then in the case of a Tata dealer what is the procedure adopted?

Mr. Banerjea.—We simply ask them and they say we have not agreed to that.

Mr. Natesan.—This is a complaint common in other trades; it is very difficult to prove where the shortage has occurred.

President.—The whole point is this: If you are dealing in imported material although the actual shortage may be difficult to estimate you have got an independent authority to whom you could refer for adjudication; in the case of Tatas there is no independent authority to whom you could take the case for adjudication.

Mr. Banerjea.—That is the position. I did not understand Mr. Natesan's point. Iron is not rice that it can be taken out; it is not a thing like sugar. If 100 bars are despatched from the Tatas works it can't be 99 at the destination. Therefore the question of short weight cannot be entertained. There is another point and this has actually happened. Suppose their invoice shows 100 bars and we receive 97 bars—three bars less—we prefer our claim to them and they throw out our claim, they don't admit it. Recently they have added a clause that 'where goods are sold f.o.r. destination all responsibility of the Company ceases after the materials are delivered at Tatanagar station and any shortage, damage or losses, total or partial, during transit is to be borne by the buyer.'

Mr. Ghosh.—They sell f.o.r. Calcutta but their responsibility ceases at Tatanagar!

President.—Where the goods are sold f.o.r. destination all responsibilities of the Company cease after the materials are delivered at the Tatanagar station and any shortage, damage or losses total or partial during transit is to be borne by the buyer: If Tatas ship you bars and the rolling margin prescribed is 4 per cent., instead of 100 tons supposing in the invoice they actually ship you 96 and then during transit there is a loss of 2 per cent. then in the end you would get 94 tons and you have got to pay for 100 tons?

Mr. Banerjea.—That is so, so far as the weight is concerned. So far as the number of bars is concerned if we do not get 100 bars, if we get say 95 or 96 bars, they won't admit our claim for the shortage in the number of bars.

President.—How is the invoice generally drawn up; do you mention both the weight and the number?

Mr. Banerjea.—Yes.

Mr. Atha.—When you order do you usually order by numbers or simply by weight?

Mr. Banerjea.—By weight, 25 tons, 30 tons and so on, because I am not in a position to say what goods will be available at the time of loading. That is exactly stated in the invoice. There is another point with reference to G. C. sheets. My Association have already submitted a representation on this point and I have been asked to place a supplementary one.

President.—Tell me briefly what you have to say.

Mr. Banerjea.—Tatas must not be permitted to make any contract or any agreement with any manufacturers in England or anywhere else for the controlling of the prices here. Take the case of the corrugated iron sheets under the Ottawa agreement. The duty has been lowered but our customers could not get advantage of that. Since this agreement was entered into Tatas raised their price and the British manufacturers also raised their price from £10-10 to £12-10 per ton.

President.—That was the definite purpose of the agreement.

Mr. Banerjea.—Yes, but we merchants as well as our customers have not got advantage of this Ottawa agreement.

President.—I am afraid you have slightly misunderstood the point of that arrangement. The arrangement was this: The fair selling price for Tatas sheets was found to be somewhere about Rs. 215. There were two ways in which a price of Rs. 215 could be secured for the Indian industry, either you might fix a duty of Rs. 83 and leave the duty to fix the price or you could say to a particular body of importers "You must give an undertaking to sell in this country at a price not lower than Rs. 215. If you do that we are prepared to levy a lower duty", so that a part of the machinery for fixing the duty is tariffs and the other part is simply an agreement. If as a result of the agreement they fix the price at Rs. 215, the price corresponding to the duty, they are simply carrying out the undertaking. It is not that they are fixing the price which was higher than the price fixed under the agreement. You have no cause of complaint.

Mr. Banerjea.—We understood it otherwise.

Mr. President.—What you mean is this, that since the duty of British imports was reduced from Rs. 83 to Rs. 53 you thought that the price should be reduced by Rs. 30.

Mr. Banerjea.—Consequently Tatas will be reducing their price. . . .

President.—If they did that the whole object of that agreement would be defeated.

Mr. Banerjea.—We did not see that point.

President.—The whole purpose of that agreement was to get a particular price fixed in respect of the lowering of the duty.

Mr. Banerjea.—The Tariff Board ought to see whether this price could in any way be lowered. We have already lost our customers in galvanised corrugated sheets. These sheets used to have a very good sale in Calcutta but now-a-days it is very much lower because agriculturists are not in a position to buy these. They are our best customers and therefore it must be seen whether this price could be lowered. We may not take advantage of this but our poor customers will take advantage of this and they will be able to buy more sheets and thus help the growth of this industry.

President.—At the same time you do not want prices to be lowered to such an extent as would endanger the interests of the industry?

Mr. Banerjea.—Certainly not.

President.—But as far as possible consistent with the interest of the industry prices of galvanised sheets should be brought to as low a level as possible?

Mr. Banerjea.—Yes—Tatas should take care that they deliver black sheets more carefully and more promptly.

Mr. Ghosh.—Their supply is not quite adequate to the demand of the Calcutta market.

President.—In the Calcutta area what exactly is the use for black sheets?

Mr. Banerjea.—It is generally consumed by the Narayungunge and Dacca merchants for making trunks and various articles.

Mr. Ghosh.—It is also sold locally for the manufacture of trunks, suit cases and things of that sort. They cannot give an adequate supply to the Calcutta market and all these dealers' agreements preclude us from buying foreign articles although in a case or two they gave permission to buy from England.

President.—You mean in the case of Tata dealers?

Mr. Banerjea.—Yes.

President.—Because the supply was short.

Mr. Banerjea.—Yes.

President.—That was quite a temporary phase.

Mr. Banerjea.—Yes.

President.—When did this shortage occur?

Mr. Banerjea.—About the end of 1932.

President.—How long did it last?

Mr. Banerjea.—About six months.

President.—Now the shortage has been remedied.

Mr. Banerjea.—No. Still there is a demand and Tata's cannot supply.

President.—And the dealers in such a case would be allowed to buy imported sheets.

Mr. Banerjea.—Yes with the permission of Tata's.

President.—You have got to get previous permission in every case?

Mr. Ghosh.—Tata's nowadays are not giving us permission although they are not supplying.

President.—Has permission been refused recently?

Mr. Ghosh.—I think it has been refused.

President.—Where there is obvious shortage, the dealer applies to Tata's for permission.

Mr. Ghosh.—I now hear permission has recently been granted, but that is too late.

President.—Your objection there is to the slowness of the procedure.

Mr. Banerjea.—Yes. There is another point as regard Tata's tested goods. We are sometimes supplying goods to railways and the Indian Stores Department. The Indian Stores Department are the greatest consumers of Tata's tested goods. The Tatas even declined to quote direct to us. Recently, whatever may be the reason, I am not in possession of the details—two Indian merchants, D. N. Sett and Trivedi and Company have been deprived of the selling rights of Tata's tested goods. The Tatas even declined to quote direct for Tata's tested goods, and other merchants can't deal in tested goods. What is the position? Some of us are contractors to Government and railways. These people are no longer in a position to supply these goods and they lost their customers in Government and railways.

President.—On what ground they have refused.

Mr. Banerjea.—They say they have appointed as their selling agents Messrs. Jessop and Company, Messrs. Balmer Lawrie and Company, Messrs. Martin and Company and Messrs. Burn and Company and if we are to buy Tata's tested goods, we are to buy through them and these merchants are selling direct to the railways and to the Indian Stores Department. Even if we are to buy these goods through these merchants, we are not in a position to compete with them.

President.—Don't you think that it is probably the natural result of the very large reduction which has taken place in the market for tested steel? The market for tested steel is very much smaller than it used to be.

Mr. Banerjea.—I am not in a position to go into details of that.

President.—I am in a position to state it. The market for tested steel is very much smaller with the result that there is not really room in that market for the large number of dealers who used to deal in them 5 years ago or 10 years ago and therefore Tatas would probably be justified in restricting the business in tested goods to a certain number of large recognised big dealers. That is not the result of any sinister action on the part of the Tata Iron and Steel Company.

Mr. Banerjea.—I do not know.

President.—It is simply the result of the changes in the conditions.

Mr. Banerjea.—It is for the Board to state it. I am not qualified to pass any opinion. I place my difficulties before you.

President.—You are perfectly right in doing that.

Mr. Banerjea.—My firm were formerly selling mostly Tata's tested goods and English goods to Government and railways, and for the last year or so, we have not been able to supply one piece of Tata's tested goods to Government and railways. What has been the result? We shall probably lose the possibility of remaining in their lists of suppliers.

President.—Probably as the market improves, I expect and hope that you will get back all your lost business in tested goods.

Mr. Banerjea.—Let us hope so. Another point is that as regards the sections that are not rolled by Tata's, protective tariff should not be made applicable to them. There should be only revenue tariff for them.

President.—How would you distinguish between two classes of sections? Your point is if there are any sections now used to be bought in the market which are not rolled by Tatas at present, those sections should be left outside the scheme of protection.

Mr. Banerjea.—That is what we want.

President.—That is the present position. Have you had any complaint with regard to the tariff schedule?

Mr. Ghosh.—Yes. Those sizes that are not being manufactured by Tatas and even by the Indian manufacturers should be excluded from the protective duty. Only revenue duties should be levied on them.

President.—I should like to get some instance, the sort of sections you are thinking.

Mr. Banerjea.—Sizes manufactured and rolled in India are these. (Handed in.) Suppose we are to import Tees.

President.—I want the most important cases that you can think of, sections which represent the largest demand in that class.

Mr. Ghosh.—Take the case of flats $\frac{3}{4} \times \frac{1}{4}$ " for which there is a big demand and that is not manufactured by the Indian manufacturers.

President.—That is a sort of thing used for what?

Mr. Ghosh.—For collapsible gates. That is also extensively used by the agriculturists in the jute locality.

Mr. Natesan.—What use do they make of it?

Mr. Banerjea.—For clearing off the weeds in jute fields. It is called Bidé.

Mr. Natesan.—And a man operates it with a hand.

Mr. Banerjea.—Yes.

Mr. Natesan.—Something like a plough.

Mr. Banerjea.—Yes.

President.—That kind of flat you cannot get from the Tata Company?

Mr. Banerjee.—No.

President.—That kind of flat is subject to a duty?

Mr. Banerjee.—Yes.

President.—I consider it exceedingly likely that that kind of flat is going to be rolled hereafter if not by Tatas at least by some re-rolling mills.

Mr. Banerjee.—Then we have no grievance.

President.—That is a very sensible position indeed.

Mr. Banerjee.—Yes because we can have those goods here.

President.—If flats of that kind are going to be rolled in the country either by Tatas or by re-rolling mill, then you withdraw your objection.

Mr. Banerjee.—Our point is that those sections which are not rolled by Tatas or by any of the re-rolling mills must be free from protective duty.

Mr. Ghosh.—Hoops are not being manufactured and some sections of angles, tees and joists are not manufactured.

President.—There is a mill just now which has just started working. It probably will roll a considerable number of these smaller sections. If that mill does, then of course you, as an Association, will have no objection.

Mr. Banerjee.—No, if they supply us to meet the demand. If their supply is meagre, it is no use putting a protective duty.

President.—It is difficult to draw a line between adequate and meagre. Supposing a mill in India is able to produce 75 per cent. of the total consumption of the country, would you consider that adequate?

Mr. Banerjee.—Certainly we consider that adequate. You have to consider two things: first of all the products produced by the re-rolling mills will be coming into the ports or not. If they cannot come to the ports, there is no necessity of putting any tariff, and secondly whether the quantity they produce is sufficient to meet the demand of the country. If they are not in a position to manufacture more than 50 per cent., there is no justification for the tariff wall.

President.—That is a very reasonable position. I think you have given us a very clear idea, Mr. Banerji, of the changes in the market for iron and steel goods in Calcutta during the past few years. I think the evidence has been very valuable and we shall certainly take into consideration the suggestions that you have made.

Mr. Banerjee.—Thank you. Another point is that Tata's sell billets within the country at Rs. 82 per ton and abroad at Rs. 52 per ton. I do not know whether this figure is correct. If it is a correct figure, you will see that some remedy should be made.

President.—I may tell you straightaway that there is very little scope for any export of billets hereafter and the danger that is worrying you is going automatically to disappear.

Mr. Banerjee.—The only thing that we are concerned with is that our industry should grow here and an arrangement should be made that the consumers' interest and merchants' interest should not be sacrificed at the altar of one particular concern and the re-rolling mills that are growing should have free growth. That is our point.

Mr. Wiles.—I think I understand your position fairly well. When you say that the Calcutta market has lost all its importance, you are referring to the fact that in the past you were dealing in foreign material and that protection has practically destroyed Calcutta as the distributing centre.

Mr. Banerjee.—Two things have contributed to that. As I have already pointed out, Tatas under the shelter of protection have taken a monopolistic attitude. They have reduced the merchants to the position of serfs so to say. As I have already pointed out we have been deprived of our market

that we had. We are not in a position also to import from England all these sections which are not rolled by Tatas.

Mr. Wiles.—That is the point I wanted to ask. Your grievance, I take it, is really that the Tata Company have set up not only as producers of steel, but they are in effect retail merchants.

Mr. Banerjea.—To some extent they are.

Mr. Wiles.—But Tatas can only supply a small proportion of the total demand in India at present.

Mr. Banerjea.—They say that they are in a position to supply 72 per cent.

Mr. Wiles.—At the moment, but with a normal demand the percentage would be less than that. Is your grievance this, that you are prohibited from importing any other steel to supply the demand which cannot to-day be met by Tata's output.

Mr. Banerjea.—I don't exactly follow.

Mr. Wiles.—If Tatas are unable to supply the whole demand of India for steel, say the Calcutta market for steel, how is the balance which cannot be supplied by Tatas supplied at present? You say under your agreement which you are compelled to make with Tatas you are prohibited from buying any other steel than Tatas. How is the balance met to-day?

Mr. Banerjea.—By the Europeans who are not hampered in this way. There are non-Tata dealers.

Mr. Wiles.—That means that the foreign imports which are necessary to make up the balance are now confined to Europeans?

Mr. Banerjea.—Yes. We are hampered by the agreement, but Europeans who do not deal in Tata's goods are not hampered and I do not exactly understand why we should not be permitted to import those sections of British make which are not supplied by Tatas. Sometimes Government want tested goods for certain specifications. If Tata's are not in a position to supply, why should we not be permitted to import British goods.

Mr. Wiles.—In regard to prices you are not personally affected by the range of prices except in so far as it may affect the demand. It doesn't matter to you as merchants what the range of prices may be except in so far as it may affect the demand? You have not followed that?

Mr. Banerjea.—No.

Mr. Wiles.—You say here that prices have been beyond the reach of the poor peasants and you are anxious that prices should be as low as possible. My point is this: as merchants you make your profit whether the prices are lower or higher, but if the prices are lower, the demand will increase. Presumably the peasant will be able to buy more sheets and so your demand will increase. Your interest is in the demand and not in the price itself.

Mr. Banerjea.—Yes. The lowness of the price will increase the demand and that means it will add to the growth of our income.

Mr. Wiles.—When you propose a duty of 10 to 15 per cent. on the c.i.f. price of the imported goods, I take it that it is not more than a rough guess? I think you will be content to leave the exact figure to be determined after enquiry by the Tariff Board. You have not made any detailed enquiry into costs which has led you to fix the duty you propose at 10 to 15 per cent.?

Mr. Banerjea.—I have already pointed out that I am not in a position to question the costs of Tatas. The only thing I have considered is what profit they are earning and what their overheads are. From their figures, so far as I have understood them, they expect to get about 27 per cent. profit. My position was this: that if they were asked to cut down their expenses, they would be in a position to sell more cheaply. I have already pointed out to you that it would be possible for them to sell at Rs. 80 when they want a price of as much as Rs. 97.

Mr. Wiles.—That must be decided by the exact amount of overhead charges which can be considered reasonable.

Mr. Banerjea.—I am not in a position to pass any opinion about that.

Mr. Wiles.—It must depend very largely on the capital that has been put into the business.

Mr. Banerjea.—Yes, and what is the rate of interest that they are paying. If our calculation is wrong that is a separate question. We have calculated that they are getting 27 per cent. which is too much.

Mr. Wiles.—What have you calculated it on?

Mr. Banerjea.—On their costs and selling prices.

Mr. Wiles.—You realise that Tatas have not been able to pay any dividends?

Mr. Banerjea.—I do not know and I am not in a position to discuss that point. I have not gone through their balance sheets and therefore I do not know how they are utilising their profits. I am not in a position to discuss that point.

Mr. Wiles.—In fact, unless you have studied their balance sheets, you are not in a position to give any opinion.

Mr. Banerjea.—My point is that from the figures—I have gone through their representation—I have calculated they are getting 27 per cent.

Mr. Wiles.—So long as their profits have not been enough to pay any dividends to their shareholders, I do not quite follow how you can accuse them of "undue greed." Where is the greed? Where has all the money gone to?

Mr. Banerjea.—I have already pointed out that I have not studied their balance sheets. My contention is that they want a profit of 27 per cent. nay more than 27 per cent., and one who expects 27 per cent. cannot but be accused of greediness.

Mr. Wiles.—What you call profit Tatas would not call profit.

Mr. Natesan.—I want to put one or two questions to you. Have I understood you correctly that you want that protection to Tatas should continue?

Mr. Banerjea.—Yes.

Mr. Natesan.—At the same time you are annoyed with many of the restrictions they have put upon the way in which you should sell their products and also the terms on which you buy from them. One of your chief objections is that they are regulating their prices with reference to import prices, is it correct? I just want to ask you about that. Formerly you were importing lots of goods, British and Continental. Suppose you had purchased at Rs. 100 and had a stock of goods and the price went up, would you sell at the same price to your dealers? Is it not unreasonable to expect you to sell at the same price?

Mr. Banerjea.—At what price?

Mr. Natesan.—When you were dealing in British and Continental goods, suppose you had imported goods say at Rs. 100 a ton and then a month or two after you had got your goods, the prices went up to say Rs. 110, would you say that you would have sold at Rs. 100 and not taken advantage of the increase of Rs. 10 per ton?

Mr. Banerjea.—Supposing the price went down to Rs. 90.

Mr. Natesan.—Therefore you would have to take the risk. You cannot object to Tata's method of regulating their prices with reference to import prices.

Mr. Banerjea.—That I can understand. Our point is not that. When Government gave them protection, it was not for them and them alone. It was given in the interests of the country as a whole. It was given in the interests of the industry and the consumers as well.

Mr. Natesan.—That you have pointed out very clearly to us. I understand it. But you see they have to make it a commercial success. Other-

wise the tax payer will lose. Not only that, but he will continue to bear the burden about which every one is making a point. When there is a protection, you may take it that it implies necessarily some burden and the merchant perhaps loses the profit which one would like him to make. When protection is given to the industry, they have to run it purely as a commercial business. You have to satisfy yourself that they do not take any undue advantage of it so as to prejudice the interests of the consumer. As I have pointed out, you have been a large importer in the past. If you purchase at a certain price and a month or two after that if the price goes up, you will naturally take advantage of that. There is nothing very unnatural about it.

Mr. Banerjea.—We don't dispute that point.

Mr. Natesan.—Formerly when you were dealing in British and Continental merchants, you said you were giving large forward orders and stocking them. When you were getting them, were you getting them on consignment account or outright purchase account?

Mr. Banerjea.—Outright purchase account.

Mr. Natesan.—You took the risk of stocking goods and surely there was interest on all that.

Mr. Banerjea.—Yes.

Mr. Natesan.—Now you have right at your door the manufacturer who is prepared to sell you goods in small quantities as and when you require them. Therefore all the risk which you originally had when you were buying outright and stocking in the country is no longer necessary.

Mr. Banerjea.—We are not thinking on those lines.

Mr. Natesan.—I am only pointing out that you have got compensating advantages.

Mr. Banerjea.—But my point is that sometimes it so happens that we are short of stock.

Mr. Natesan.—I will take that point later on. You admit that your risk is considerably less now.

Mr. Banerjea.—We have lost our market.

Mr. Natesan.—I quite understand you have lost your market because there is a great demand for Tata goods as against British and Continental goods. You have lost your market because merchants and dealers come to you and say "Give me Tata goods". That is exactly the object of protection. It is to create a market for the industry and thereby enable it to thrive.

Mr. Banerjea.—Yes.

Mr. Natesan.—Therefore a larger market has been created for the home products.

Mr. Banerjea.—Yes.

Mr. Natesan.—It is an advantage to the country, though temporarily of course some people are bearing the burden of protection. You have throughout said that you want the industry to thrive. I am trying to elucidate your position. Of course you have given some details of Tata's arrangements with regard to sales which I should like to go into. Speaking personally I should go into it very carefully. I can assure you that the Board would do it. Is there anything else which you want to place before the Board.

Mr. Banerjea.—I have placed all I have to say before the Board.

Mr. Natesan.—There is one more point which I should like to understand from you because your firm had been doing this business for very nearly 90 years. Formerly you were supplying goods to Cawnpore, Benares, etc. Now they are buying direct from Tatas because they find it more paying to them.

Mr. Banerjea.—I don't think so.

Mr. Natesan.—If I was in Benares and if I had formerly dealings with you, I would refuse to deal with you if it was not advantageous to me. I would not simply transfer the business for the mere pleasure of it to Tata's unless I had an advantage.

Mr. Banerjea.—Certainly not.

Mr. Natesan.—On account of mere whim do you think I would transfer the business?

Mr. Banerjea.—You have been obliged to.

Mr. Natesan.—Formerly people had been buying from you. Now you say that they don't buy from you and they are buying direct from Tatas. That is what people do. You are of course a middleman for practical purposes. Now the buyers have an advantage in dealing directly with the producer.

Mr. Banerjea.—Their position is in no way better.

Mr. Natesan.—That is a point on which I should like to hear them.

Mr. Banerjea.—I have already pointed out to you that if they were dealing with us they would get certain advantages, which they cannot expect to get from Tatas.

Mr. Natesan.—In the old days they were taking things on credit from you. Now they are willing even to pay cash and take from Tatas because they think that it is more advantageous for them to do so. It is for them to determine what is good and what is bad.

Mr. Banerjea.—If Tatas were giving them at a cheaper price, then it would be advantageous to them, but Tatas are not giving them at a cheaper price. They also make it impossible for us to approach them. If we were able to approach them, we would have been in the same position as Tatas are in reference to their own goods.

Mr. Natesan.—You formerly had 20 mufassal merchants dealing with you. Now the terms of business which Tatas have quoted pay them better to deal direct with them and it does not pay them to deal directly with you. I quite admit that you have suffered to the extent to which your business has become small. The mere fact that all those people are dealing direct with Tatas shows that it is more advantageous to them to do so. If it is not so advantageous, how is it that they are continuing to get from them and not through you?

Mr. Banerjea.—If they were to buy from us, they would get any number of sizes per wagon. If they buy direct from Tatas they would get only a certain number of sizes. I have already pointed that out. Another point is that I am not permitted to send goods to my customers. If I am permitted to send my goods they would get as many sizes as they are likely to get from us. Their interests have been crippled down by coming into contact with Tatas. They are not well treated at all.

Mr. Natesan.—You are coming again to the same position. What would happen now is that they buy all the lines that they can possibly get direct from Tatas and apply to you or some body else for other lines because financially it is advantageous to them.

Mr. Banerjea.—No, it is not advantageous to them because they are not getting at a cheaper price.

Mr. Natesan.—After all, it is those men that should say that. If it affects them, they will complain to us.

Mr. Banerjea.—Quite so.

Mr. Natesan.—Therefore I am still unable to understand your point.

Mr. Banerjea.—I don't understand why the up-country people have not come and given evidence before you. But I have got their letters.

Mr. Natesan.—Some of them have submitted their representations. A number of them have given evidence. They too have complained but in a different direction.

Mr. Banerjea.—Have they not spoken to you on these points?

Mr. Natesan.—You have now raised several difficulties. Some of the difficulties have been mentioned to us by others either at the time of giving evidence or by letters, memoranda and things like that.

Mr. Banerjea.—If we are allowed to send goods f.o.r. Tatanagar, I have nothing further to add. The consumer's interests would be also served if Tatas agree to sell their goods f.o.r. Tatanagar. By buying the goods direct from Tatas they don't get any advantage. If they buy from us they would pay less freight.

Mr. Natesan.—I am trying to understand your complaint. Possibly I am not able to appreciate it. If a consumer were in Benares or Cawnpore, it will be to his interests to determine from whom he can get his goods cheaper. If for some reason he does not go to you, you cannot say that the consumer's interests are not served. Of course I know it does affect you. I have said so from the very beginning.

Mr. Banerjea.—If you will permit me, I would say sometimes it so happens that they miss the point. They might not have studied this point in the way we have done.

Mr. Natesan.—That is clear. The consumer's point of view is one and your point of view is another.

Mr. Banerjea.—We have considered the problem in all its aspects and we say that they may have missed that point.

Mr. Natesan.—You as a merchant say that you understand the consumer's interests better.

Mr. Banerjea.—Yes. It is a fact that one who is dealing in goods may understand better than the customers. Customers are not in a position to understand the whole thing or where the advantage is or where the disadvantage is. Suppose there is a consumer in Benares, he is not buying wholesale. He is not buying in large quantities. He does not consider how he could buy Tata's goods cheaper. He thinks that the situation is such that he must accept the position as it is. Generally he does not pay much attention to this point as to how the disadvantages should be removed.

THE MERCHANTS' CHAMBER OF UNITED PROVINCES.

ORAL.

**Evidence of Mr. INDER SINGH, recorded at Calcutta on
Tuesday, the 12th December, 1933.**

President.—Mr. Inder Singh, you appear on behalf of the Merchants' Chamber of the United Provinces?

Mr. Inder Singh.—Yes.

President.—I should like first of all to get some idea of the sort of constituency which your Chamber represents? What is the total membership of your Chamber?

Mr. Inder Singh.—About 100; all of them are millowners and merchants.

President.—How many of your members are interested in steel?

Mr. Inder Singh.—About 10.

President.—Your membership is not confined to the city of Cawnpore, is it?

Mr. Inder Singh.—No, it is spread all over United Provinces.

President.—I presume there are members of your Chamber who are Tata dealers?

Mr. Inder Singh.—Some of them are.

President.—And the views you represent are views which are held by the majority of your Chamber?

Mr. Inder Singh.—Yes. May I say that the letter which we sent you before is cancelled? We have sent you another and I will give evidence on that.

President.—You make no complaint about deferred rebates or any matters of that sort then?

Mr. Inder Singh.—No.

President.—That makes the position much simpler.

Mr. Inder Singh.—Yes. I have my own rolling mill in Cawnpore.

President.—But you don't wish us to examine you on the position of your rolling mill?

Mr. Inder Singh.—You can examine me if you like; I have no objection.

President.—You have no objection to the sort of competition which Tatas appear to have carried on in your area?

Mr. Inder Singh.—No.

President.—As far as your Chamber is concerned the Chamber has no view to put forward. We are examining you here not personally but as a representative of the Chamber, so that it is probably better to confine ourselves to matters affecting the Chamber.

Mr. Inder Singh.—Yes.

President.—You say that the protection granted to the industry should be for a reasonably long period, either for seven years or for a little longer period. What precisely do you mean: do you want it to be necessarily longer than seven years?

Mr. Inder Singh.—We leave it to the Board to decide.

President.—In respect of Indianisation you say that the Company has made good progress in so far as it has reduced the non-Indian personnel from 161 to 70 which is a reduction of 55 to 60 per cent. in seven years which you consider a good basis: if this basis is maintained hereafter the Chamber has no criticism to offer.

Mr. Inder Singh.—No.

President.—The next point is with regard to the average tonnage which is likely to be produced by Tatas. You think that the figure of 530,000 tons is rather on the low side and the Company must aspire to produce more.

Mr. Inder Singh.—Yes.

President.—But then this estimate is based partly on the market which is available for steel at present. As you know, on account of depression the market for steel is a particularly restricted market just now. It depends not merely on the demand of the market but also on the capacity of the Tata plant, so if you want them to produce considerably more than 530,000 tons either they must be sure of a considerably increased market or you must enable the Tata Company to extend their plant and machinery. As far as the first is concerned none of us are in a position to say what the demand in the country is going to be in the next seven years. As far as the second is concerned, it is a matter of finance. If you want Tatas to instal bigger plant you would have to provide for capital considerably in excess of the depreciation to be earned during the next seven years. In other words they must go into the capital market and raise sufficient capital. Whether they would be able to do so or not is also a matter on which we cannot arrive at any judgment.

Mr. Inder Singh.—The demand for steel is increasing every day.

President.—It is about 430,000 tons to-day; it might increase from 430,000 tons to somewhere about 620,000 or 630,000 tons at the end of seven-years making an average of 530,000 tons. If you want them to produce on an average more than this figure which they have estimated you must enable them to obtain appropriate market or increase their capital expenditure neither of which is a very easy thing to undertake.

Mr. Inder Singh.—Yes.

President.—Your last point is about the duty on billets. The most interesting statement in that paragraph is this: "The Tata Iron and Steel Company must supply to the Indian re-rolling mills their billets at a fair and reasonable price". I would like to know a little more clearly as to what in the views of the Chamber would be regarded as a fair and reasonable price. Supposing the Tata Iron and Steel Company agreed to sell their billets at a price which we estimate as the fair selling price for their billets at Tatanagar and then add to that fair selling price at Tatanagar freight to any given destination, supposing they agree to sell at that given destination at the fair selling price at Tatanagar *plus* the freight, would your Chamber consider that a reasonable arrangement?

Mr. Inder Singh.—Yes. But they are charged a concession freight rate and not the usual general rate from Tatanagar.

President.—Whatever the scale of freight they have to pay?

Mr. Inder Singh.—Yes.

President.—That is as far as the United Provinces is concerned. Take a province like Madras. Suppose there is a re-rolling mill in Madras, there Tatas have to bear heavy freight and if they sold at Madras at a fair selling price *ex-Tatanagar plus* freight to Madras, speaking from the point of view of the United Provinces, you would have no objection whatsoever?

Mr. Inder Singh.—That is right.

President.—As far as you are concerned the freight must be the concessional freight?

Mr. Inder Singh.—Yes.

President.—There the difficulty is this. After all Tatas must arrange their prices at different markets in such a way that on their aggregate transaction they are able to get a reasonable surplus over their works expenditure. In order to do that it would be necessary for them to arrange their prices in different markets not necessarily on the freight expenditure to each area but on market conditions in each area; that is

to say, if in the United Provinces Continental billets are sold at the import price at Calcutta *plus* the freight from Calcutta to, say, Cawnpore and Tatas sell their billets in the Cawnpore market at that price, then probably they would get something more than the fair selling price. But then, what they gain at that price at Cawnpore they lose on their sales at Madras, so necessarily prices in a market like Cawnpore would have to be somewhat higher.

Mr. Inder Singh.—We can get the same facility from the railways if we can get cheap foreign billets at Calcutta.

President.—You will get your billets at Calcutta at the import price *plus* whatever duty is fixed on billets and then ask the railway company to give you concession freight on your shipment.

Mr. Inder Singh.—They have given concession rates to the Bengal Iron Company and others.

President.—That is a matter between you and the railways. But generally if it is the fair selling price at Tatanagar *plus* the freight to a given destination your Chamber would consider it a fair and reasonable price?

Mr. Inder Singh.—Yes.

President.—You go on to say however that the present attitude of the Tata Iron and Steel Company is neither reasonable nor fair. What precisely do you mean?

Mr. Inder Singh.—As for the supply of billets.

President.—Are you speaking from your experience?

Mr. Inder Singh.—Not so far. We have not written to the Tata Iron and Steel Company for billets but we have enquired several times and they have refused.

President.—What exactly did you ask them to do?

Mr. Inder Singh.—We asked them for billets; they said their prices would be too high; they refused to charge actual railway freight that they were paying.

President.—Would you consider that unreasonable?

Mr. Inder Singh.—I think so because they have to pay Rs. 16 and why should they charge Rs. 40?

President.—Supposing you bought imported billets?

Mr. Inder Singh.—If I bought foreign billets I would get a concession from the railway company as regards freight.

President.—Can you at present? Have you tried?

Mr. Inder Singh.—Several times we bought mill materials and the railway companies gave us concession on them.

President.—What were they?

Mr. Inder Singh.—Old machines.

President.—They gave you the rate applicable to condemned materials but Tatas goods are not condemned material. You can't reasonably ask on fresh made billets rates applicable to condemned materials. The railway companies have different kinds of rates; they have one rate for condemned material, another rate applicable to railway material and so on.

Mr. Inder Singh.—In several cases they have given for good machines. We told them these are the machinery we want to take from Calcutta to Cawnpore or Lahore and they gave us concession rates of freight.

President.—Supposing Tatas agreed to sell you in Cawnpore at a price corresponding to the freight of the kind that you may get on imported billets, that would satisfy you?

Mr. Inder Singh.—Yes.

President.—All that you want is that whatever concession you get on imported material, that should be the rate that Tatas must charge you?

Mr. Inder Singh.—Yes.

President.—Actually in your experience you have never bought billets from them; you only made enquiries?

Mr. Inder Singh.—That is so.

President.—Did you ever put this proposition to them?

Mr. Inder Singh.—I had a talk with them.

President.—That the freight which is applied to their billets should be such concession rates as you would get on imported billets: did you put it in that form?

Mr. Inder Singh.—No. They could give us billets at Rs. 80: I can't take billets at that price.

President.—Did you make this counter proposal?

Mr. Inder Singh.—No.

President.—So you do not know their attitude on this matter?

Mr. Inder Singh.—No.

President.—So it is not fair to them in a public document of this kind before you have discussed this matter sufficiently to say that their attitude is unreasonable and unfair, when you have not really had an opportunity of understanding their attitude. You don't wish at all to raise any of the matters mentioned in the original representation?

Mr. Inder Singh.—No.

Mr. Wiles.—Are you the proprietor of the Singh Engineering Works?

Mr. Inder Singh.—Yes.

President.—You say you are satisfied with the selling arrangements that you have been able to make with Tatas?

Mr. Inder Singh.—Yes. My arrangement is this: when I won't make more than 6 tons a day they won't compete.

Mr. Wiles.—You sell in the same market. Are you able to put your goods on the market at a lower rate than Tatas?

Mr. Inder Singh.—Yes.

Mr. Wiles.—At present you are rolling from scrap?

Mr. Inder Singh.—Yes.

Mr. Wiles.—You do contemplate I suppose an expansion in which you can use billets?

Mr. Inder Singh.—Yes.

Mr. Wiles.—Have you worked out what you would get continental billets at Cawnpore?

Mr. Inder Singh.—Rs. 70 per ton if I can get the concession rate from the railway company, without duty.

Mr. Wiles.—Is that after paying the revenue duty?

Mr. Inder Singh.—Rs. 57 is the present price of billets.

Mr. Wiles.—That is the c.i.f. price?

Mr. Inder Singh.—Yes.

Mr. Wiles.—You can get them at Cawnpore at Rs. 70?

Mr. Inder Singh.—Yes.

Mr. Wiles.—That enables you to compete, does it?

Mr. Inder Singh.—Yes; if we can get it at that price.

Mr. Wiles.—What is the maximum price you can pay for billets and still be in a position to compete?

Mr. Inder Singh.—The maximum price I can pay would be Rs. 75 a ton.

Mr. Wiles.—You sell your own products directly I suppose?

Mr. Inder Singh.—Yes.

Mr. Wiles.—What do you make chiefly?

Mr. Inder Singh.—Bars only, rounds, flats and squares.

MESSRS. NARESH NATH MOOKERJEE.

**Evidence of Mr. NARESH NATH MOOKERJEE, recorded at
Calcutta on Wednesday, the 20th December, 1933.**

President.—Mr. Mookerjee, this representation which you have sent us is signed also by various other Indian importers?

Mr. Mookerjee.—Yes.

President.—They are all importers or merchants?

Mr. Mookerjee.—Yes, both.

President.—You are all interested, I take it, primarily or exclusively in galvanised sheets.

Mr. Mookerjee.—Primarily in galvanised sheets. Of course we have not been able to obtain the signatures of the mufassil merchants owing to the shortness of time.

President.—But the signatories are, I take it, representatives of the trade?

Mr. Mookerjee.—Yes.

President.—The first point in your representation that I want to deal with is what you say regarding the Ottawa agreement. I should like to know more clearly what your view is. You don't object to the arrangements which have resulted from the Ottawa agreement in regard to sheets, because later on in your representation, I notice you support the agreement on general grounds.

Mr. Mookerjee.—Yes.

President.—But there is one particular point, I think, regarding which you raise an objection.

Mr. Mookerjee.—That is the question of monopoly.

President.—Your point particularly is this that the duty was levied more or less at the original level on Continental sheets, but the duty on British sheets was reduced to Rs. 53 and the duty on British sheets manufactured from Indian sheet bar was reduced to Rs. 30.

Mr. Mookerjee.—Yes.

President.—The consumer in this country didn't get the benefit of the reduction in these duties, is that your point?

Mr. Mookerjee.—Yes. We feel that, although it created a duopoly in theory, the entire advantage went to Tata's in the way of a monopoly to the extent of their entire output. Of course owing to this bad trade we have practically had to suffer the entire burden. The merchants were unable to import anything and what is more, we feel, it has kept the price up at a very artificial level and thereby apart from causing loss to the consumers, it is putting all the merchants out of business.

President.—Let me take these two points separately. I will first take the question of price. You are quite familiar with the real nature of that agreement as we are here. The agreement was concluded with the definite purpose of helping in the first instance the Tata Iron and Steel Company to realise for their galvanised sheets a price which was supposed to represent for them a fair price.

Mr. Mookerjee.—Yes.

President.—And in the second place it was supposed to assist British manufacturers of sheets in return for certain reciprocal advantages and help them also to realise a minimum surplus for their works cost in the Indian market.

Mr. Mookerjee.—Yes.

President.—And the duty was reduced from Rs. 83 to Rs. 53 in the case of British sheets, because it was thought that by agreement it would be possible to maintain the price at the level of Tata's fair selling price and at the same time enabled the British manufacturers to realise a surplus not exactly corresponding, but somewhat corresponding to the difference between the original duty and the reduced duty.

Mr. Mookerjee.—Yes.

President.—Therefore if under the agreement prices were maintained at a level of Rs. 215, it really was a result which was expected from the agreement regard being had to the principles of the agreement. Have I made my point clear?

Mr. Mookerjee.—As regards the principles of that agreement we are thoroughly convinced that it was quite in order, but we felt in the first place that the fair selling price was taken at Rs. 215 and that was arrived at very arbitrarily without regard to actual costs either of Tata's sheets or of British sheets.

President.—It was based more or less on the original figures that we adopted in 1928 subject to reductions on account of spelter.

Mr. Mookerjee.—In this connection I would refer you to Statement 10 of Tata's representation. They say that their net realisation in 1931-32 was Rs. 213 and between 1932-33 it was 211 and Tata's to-day's quoted price is about Rs. 219, but their net works cost during the same period from Statement 1-B has been Rs. 134 for 1931-32, Rs. 126 for 1932-33 and now it is about Rs. 116. Adding the full overheads of Rs. 50 per ton and Rs. 19 for adjustments, it left them an extra surplus margin of Rs. 10, Rs. 16 and Rs. 33 all this time.

President.—That is an argument in the present enquiry for considering a reduction of the duties.

Mr. Mookerjee.—We then do admit that the principle of that agreement was fulfilled.

President.—The point about which you are really anxious is that in considering the scale of duties in the future, we ought to take into account the fact that Tata's works costs in respect of sheets have come down a very great deal as compared with their original costs. That, I suppose, is the real point.

Mr. Mookerjee.—That is the real point. Of course we admit that we have had some benefits as well. It has stabilised prices for one thing and although consumption has fallen, it has prevented dumping from Japan and the Continent.

President.—I think stabilisation apart from a reduction in the level of prices has the effect of stimulating consumption. It prevents that kind of disorganisation in the market.

Mr. Mookerjee.—It prevents speculation of course, and it has got other advantages for the trade.

President.—There is one point that arises in your statement regarding the prices under the Ottawa agreement. I am simply asking as a matter of information. After the agreement was arrived at, suppose the British manufacturers fixed their prices in this country not at this arbitrary figure of Rs. 215 but at a lower figure corresponding to the lower duty of Rs. 53: suppose at the same time the requirements of the market necessitated a certain quantity of imports from the Continent, from Belgium, on which the duty would be the higher duty of Rs. 83 and whose prices would be corresponding to the higher duty, in that case although the British manufacturers might agree to reduce their prices to merchants here to the extent of the reduction of the duty, the merchants would be able even on British sheets to get a higher price in the same market corresponding to the duty of Rs. 83.

Mr. Mookerjee.—Not exactly, for this reasons that in the first place protection is asked for seven years and we don't expect that the demand will really jump up to the old boom level and even if there is a shortage as a result of a boom—for instance if Tata's are able to make only 90,000 tons, we will have to go to the British works for the balance—there will be market competition and the competition among the makers on the other side to sell and these two elements are bound to stabilise that part of it to a very great extent.

President.—What would have been the result say after November, 1932? It was since the first of November that we began to have these artificial prices.

Mr. Mookerjee.—Yes.

President.—Supposing what had happened was this: that the British maker agreed to reduce the price because the duty was reduced but the Belgian sheets had to sell at a higher price. Obviously from the way in which the conditions operated in the market, although the British manufacturer might sell at a reduced price, the merchant who sold British sheets must get the benefit of the difference. The British manufacturer may surrender the profit but the merchant is bound to make the profit.

Mr. Mookerjee.—That would have been possible if there was a monopoly on this side. There are certainly 50 to 60 merchants in Calcutta who would be competing with each other and it is not possible to maintain such a high margin of profit. There are so many local competitors. It is true that the merchants here would make a little extra profit if Tata's were unable to supply the balance of the requirements but it would not be so serious as it would appear on paper.

President.—Or as it would appear from purely theoretical considerations.

Mr. Mookerjee.—It has happened before when Tata's were not in the market. It has also happened that during the last year and also during this year there have been months when no shipments came from Tata's and only British sheets were sold. They were the only goods available and even then we were not able to make any more than the usual profit.

President.—If Tata's agreed to sell at the British price and the British price was reduced in consequence of a reduction of the duty, then what would have happened probably would have been this that unless Belgian sheets were sold in the country at the same price as Tata's and British price, they would be practically driven out of the market and if the market required increased supplies you would get them from British works.

Mr. Mookerjee.—Yes, to a great extent. There is just one point which I would like to bring to your notice. I think even if there was a complete stoppage in the supply of Tata's sheets—if their plant broke down or something of that kind happened—there would be sufficient stocks of British sheets here and sufficient importations to prevent us from forming a sort of monopoly.

President.—If there was a breakdown in Tata's plant for a week the existing stocks in the country would be more than sufficient to meet the shortage.

Mr. Mookerjee.—Yes that is true. Perhaps a week would not matter at all or even a month in these times.

President.—What is the sort of trade that would matter?

Mr. Mookerjee.—The galvanized sheet trade is a seasonal one. The demand is not constant for all the months of the year.

President.—That is very interesting. What exactly is the seasonal variation?

Mr. Mookerjee.—Our demand depends upon two circumstances. One is the price of jute and the other the price of rice. From September onwards the demand entirely depends on the jute districts. From January to April, the demand is from the rice centres principally.

President.—Which are the rice centres?

Mr. Mookerjee.—Rice centres are parts of East Bengal, North Bengal, Midnapore, etc.

President.—Jute is principally East Bengal.

Mr. Mookerjee.—Yes, and jute is also grown in other districts of Bengal. In East Bengal galvanized sheets are the only medium of making houses. The weather is damp. People don't suffer from damp by living in tinned houses. Rivers are constantly changing their course and there are floods and houses have to be dismantled and carried to distant places. Naturally they have to be portable. Even some of the largest houses of the very well to do are made of galvanized sheets. No other form of houses is safe or suitable.

Mr. Wiles.—It is not for roofing only?

Mr. Mookerjee.—No.

President.—The whole construction is made of galvanized sheets.

Mr. Mookerjee.—We have known during floods the raiyats and farmers and other inhabitants of the place taking the whole house after dismantling in a boat without almost losing anything.

President.—So that it is perfectly correct to maintain that the consumption of galvanized sheets would depend very largely on the sort of prices that the raiyat gets in the first instance for jute and in the second instance for rice.

Mr. Mookerjee.—Those are the deciding factors.

President.—Now the fall in the price of paddy has been even greater than the fall in the price of jute.

Mr. Mookerjee.—No.

President.—How do these prices compare? I have not looked up the figures.

Mr. Mookerjee.—The price of jute has fallen by about 50 per cent. It all depends on which year you consider as normal.

President.—If you take it from the beginning of this period of protection?

Mr. Mookerjee.—Say 1927. 1927 was a good year for jute—particularly 1928.

President.—It has been declining steadily since then.

Mr. Mookerjee.—Yes.

President.—The extraordinary thing was that 1927-28 which was the best year for jute was also the best year for galvanized sheets.

Mr. Mookerjee.—That has been so.

President.—Now the bulk of the Indian consumption of galvanized sheets is in this province.

Mr. Mookerjee.—In Bengal.

President.—I should say more than half is consumed in Bengal.

Mr. Mookerjee.—Yes.

President.—So that the consumption in Bengal will have a very direct effect.

Mr. Mookerjee.—We will give you approximate figures of Bengal consumption as compared with total consumption. For instance in 1928-29, 331,000 tons was approximately the net import. As against that, Bengal has taken 158,665 tons.

President.—That is about 50 per cent.

Mr. Mookerjee.—Yes.

President.—In 1926 Bengal absorbed slightly more than 50 per cent. of the total consumption.

Mr. Mookerjee.—If we were to have a boom year in jute for instance and if it happened also to be a boom year for rice, then Bengal might even

take 70 per cent., but that very seldom happened. A good jute year is seldom followed by a good rice year.

President.—What is the class of population which uses galvanized sheets for house construction?

Mr. Mookerjee.—You mean in East Bengal?

President.—Is it labouring class?

Mr. Mookerjee.—Yes.

President.—I thought that it was the class whom we might conveniently describe as the lower middle class.

Mr. Mookerjee.—No, it is mostly the cultivators and farmers. In the first place they must have their barns to store jute and rice made of galvanized sheets.

President.—It is the very small raiyats.

Mr. Mookerjee.—Yes, they are our biggest buyers.

President.—A man who works as a paid labourer in a paddy field for instance cannot afford to buy galvanized sheets. The minimum expenditure that he has to incur would make it rather difficult for him. It is I believe the smaller raiyat class.

Mr. Mookerjee.—Yes, I should say.

President.—The labouring classes I expect would use grass thatch and things like that. They simply cannot afford the minimum payment that is required for galvanized sheets. You say that walls and the roof are all made of galvanized sheets. Take the sort of a house with two rooms and a kitchen attached. What would be the quantity of galvanized sheets required for that?

Mr. Mookerjee.—We can only give you a rough idea.

President.—That is all I want just for illustrative purposes.

Mr. Mookerjee.—26 cwts.—say 15 bundles. The average price is Rs. 11-8.

Mr. Natesan.—How many sheets would there be?

Mr. Mookerjee.—It would depend on the length of the sheets. There will be 12 sheets if they are 6 feet long.

President.—A reduction of the duty to Rs. 50 will make a very considerable difference.

Mr. Mookerjee.—It might make the consumption more than double.

President.—If you take 26 cwts. for a small house of two rooms, then a reduction in the duty to Rs. 50 per ton would mean a reduction of about Rs. 65 in his expenditure on the house. It is a very considerable difference. I did not realise that it was quite so much as that.

Mr. Wiles.—It would come to a reduction of 20 per cent.

Mr. Natesan.—Do you think that as much as 26 cwts. will be required for a small house?

Mr. Mookerjee.—Because the walls and the roof are made of sheets. Two rooms of the average size in a house and a kitchen will require as much as that. In East Bengal it was also customary to invest their surplus capital in buying galvanized sheets. It was supposed to be such an easily saleable commodity and so useful a commodity that the raiyat had been used to store up.

President.—As good as silver.

Mr. Mookerjee.—Yes. As a matter of fact all sellers of jute in the mufassal used to advise their Calcutta buyers to send them money in the shape of galvanized sheets. They think that it is a very good investment. Not only do they make houses with these sheets but also fencing.

President.—In the days when there was a good market for galvanized sheets not merely in the sense that the demand was steady but in the sense that there was a possibility also of prices gradually rising, it was a good

investment in the sense that you not merely did not lose your money but you might on occasions also make some money on them.

Mr. Mookerjee.—That is also part of the reason, but the main reason is that it was such an easily saleable thing. Of course it comes back to the same thing.

President.—It was not merely a safe proposition but occasionally a good speculative proposition.

Mr. Mookerjee.—Yes.

President.—The Calcutta wholesale index number does not show paddy separately. All cereals are put together, so that one is not able to judge.

Mr. Mookerjee.—Jute has suffered most because it is a monopoly produce.

President.—I should have thought that depression in paddy was very, very serious.

Mr. Mookerjee.—Yes, but it is more serious in the case of jute because they cannot dispose it of.

President.—What can you do with your rice if you have got all the rice that you want for consumption?

Mr. Mookerjee.—Rice is also a form of barter in many places in East Bengal. We know of even recent instances in these days of depression in certain districts of Bengal rice was bartered for other commodities like vegetables, cloth, etc. Even many Marwari merchants went there and gave them goods in exchange for rice.

Mr. Natesan.—For cloth also?

Mr. Mookerjee.—Yes, all domestic requirements.

President.—If you take the whole crop of cereals in 1927 it was 131 and in 1932, 68. If you proceed on the index number for cereals as a whole that also represents a fall during this period of six years of more than 50 per cent.

Mr. Mookerjee.—Yes. Our fall in consumption has been 56 per cent.

President.—If you take the peak year to start with.

Mr. Mookerjee.—Yes. It is difficult to take the peak year. The consumption has been fairly steady from 1925 onwards.

President.—Fall in agricultural prices has brought about this decline.

Mr. Mookerjee.—It was partly due to fall in agricultural prices and we think these duties also then came into force and considerably helped this decline.

President.—When there was this fall in agricultural prices it was at the same time that the price was artificially put up by means of duties. Therefore prices went up, purchasing power went down, the two things to some extent coincided with the result that there was this phenomenal decline.

Mr. Mookerjee.—We have got here a statement to show how the prices have been kept at the same level right from 1930-31 and irrespective of other market conditions. Although we cannot account for the entire decline of 66 per cent. as being due to the high duties, yet at least 50 per cent. of the fall is due to prices being kept at the same level by high tariffs.

President.—The correct way of putting it would be this: that the purchasing power of the smaller raiyat as far as you can judge by jute prices and paddy prices declined about 50 per cent.; at the same time the price of galvanised sheets as compared with 1929 has not fallen at all and remained steady. If you take the earlier year 1926-27. Then the decline in price from 1927 to 1932 is about 7 or 8 per cent.

Mr. Mookerjee.—It has been very steady.

President.—In the same period the prices of agricultural produce in Bengal have fallen from 50 to 60 per cent. and there is no doubt whatsoever that the decline in the consumption of galvanised sheets must be accounted for on that basis.

Mr. Mookerjee.—I don't mean to dispute that proposition at all. It has hit the consumer very much because it is almost a necessity to him in East

Bengal. You will realise that East Bengal is a network of rivers and little canals; there are places where you cannot approach by railways and the only method of building cheap houses for living is with galvanised sheets. Of course steel is a different proposition; you can substitute logs, you can use wood, but you can't replace galvanised sheet with a cheaper substitute. Even huts they build with galvanised sheet.

President.—If you look at your letter where you say “If it could be possible to continue this agreement under certain conditions which would prevent this combine from exploiting the consumers of this country by making unduly large profits, we feel sure it will help to solve many future problems of this trade as well as of our industry”, suppose a price was fixed for galvanised sheets in the country, for argument's sake we take the figure of Rs. 185—we are not by any means committed to that figure—at the port and it is arranged that that should be for the protective period the fair selling price for the Tata Iron and Steel Company and we arrange the duty on British sheets in such a way that a price of Rs. 185 would be maintained; we have a duty on Continental sheets which would also have the effect of fixing the price round about Rs. 185, then that is a reduction from the present figure of Rs. 225 of Rs. 40?

Mr. Mookerjee.—Yes.

President.—If there is a reduction of Rs. 40 hereafter and arrangement is made by which the duty on British sheets and the duty on galvanised sheets at the respective rates will enable in this country a steady price of Rs. 185, you would consider that a considerable improvement on the present position?

Mr. Mookerjee.—Yes. But we feel that the price agreement is not the best way to increase consumption especially when we have to buy a good portion of our requirements from outside. In our opinion we think the real trouble centres round first the fixing of the fair selling price of Tatas and then if we decide to buy the balance of our requirements from the United Kingdom and you have a minimum duty on that, and in order to avoid the danger of prices in the United Kingdom going up or coming down, if you have a sort of machinery whereby that could be regulated without much loss of time I think that would be the best way of solving the problem.

President.—That is to say not to base it entirely on agreements but to make it to depend in the first instance on the operation of a duty and if the duty varies to an extent which affects the Indian steel industry then putting the off-setting duties into operation? That is what you want?

Mr. Mookerjee.—Yes.

President.—The difficulty there is this. As you probably know at present the price of galvanised sheets is an artificial price.

Mr. Mookerjee.—Absolutely.

President.—What the Tata Iron and Steel Company have done in their representation is to give us as the current price of galvanised sheets a price that ruled in January—June, 1932 subject to adjustment on account of the fall in price of spelter. I think personally, that is a very arbitrary way of arriving at a price figure.

Mr. Mookerjee.—Yes. I don't think it really matters really what the price of the imported sheet is as long as we can have a sort of arrangement whereby these duties can be regulated. Present prices may be very high in the United Kingdom or the 1932 prices might have been too low. It would depend constantly on the world conditions to find out what should be the basis.

President.—If along with the duty say on a differential basis you get an agreement from the manufacturers in the United Kingdom that they would not sell during the protective period below the price that we have estimated as the fair price for the Tata Iron and Steel Company: you have a duty on British sheets and at the same time you get an agreement from them that they will not sell below the estimated price, then to that extent as a result of the agreement you can avoid frequent operation of the off-setting duty clause?

President.—Supposing you sell at Rs. 185 and we fix the duty at X rupees, in order to make the British price come up to Rs. 185, and we also include a provision under the scheme of protection that if this price falls the off-setting duty clause would apply and along with that we get an undertaking that they would not sell below this price, to the extent that we have this undertaking we avoid the necessity of putting the off-setting duty provision into operation and therefore to that extent disorganisation in the market would be less.

Mr. Mookerjee.—That is a very sound way, but as we have got to buy a good portion of our requirements from outside, don't you think it would be better to have this machinery working at the same time?

President.—The machinery would work: straightaway there was a fall the machinery would come into operation, but in order to prevent any unnecessary alteration of tariffs you have the agreement as a sort of additional provision.

Mr. Mookerjee.—It would be sound but how would it affect the consumption?

President.—Consumption would be determined entirely by the price that ruled in the country. Supposing after examining Tatas costs, overhead charges, profits and so on, we are able to suggest a substantial reduction in the duty and the price that rules in the country under the agreement arrangement or tariff arrangement is a considerably lower price than the present price, as far as consumption is concerned that meets the situation. The whole purpose of off-setting duties and so on is to prevent disorganisation as far as trade is concerned. You want to make your purchases ahead and if there is constant uncertainty about the duties you will be prevented from doing that.

Mr. Mookerjee.—That is true. But would the British works for instance agree to our fixing the duties after the arrangement is concluded?

President.—The price will remain for the whole of the protective period at the figure that we estimate as the fair selling price for the Tata Iron and Steel Company. That would remain there. If duties vary it is simply for the purpose of keeping this steady. There are two elements of uncertainty in this matter and I would like to know your opinion on that from your experience as a merchant. In this business of protection, especially when the economic conditions are so unsettled as they are to-day, there are two elements of uncertainty both of which react upon trade. The first is the level of price that we fix and the second is the level of the duty. As far as the consumer is concerned what matters to him is the price at which he can get it. Taking his purchasing power is the price such that he can buy his galvanised sheets at a price which is within his resources? That is what interests the consumer. You people who are in the trade have got to make contracts and so on and when you make an agreement you must be in a position to know exactly what the level of prices is going to be otherwise you would be seriously affected. If the price is fixed as a result of constant variation in tariffs the consumer will not suffer but you will suffer. In order to prevent an undue variation in tariffs we get an agreement from the importers in the interest of traders in this country. We say "we want you to sell at the agreed price" but we back it up by an off-setting duty provision because if they do not abide by that agreement, this off-setting duty provision comes into operation. But from the point of view of trade it is probably more desirable that duties are not revised more frequently than is absolutely necessary, otherwise your arrangement with regard to purchases will be affected.

Mr. Mookerjee.—The danger would be of course that the same monopoly would exist only at a lower level.

President.—If the level of prices is what is required for the Indian steel industry and the monopoly agrees to keep it at that level then what harm is there?

Mr. Mookerjee.—This we thought was the October figure for black sheets.

Mr. Atha.—In October the cost of the new mill unit was about Rs. 15 below the average.

Mr. Mookerjee.—I think the new mill is not yet in operation.

Mr. Atha.—It is in operation, but it doesn't produce the whole output. That reduction of Rs. 15 refers only to a portion of the total output.

President.—The question of works costs we are going to decide. You are obviously not in a position to help us.

Mr. Mookerjee.—No.

President.—That is so far as discounts, etc., are concerned. What about this question of freight disadvantage? I take it you are not in a position to offer any useful suggestions.

Mr. Mookerjee.—We say that with a slight improvement in demand, we expect Calcutta which is the freight advantage area would be able to consume larger quantity of Tata's sheets than Bombay. In view of this fact and also that Calcutta will always absorb more galvanised sheets, this claim can be reduced by a very small figure of Rs. 2 per ton.

President.—Last year they had an actual advantage of Rs. 1-8 and your suggestion as against a freight advantage of Rs. 1-8 in 1932-33, they may be allowed a disadvantage of Rs. 2-8.

Mr. Mookerjee.—Rs. 2.

President.—That means you are prepared to allow that their position in regard to galvanised sheets in freight matters would be made worse to the extent of Rs. 3-8.

Mr. Mookerjee.—Yes.

President.—The main ground on which you rest your conclusion is that as the market revives, Calcutta and the Bengal areas ought to be able to absorb a good deal more than the outlying places like Bombay, Madras, Karachi and United Provinces.

Mr. Mookerjee.—Yes.

President.—I come to this question of the unaccounted for adjustment of Rs. 8. Their point with regard to well known brands is that since they are relatively new in the market, it would be necessary for them to charge lower prices on brands which have been better known in the market.

Mr. Mookerjee.—We want to say that in this connection Tata's have certainly considerably improved their quality lately in as much as it has completely replaced all British any good branch qualities. All the ordinary British qualities are out of the market. Now only two of the more popular brands are coming into Calcutta. One is the Dorman Long's quality and the other is the Grovesend quality. These sheets always cost more than the current price of British sheets. The Grovesend quality costs 2s. 6d. more than the average per ton and Dorman Long's quality costs about £1 premium.

President.—What is the difference due to?

Mr. Mookerjee.—Dorman Long's quality is in the first place made of British bars. This brand is more than 50 years in the market. The galvanizing is superior and they last much longer than other British sheets. They are manufactured by special process.

President.—Untested material made out of tested quality.

Mr. Mookerjee.—It is a tested quality in a way.

President.—Galvanised sheets are tested?

Mr. Mookerjee.—These R. P. D. sheets are not always up to I. S. D. specification but you might call them tested sheets as they are manufactured from selected steel.

President.—What kind of specification the Indian Stores Department have for galvanised sheets?

Mr. Mookerjee.—They have got a specification where so much spelter is to be used per square foot for such and such a gauge. It must all be correct.

President.—Have you got a copy?

Mr. Mookerjee.—Yes, but I haven't got it here.

President.—Will you send it later on?

Mr. Mookerjee.—I could, but I would have to obtain it.

President.—I suppose we could obtain it ourselves. Tata's have sold entirely in the bazaar. I suppose they do not necessarily conform to I. S. D. specifications.

Mr. Mookerjee.—Not at all. As a matter of fact they have replaced completely the average quality of British sheets. All the other brands are out of the market except these two with one exception and that is the John Summer's quality imported by Messrs. Balmer Lawrie and Company. That is confined to the thicker gauges.

President.—Thicker than 24 gauge.

Mr. Mookerjee.—They get small quantities of 24 gauge also but it is mostly 22 and thicker gauges. That is not generally in the Calcutta market. It is almost entirely sold by Messrs. Balmer Lawrie and Company against orders or contracts.

President.—It is sheets purchased by railways and Government which have to conform to I. S. D. specifications.

Mr. Mookerjee.—Yes.

President.—The thicker sheets which are imported by Messrs. Balmer Lawrie and Company are sheets which conform to I. S. D. specifications.

Mr. Mookerjee.—Yes, most of it.

President.—But this particular brand of Dorman Long is thinner than 24 gauge.

Mr. Mookerjee.—It is 24.

President.—It is 24 gauge of I. S. D. specification. Balmer Lawrie's are 22 gauge of I. S. D. specification.

Mr. Mookerjee.—Yes. Messrs. Balmer Lawrie and Company probably import the thicker gauges for execution of their own orders or of contracts with Government or Railways. That does not interfere with Tata's sales of 24 gauge.

President.—Am I justified in thinking that at present the bulk of British imports of galvanized sheets are imports of sheets conforming to I. S. D. specifications?

Mr. Mookerjee.—Not exactly. The Grovesend quality does not conform to I. S. D. specification. The R. P. D. imports also are not always up to I. S. D. standard.

President.—Does that represent fairly large quantities?

Mr. Mookerjee.—60 per cent. is Grovesend quality.

President.—That is for bazar requirements.

Mr. Mookerjee.—Yes. It costs 2s. 6d. more to the buyer. Tata's are protected by the usual duty. That should not form any disadvantage.

President.—You may refer to their explanation of this.

Mr. Mookerjee.—In Bombay the position is a little different. There is no brand disadvantage at all. As a matter of fact British and Tata's sheets are sold at more or less the same price—perhaps an anna more.

President.—Why does that difference obtain in Bombay?

Mr. Mookerjee.—In Calcutta, it has always been a market for quality and they have always paid for certain classes of brands. As a matter of fact during the last three or four years since Tata's have increased their production and come into the market these superior grade sheets have remained and their quality has completely shut out imports of the ordinary

Mr. Mookerjee.—We will send you a statement later on. The next point that we would like to draw the attention of the Board is we feel that the solution of the most important problems centres round one factor only and that is what would be the fair selling price of Tata's sheets.

President.—What is the sort of suggestion that you want to make?

Mr. Mookerjee.—With that object in view we have prepared a note.*

President.—As a matter of fact these are all points that I want to raise in any case with you. As far as the works are concerned, we are in a position to examine the question fully. We have got the necessary data for that.

Mr. Mookerjee.—Yes.

President.—As far as the question of overheads in the sense of depreciation, profit, interest on working capital is concerned.

Mr. Mookerjee.—That is fair, we all admit, considering their large capital.

President.—We can do that ourselves. It is the question of adjustment that is worrying me and that is a matter on which you as an experienced importer ought to be able to help us. I should like to discuss that with you.

Mr. Mookerjee.—Yes, we will help you to the best of our ability.

President.—You know the general position as set out in Tata's representation. There is first the various discounts, commission and so on that they claim on galvanised sheets.

Mr. Mookerjee.—There is the rebates to merchant houses also.

President.—There is the cash discount of one per cent., merchants' commission one per cent., then the rebate of Rs. 1-8, miscellaneous claims .25 per cent.; defective .25 per cent. and bad debts .25 per cent. It gives you on galvanised sheets 2½ per cent. of the fair selling price plus Rs. 1-8 per ton. I have worked out on their fair selling price as they have given and it is about Rs. 6. As freight disadvantage on galvanised sheets hereafter they claim Rs. 5. Then there are all these unaccounted for adjustments for which they claim on galvanised sheets Rs. 8. In all they claim Rs. 19. I want to know your opinion with regard to their claims under discounts, commission and so on. They ask that in the fair selling price must be included one per cent. for cash discount. That you consider a reasonable allowance.

Mr. Mookerjee.—That is not included in the price of imported sheets.

President.—In the c.i.f. price.

Mr. Mookerjee.—We buy on net basis. Everything else we have to add on; the discount, draft interest and other charges.

President.—I gather from the letters that we got from importers of structurals and bars and so on, that is to say, tested materials that their c.i.f. prices included commission.

Mr. Mookerjee.—The return commission you mean.

President.—That is what they call c.i.f. c.i.

Mr. Mookerjee.—That is a matter of arrangement only.

President.—What is the general arrangement with regard to galvanised sheets?

Mr. Mookerjee.—As regards galvanised sheets, the arrangement is c.i.f.

President.—Not c.i.f. c.i.?

Mr. Mookerjee.—No, except by special arrangements with the shipper.

President.—That I can take as a correct statement as far as the general practice of galvanised sheets are concerned.

Mr. Mookerjee.—Absolutely. Even I as a distributor for Dorman Long don't get even a rebate. It has to be added on to the price.

President.—The cash discount, the merchants' commission, deferred rebates, supposing you have a loss in transit and so on?

Mr. Mookerjee.—That is covered by the insurance.

* *Vide Appendix.*

President.—It of course is an additional charge to the c.i.f.

Mr. Mookerjee.—Yes.

President.—The insurance is only up to port in c.i.f., but when you ship it from port to inland centre, that is your risk.

Mr. Mookerjee.—That is our risk.

President.—I was not thinking of the usual insurance.

Mr. Mookerjee.—That is either our loss or the loss of the special dealer who bought it or perhaps the railways, if we send them on railway risk. As regards allowance for defectives, that is a reasonable allowance especially in regard to Tata's because there are until recently of course a lot of defectives coming in their prime shipments. That we admit is a fair allowance.

President.—They want quarter per cent. for bad debts.

Mr. Mookerjee.—As regards miscellaneous claims we think 3 annas which they charge is fair. As a matter of fact in our estimate we have only allowed 7 annas out of Rs. 6 which they have asked for.

President.—You are prepared to allow these claims miscellaneous and defectives. What about bad debts?

Mr. Mookerjee.—That is never allowed in any other import business, or in any other business. Now it entirely depends on how the Board would view it.

President.—If you are importing on consignment, what is the usual practice?

Mr. Mookerjee.—We don't get consignments. We have got to buy outright every time. Formerly there were some shippers who used to send their goods at their own risk to their agents and that was not the risk of the makers; that was a risk which some other intermediate merchant was taking on his own account.

President.—If you find some person to whom you have sold the goods is not able to make good his payment, then you have got to stand the loss.

Mr. Mookerjee.—Yes. I may provide it in my sale.

President.—You might add a small percentage to your selling price.

Mr. Mookerjee.—It is never more than $\frac{1}{4}$ per cent.

President.—One-fourth per cent. in regard to bad debts may be regarded as a reasonable proportion.

Mr. Mookerjee.—Yes.

President.—Your point is that one-fourth per cent. is an addition to the c.i.f. price.

Mr. Mookerjee.—It is not included by Foreign-makers when selling.

Mr. Natesan.—Do the Income-tax Authorities allow for bad or irrecoverable debts?

Mr. Mookerjee.—We have not heard of that. I don't think so.

President.—Even where they make the allowance, this does not alter this point, because in calculating the profit, allowance is made for that. If there is a bad debt, the merchant has got to stand it.

Mr. Mookerjee.—It is not included in the cost price at all.

President.—What the Income-tax people are concerned to find out is if there is bad debt, they are prepared to allow that and it is on the reduced profit income-tax is assessed.

Mr. Atha.—You say: "We have heard in this room that the works costs in October for black sheets was (in spite of no increase in production) already about Rs. 15 per ton below the figures given for January to June, 1933". I think I made a statement that the cost on the new mill unit was about Rs. 15 per ton below the average for the first six months of 1933. It covers about a third of the total output.

Mr. Mookerjee.—As merchants we always expose ourselves to the danger of a lower price.

President.—There will be no lower price, there will be the agreement and secondly there is the off-setting duties provision.

Mr. Mookerjee.—I doubt very much whether an agreement of that nature would be possible because it means first that the foreign maker will not be able to sell at a lower price than is fixed and secondly they will have the constant danger of the off-setting duties acting against him.

President.—But the off-setting duties provision does not operate against him unless he lowers the price, and if he raises the price to the detriment of the consumer then also the off-setting duties come into force, so that this provision under the scheme of protection is a deterrent which would have the effect so to speak of binding the foreign manufacturer to the agreed price.

Mr. Mookerjee.—If an agreement of that nature is possible, I think it is very beneficial to the trade and to the industry but I doubt the possibility of an agreement of that nature.

President.—I think to some extent we are talking at cross purposes. The primary thing is the off-setting duty. You get this off-setting duties provision under the scheme of protection. What I feel is that from your point of view it is possibly better that that off-setting duty provision is re-inforced further by an agreement so that what you depend on in the last resort is the off-setting duty provision. But since the variation in the duties affects you more than the consumer because you have got to make your purchases over a long period, therefore the agreement may have the effect of reducing the frequency of variations in the off-setting duties. The sanction for the undertaking is the off-setting duties provision. If he is not in a position to abide by the agreement he knows that the off-setting duties would be applied. Personally I am not so much interested in this question from the point of view of the consumer, I am interested in this question from your point of view because my own feeling is that it is the trader who suffers by an alteration of the duties.

Mr. Mookerjee.—Yes. We had bitter experience of that during the last five or six years when the duties have been constantly altered.

President.—We reduce the price to the lowest possible level considering the interest of this country and of the industry: for the sake of the trader we ought to have an arrangement which will make a frequent revision of duties unnecessary. That you would regard as a satisfactory arrangement?

Mr. Mookerjee.—Yes.

President.—Have you any information about the current import prices of galvanised sheets?

Mr. Mookerjee.—We have got the Japanese and Belgian prices. We have had recently a cable from Bombay that they are selling there at about Rs. 8 below Tatas. We received this cable yesterday specially for the Board. As regards Belgian prices we have no definite quotation but when we sent in this representation to the Tariff Board the price of Belgian sheets was round about £12-5 c.i.f. Calcutta; that is for 24 gauge. To-day—two and half months later—it is £11-10 and it is likely to go lower. We have got a very small proof here of an order placed at £11-15 sometime ago. That is for Nepal for a small lot.

President.—£11-10.

Mr. Mookerjee.—That is a fall of about 15 shillings per ton. Of course the currency question on the Continent is also very uncertain at the moment. For instance if the Continent went off the Gold Standard, that would certainly push down the prices very rapidly.

President.—You can't afford to make a provision straightaway against a peculiar contingency of that kind. When it comes, you have got to meet it by operating the tariff machinery in a suitable manner.

Mr. Mookerjee.—Already you will find even with these high duties the Continent as well as Japan have climbed up the wall.

President.—What is the sort of lowest price for Belgian sheets on which you would ask the Tariff Board to base its proposals?

Mr. Mookerjee.—Continental prices have gone as low as £8-10 f.o.b.

President.—£8-10 would be about £10 c.i.f.

Mr. Mookerjee.—£9-15 c.i.f.

President.—How long ago was that?

Mr. Mookerjee.—During 1930 and later. That is due to the ratewar. These low prices were prevalent before the Ottawa agreement.

President.—But the current prices c.i.f. in India of Belgian sheets may be taken at £11-10.

Mr. Mookerjee.—On the price prevailing to-day we could buy it at 5 shillings cheaper.

President.—For a substantial quantity it would be £11-5.

Mr. Mookerjee.—That is from the Continent. We could not buy British sheets, even any quantity for anything less than the fixed price.

President.—They have carried out their undertaking, I suppose in that respect as regards their price of Rs. 215. Their prices has been round about that.

Mr. Mookerjee.—Their prices have been maintained.

President.—If you take £11-5, it is Rs. 150.

Mr. Mookerjee.—Rs. 152 or Rs. 153. At £11-10 the price works out to Rs. 160 ex-duty.

President.—Including landing charges?

Mr. Mookerjee.—Yes.

President.—That is quite true. If you take £11-5, I should say about Rs. 153 would be the landed price without duty.

Mr. Mookerjee.—Rs. 3 less.

President.—At current rates of exchange?

Mr. Mookerjee.—Yes. Our point is that both these other two sources, Continent and Japan are very undesirable from every point of view both for the trade as well as for the industry.

President.—Why do you say for the trade?

Mr. Mookerjee.—Erratic competition and price cutting.

President.—These constant ups and downs.

Mr. Mookerjee.—Even in the Japanese trade, whether it is cotton piece-goods or anything, the dealers are the people who have suffered most all these years. The constant lowering of prices forces them to buy heavier quantities to cover their loss or average their loss and they have to buy much in excess of their requirements. Even then there is constant cutting going on afterwards. If these two sources are not shut out completely, we don't think the object of protection will be achieved.

President.—What you want as dealers is real stability. That is your main consideration.

Mr. Mookerjee.—Yes, we want stability. We want of course Tata's quota to be protected first and the balance we must buy from the most suitable sources outside this country.

President.—Suitable sources in the sense that you can get the quantities you want at a fairly stable level of prices.

Mr. Mookerjee.—Yes.

President.—Have you got a statement of recent Belgian prices?

Mr. Mookerjee.—No. We could furnish it if you like.

President.—Yes. We want to know the current c.i.f. prices.

quality. Therefore this question of brand disadvantage is practically eliminated.

President.—Why is Bengal more fastidious about quality than Bombay?

Mr. Mookerjee.—In everything Bengal is.

President.—In salt you want white salt; in cotton you want finer goods and in sheets you want superior sheets.

Mr. Mookerjee.—As a matter of fact in the beginning it was very difficult for Tata's to introduce their sheets and people would not take any goods that were not properly packed or were not properly finished or those goods that did not have any shine on them. They would pay a little more for superior goods. That is because Bengal has always made monopoly profits in some of her produce. Perhaps that would account for this discriminating tendency.

President.—The person who consumes salt is not the person who has made a profit out of any monopoly. It is not a question which we need discuss. It is a psychological question. If you look at paragraph 92 of Tata's representation, they say:—"The net realisations on galvanized sheets in 1932-33 have been affected by the necessity, owing to the large increase in the output of selling comparatively large quantities in areas where the Company's sheets were not previously known". You have met that point.

Mr. Mookerjee.—Yes.

President.—They go on to say:—"Over a large part of India imported sheets of well known brands had established a hold; they could at first be displaced only by offers of the Company's sheets at low prices and further time must still elapse before the Company's sheets are sufficiently well known in all markets to sell on the same basis as the established imported brands, some of which still command a premium in some Indian markets because of their long established connection and reputation. And during the last quarter of 1932 the market for galvanized sheets particularly in Bengal was very disturbed as a result of uncertainty about the forthcoming changes in the duty; the Company had therefore to make reductions of price in order to ensure the disposal of its output". That no longer holds good.

Mr. Mookerjee.—No.

President.—Your suggestion is with regard to the first consideration that conditions have materially altered as far as that is concerned.

Mr. Mookerjee.—Certainly. Take the provinces like the United Provinces, Bihar and the Punjab. They have stopped buying from us entirely. They are all buying Tata's sheets and they are quite satisfied. Even in East Bengal and the Calcutta market they have got used to Tata's sheets. First of all they are cheaper and the quality is much better now and has improved considerably during the last year or 18 months. Formerly we used to get consignments of Tata's sheets sent out as primes practically wholly defectives. Now that sort of thing has become practically scarce.

President.—What is your final suggestion about the adjustment of Rs. 8? You want that to be completely eliminated.

Mr. Mookerjee.—It is a very unreasonable claim.

President.—The whole of it you would eliminate.

Mr. Mookerjee.—When trying to arrive at a nett fair selling price. I think these charges are really intended to give them extra profit.

President.—You would allow the provision for miscellaneous claims "Defectives and bad" and Tata's freight disadvantage to the extent of Rs. 4.

Mr. Mookerjee.—Yes.

President.—And nothing on this final "unaccounted for adjustments".

Mr. Mookerjee.—No.

President.—You also make the following statement:—"The report of the Indian delegation to Ottawa in paragraph 78 of their report when working

out the duties necessary for that agreement allowed 12s. 6d. for depreciation and profit on manufactures of galvanized sheet in England." You are not suggesting at all that should be the overhead.

Mr. Mookerjee.—No. We could not understand the figure.

President.—Regarding the suggestion that you make later on about pushing up the prices of those varieties of steel for which there is no adequate substitute while reducing the duty on those forms which suffer from alternative materials as competitors I rather doubt if a suggestion on those lines is workable because that would mean, to take one illustration, pushing very considerably the duties on rails.

Mr. Mookerjee.—Yes.

President.—There is of course a very great deal of objection to raising the price of an article of public utility like rails.

Mr. Mookerjee.—We quite realise that.

President.—My own feeling is as far as competition from alternative materials is concerned, if there is a revival in the general level of prices and things like cement and so on go up in prices and at the same time by a reduction in duty we bring down the price of steel to some extent the situation is met almost automatically.

Mr. Mookerjee.—Yes. The last point that we would like to make is this.

President.—Is it another point?

Mr. Mookerjee.—That is about the most favourable time, in our opinion, from the market's point of view to introduce new duties.

President.—What is your suggestion there?

Mr. Mookerjee.—Our market generally closes officially in the middle of July. We have two months of absolute blank.

President.—Doing nothing.

Mr. Mookerjee.—During the monsoon period. That is the time generally when we are really very light on stocks. It would not matter at all if any changes were made then because we would not commence buying till about the end of September.

President.—I am afraid it is rather an awkward time.

Mr. Mookerjee.—We would not mind even if the change was made in June.

President.—I tell you what is going to happen. As far as we know the present duties would probably be automatically extended by Government till the end of September and then if Government are going to legislate on the basis of our proposals, the legislation will come before the Assembly in the September session so that that is a matter which depends entirely upon the conveniences of the legislature and the Government.

Mr. Mookerjee.—Our object of course in pointing this out is this. We don't want we should miss the opportunity of buying during the best part of the year. If there is an uncertainty about the change in duties in March for instance which is the best part of our season, we would not buy. We would stop buying from January and that would mean with present bad trade considerable falling off in imports and consumption. Even the consumers don't buy. The buyers of East Bengal are so well trained in that respect that we have known instances where they have stopped buying. Even now they have stopped buying because they think that the duties are going to be altered at the end of December.

President.—Supposing the new duties whatever they are introduced sometime in September, 1933, it would not be quite so bad from your point of view.

Mr. Mookerjee.—If it is decided in September we would not be affected so seriously as in March which is the budget time.

happy to see Tatas quantity protected. After all it is a very great industry in India and we want their quantity protected. In regard to galvanised sheets their production is not sufficient to meet our requirements and therefore we say that we want as low a fair selling price as possible. Naturally we want stability of the trade and that is why we recommend an agreement because we think a great deal can be done by co-operation of this kind.

Mr. Wiles.—Under any system of protection the consumer must suffer?

Mr. Mookerjee.—Certainly. In the present state of our industry I think full justice cannot be done to the consumer. We are quite alive to the fact, but what we feel is that consumption should not be curtailed to the present extent by unreasonably high duties.

President.—Supposing there was no agreement but you simply had differential duties on British sheets and Continental sheets. In that case would there be a danger of prices rising above the estimated fair selling price? There were no differential duties on galvanised sheets before 1932 and we did not propose it in 1926; suppose it was now proposed to have a system of differential duties without any agreement on the lines of the existing Ottawa Agreement, in that case too would you expect a rise in price above the fair selling price?

Mr. Mookerjee.—We would in a sense, and if there was no machinery to check that, there would be complications.

President.—Let us say the present Ottawa Agreement is scrapped then what is going to happen is, Belgian price let us say is Rs. 40 less than the British price of sheets; we fix a duty of Rs. 20 on British sheets and we fix a duty of Rs. 60 on Belgian sheets. These two duties are necessary in order to bring the prices to the level of Tatas price. In that case would there be a danger of prices rising above the fair selling price?

Mr. Mookerjee.—The chances would certainly be there. If the times were to improve and consumption increased considerably that danger would arise. They would at once raise the price.

President.—How can they raise prices. If prices are raised Belgium will import sheets as well. The duty is based simply on the prices.

Mr. Mookerjee.—Belgian and British sheets are practically kept at the same level at a small difference of 5s. to 7s. 6d. per ton and the danger will be to the extent of the difference of the duties which is Rs. 40 per ton.

President.—If the duty corresponds to the difference between what you understand to be the normal world prices of Belgian and British sheets, would a differential based on that have the effect of putting up prices unduly?

Mr. Mookerjee.—Not unduly, because they will be regulated by competition from outside.

President.—That is what I should have thought.

Mr. Mookerjee.—British and Continental makers would certainly see that each one entered more conveniently into India; that would eliminate that.

Mr. Natesan.—From the point of view of the trader only, suppose an alternative was given to you to choose between the Ottawa agreement as it is and no agreement but differential duties, which would you prefer?

Mr. Mookerjee.—We would certainly have the differential duty.

Mr. Natesan.—From the point of view of the Indian consumer—for the moment you try to appreciate his position—suppose I put the same question to you, which do you think will be more profitable to the country at large?

Mr. Mookerjee.—It would, I think, entirely depend under what conditions the arrangement was made. The differential duties would certainly not benefit the consumer to this extent that while he could obtain the balance of his requirements at a cheaper price, you are shutting out the

cheaper sheets. He would lose of course there, but at the same time in any arrangement like the Ottawa Agreement if it was to create a monopoly, the loss to him would be equally severe.

Mr. Natesan.—Did you not have this consideration when you answered the question from the point of view of the trader?

Mr. Mookerjee.—From the traders' point of view our interest is to sell as much as possible at a fixed profit. We depend on turnover and if there was an agreement of that kind, we think it is always going to put us out of business, because consumption will be curtailed.

Mr. Natesan.—As a net result of your statement and the evidence, am I right in gathering an impression that considering everything at present the Bengal consumer has suffered by the operation of this agreement.

Mr. Mookerjee.—Certainly he has, because it has been an additional burden as I pointed out. Bengal has not only met the heavy duty but over and above that the big additional margin of profit.

President.—There has not been room of course for putting the off setting duties into operation in a downward direction.

Mr. Mookerjee.—No, I don't quite follow.

President.—Supposing prices rise above the agreed level—you represent not merely merchants' interests, but to the extent to which you are in touch with the consumer you also represent the consumers' point of view and supposing you brought this matter to the notice of the Government of India and there was a provision for off setting duties in both directions, would it not be possible to put that machinery in operation so as to prevent this rise?

Mr. Mookerjee.—That is what we have suggested.

President.—If there was that provision, the particular difficulty that you suggest would be avoided.

Mr. Mookerjee.—Certainly.

APPENDIX.

NOTE SUBMITTED BY MESSRS. NARESH NATH MOOKERJEE.

What in our estimate Tatas fair selling price should be.—

AN OBSERVATION FROM FACTS COLLECTED FROM FIGURES GIVEN BY THE TATA COMPANY AND THEIR EVIDENCE.

Messrs. Tata estimate their Works costs during the next seven years for Galvanized Corrugated Sheets will be Rs. 116 per ton. We have heard in the room that the Works costs in October for Black Sheets was (in spite of no increase in production) already about Rs. 15 per ton below the figures given for January to June, 1933, and six rupees per ton below the next seven years' estimate. We may therefore reasonably expect that the figure for Galvanized Sheets which is to be a most important portion of the Works production should be if it has not already been reduced to at least Rs. 106 especially in view of the fact that Works costs between the years 1929-1933 has fallen rapidly from year to year and in January to June, 1933, records a figure which is 40 per cent. below the 1929 level. This we presume, is primarily due to increase in output from 18,000 tons to about 50,000 tons and secondly to the growth of efficiency of their plant and an increase in experience and consequent savings in manufacturing costs of these class of goods Rs. 106-0

Mr. Mookerjee.—Certainly.

President.—I gathered from your representation that the Ottawa agreement has been to the disadvantage of the consumer because although it meant a reduction of duties in certain cases, it did not mean reduction in prices. That is how the consumer suffered. It is not therefore the agreement as such but the kind of prices brought about by that agreement?

Mr. Mookerjee.—That is exactly the point.

President.—Am I right in drawing the conclusion, Mr. Mookerjee, that the effect of the agreement has been that the poor man in Bengal suffers?

Mr. Mookerjee.—Yes.

Mr. Natesan.—In your representation you say “Within a fortnight of the formation of the combine both Messrs. Tata and the British works raised their price from Rs. 210 to Rs. 216 and Rs. 215 to Rs. 225 per ton respectively. Thus practically the entire benefit of this reduction in duty was pocketed by the manufacturers of both countries and as a matter of fact prices rose higher than what they were prior to the arrangement”. According to this statement the consumer must have suffered? Then you say “A further analysis shows that the benefit of this monopolistic agreement has been really enjoyed by Tatas at the cost of the British manufacturers and the consumers in this country”. In one place you say both the Tata Iron and Steel Company and the British manufacturers have gained and the consumers have lost; here you talk of the results of a further analysis and I should like to have some more detail which warrant you to make this statement.

Mr. Mookerjee.—In theory of course this Ottawa Agreement was a duopoly in the sense that it was an agreement between Tatas and the British manufacturers but in actual practice it was a monopoly of Tatas up to the extent of their entire output; they also had full control of even the sales of the British makers.

President.—Why do you say that?

Mr. Mookerjee.—For instance in the first place sheets that were made out of their sheet bars shipped to England were Tatas property.

President.—It was entirely under the control of the British selling organisation.

Mr. Mookerjee.—The prices and shipments were fixed by Tatas.

President.—Prices were not fixed by Tatas; prices were fixed by the Government of India.

Mr. Mookerjee.—As a matter of fact we could never buy sheets for Rs. 215 per ton; it has been always Rs. 10 higher and secondly they have prevented other makers from selling even when there was a demand for their brand and quality. I know for instance that even now Messrs. Dorman Long are prevented from shipping their own sheets although there is a definite market for them. That market is quite different from Tatas quality. We do not know the full details of the Ottawa Agreement except the Delegation's report. As far as we know, in practice it has meant a monopoly for the Tata Iron and Steel Company here.

Mr. Natesan.—What are the facts which have come to your notice which warrant you to make a statement that on account of this agreement Tatas have had greater profit and the British manufacturers and consumers in India have both suffered?

Mr. Mookerjee.—Tatas have made the most profit in this sense that they had the entire trade in these bad times.

Mr. Natesan.—Have you had the advantage of knowing how far they have made profits?

Mr. Mookerjee.—No, except from what we see in the trade and what we experience. When these prices were raised we definitely felt that they were certainly higher than the actual price level. That is one thing and the next thing is, we saw that they were in complete possession of the

trade here, first with their own output and then with the sheets made out of their own sheet bars and lastly when they could shut out other sheet makers from selling into India, certainly that was practically a monopoly.

Mr. Natesan.—This is an inference which you have drawn not from any knowledge of facts and figures of Tatas accounts?

Mr. Mookerjee.—That is so.

President.—As a matter of fact the complaint that Tatas have reached the position of a relative monopoly is made not merely in regard to sheets but also with regard to other steel products and the real reason why that complaint is made is not that the duties are in force or the agreements are in force; the real reason is that the prices obtained in this country, the prices that have got to prevail in this country under the tariffs, are such that the imports are being gradually shut out and Tatas are necessarily expanding. It makes little difference from that point of view whether the level of prices which prevails and which has this consequence is the result of duties or result of agreement. What I am anxious to understand is whether in your opinion as a result of the Ottawa agreement Tatas have been able to have a monopoly: supposing there was no agreement and the duty was Rs. 83, the monopoly would be there still because the price would correspond to the duty. So the price is really the result of the duties and if there is a monopoly it is the result of this price.

Mr. Mookerjee.—We quite agree there. What we wanted to point out was that the existing high duties were there and over and above that the monopoly arrangement gave them another big profit and that affected the consumer.

President.—It gave them that profit because the figure adopted was the high figure of Rs. 215. If the figure had been fixed at Rs. 115 the position would have been different.

Mr. Mookerjee.—Certainly. That is why we recommend the continuance of the agreement under different conditions.

Mr. Wiles.—Is it your point that they have always been able to get not only the minimum price fixed by the Government of India but something in addition owing to their monopolistic position?

Mr. Mookerjee.—That can at least be proved by the statement which we have put before you.

Mr. Wiles.—Is it your point that they have not restricted their price to Rs. 215 but they have got considerably more than that?

Mr. Mookerjee.—Yes. We feel that when this arrangement was made their costs were not gone into, judging from their statements of costs and their realisations and adding their overhead of Rs. 50 per ton and the Rs. 19 adjustment which they now require, we find that there has been a very big margin during the last two years.

President.—Is it also your point that more than Rs. 215 was charged by the British makers?

Mr. Mookerjee.—Yes, by arrangement.

President.—The price is applied in both cases.

Mr. Mookerjee.—We were complete victims of the arrangement and we had to pay the price that they fixed. The Oriental Company were a creature of Tatas and they had to abide by what in consultation with Tatas was thought to be the proper thing to do.

Mr. Natesan.—You say you have been victims of the arrangement and you say in more than one place that this arrangement should be continued. Having first made the statement that the consumer in this country is a victim I find it very difficult to follow this. Of course from the point of view of a trader I suppose you welcome it because it stabilises the price.

Mr. Mookerjee.—We should like the agreement to continue under certain conditions and that is that provided a fair selling price is fixed for Tatas and we know that they were working on a low basis and then we would be

President.—So that the arrangement which the Government of India are contemplating to do for legislative action is one which would rather suit you.

Mr. Mookerjee.—Provided the whole affair is settled in September. Sometimes these things are dragged on till the end of December. We cannot of course be the choosers in that respect.

President.—I think on the whole the arrangements which are likely to be made by Government in regard to this matter would be suitable to you.

Mr. Mookerjee.—Yes. There is another small point to which I want to refer. In our representation we have recommended a duty of Rs. 37 to Rs. 40 on Continental sheets. We find that the position has considerably altered in the Continent as well as in Japan since we sent in this representation. There is a positive danger of the Continent being forced off gold or abandoning the gold standard and there is likely to be a big upheaval and prices might fall to an extent which we do not know and so we would leave it to the Board to consider this point so that a higher protection be given to us in this respect.

President.—Your point is whether it would not be necessary to take contingencies of an immediate probable kind into account. That is the sort of idea you have in mind—and provide a margin against them in the duty.

Mr. Mookerjee.—Yes.

President.—We will consider that point. Is there any other point which you would like to raise just now?

Mr. Mookerjee.—We have covered the whole ground we believe.

Mr. Wiles.—There is one small point. Why do you hold that the hands of the Tariff Board are being forced by the way in which the Tata Company are pressing on with their output of sheets?

Mr. Mookerjee.—When they have undertaken all these extensions to their own mills the Board will be forced to consider giving them an extension of protection.

Mr. Wiles.—You mean that if Tata's output were very much smaller it would be much easier to deal with protection. The need for protection will be less.

Mr. Mookerjee.—We have our own doubt as to whether Tata's will be able to bring up their production up to 90,000 tons in the next three years. Now it is round about 47,000 tons.

Mr. Wiles.—With the new sheet mill coming into operation?

Mr. Mookerjee.—It would take them another two or three years to bring it up.

Mr. Wiles.—The second mill is already in operation and they have a third one in contemplation.

Mr. Mookerjee.—When you limit the protective period to another seven years whether it will pay them to have another big mill in operation and to double the output is not a very easy matter to say. We have seen the progress Tatas have made.

Mr. Wiles.—Your point being that any undue protection for this reason is likely to work hardly against the consumer?

Mr. Mookerjee.—Yes.

Mr. Natesan.—I just wish to take up the point raised by Mr. Wiles. Is it your idea that the Board if possible should check Tatas from further expansion in these lines?

Mr. Mookerjee.—No. We meant that in the first place the Board would be forced to give them an extension of protection in view of the extensions they have undertaken. In paragraph 73 of the Delegation's report they

say that the Ottawa Agreement would have one effect that it would prevent the erection of other sheet mills in India; to prevent that the agreement was concluded and we consider that if the Tata Company are doing the same thing in this country by extending their works it will be the same evil. The problem of overproduction will become acute.

Mr. Natesan.—I am not quite conversant with the history of the question but could it be that they thought of erection of sheets mills by people other than Tatas?

Mr. Mookerjee.—Yes by British makers.

Mr. Natesan.—Do you go so far as to say that if it lay in the power of the Board they should if possible discourage the erection of mills in India not only by the Tata Iron and Steel Company but by Britishers also?

Mr. Mookerjee.—We won't go so far as that. This remark was made because we thought that in view of these large sheet mill extensions that have been made the Board would be compelled to protect them for the next seven years or longer.

Mr. Natesan.—I thought you made it clear that the Board should continue protection to Tatas.

Mr. Mookerjee.—That is true but also of course we assume that Tatas have reached a stage of full efficiency.

Mr. Natesan.—Therefore they could not produce further equally efficiently?

Mr. Mookerjee.—No. That was a general remark in view of what the Ottawa Delegation report said.

President.—That refers I take it exclusively to the arrangement contemplated in connection with the agreement for the use of Indian sheet bar imported from here for conversion. It has no application apart from the Ottawa agreement.

Mr. Natesan.—In your oral evidence you have given interesting details. I wish to understand now some more points. I take it you are dealing both in British and Continental bars?

Mr. Mookerjee.—Yes, but we are not dealing in Tata goods.

Mr. Natesan.—You don't handle them at all?

Mr. Mookerjee.—All our signatories as a matter of fact do not handle Tata goods.

Mr. Natesan.—In your memorandum you rather pity the lot of the poor in Bengal where the main consumption of galvanised sheets takes place and you say "the question of cheap supplies of this form of steel is therefore a vital problem for the people of this province". Is it your suggestion that people in Bengal have suffered by the provisions of the Ottawa Agreement?

Mr. Mookerjee.—They have suffered very much.

Mr. Natesan.—You mean to say you would be happy if the Ottawa agreement was not renewed so far as this item is concerned?

Mr. Mookerjee.—Yes.

Mr. Natesan.—How is it you say here that the Ottawa Agreement has been on the whole of benefit to the trade?

Mr. Mookerjee.—That is for the trade.

Mr. Natesan.—There you distinguish clearly between the interest of the trade and the interest of the consumer.

Mr. Mookerjee.—In some cases the interests of the consumer coincide with the interests of the trade, and in some cases they do not.

Mr. Natesan.—In cases where the interests of the trade and the interests of the consumer conflict, don't you think the proper thing would be to consider the interests of the consumer?

Next the question of overheads.

The Company have asked for Rs. 50 to be added to the Works costs as overheads. We consider this figure exceptionally high and do not understand how it was arrived at and why it should be as high as this for Galvanized Sheets taking an average of the overheads in Table V we arrive at the figure Rs. 38-10 which we consider a very fair average overhead although perhaps it may increase the overheads charged for billets and reduce those for Fish-plates and Black sheets but considering the small output in the last two items we consider this will not cause such complications as may not be possible to overcome. In the case of Billets it may form a somewhat serious obstacle and we therefore think a figure of Rs. 40 on Galvanized Corrugated Sheets a very fair overhead, although perhaps the Board may be able to verify this being in a better position to investigate Rs. 40-0

Next the question of Rs. 19 which they require in the way of adjustments and margin for selling.

1. This figure is made up in the following manner:—

| | Rs. |
|-------------------------------------------|-----|
| (a) Rebates to merchant houses | } 5 |
| (b) Deferred rebates to dealers | |
| (c) Cash discounts | |
| (d) Allowance for defectives | |
| 2. British Brands disadvantage | 8 |
| 3. Freight disadvantage | 6 |
| Total | 19 |

1. Except the allowance of As. 4 for Defectives and As. 3 per ton for miscellaneous claims. The remainder does not seem reasonable as rebates and discounts are not included in the imported prices and we consider the balance Rs. 4-9 claimed, quite unjustifiable when trying to arrive at a fair nett selling price. Moreover these rebates discounts and deferred rebates to Merchant Houses have proved a menace to the Trade in the past as Messrs. Tata's dealers in competing with each other part with almost everything, they react very unfavourably not only on the Trade but also on the future sales of the Company As. 7

2. *British Brands disadvantage Rs. 8.*—In this connection we have to mention that Tata has considerably improved her quality so much so that it has completely replaced all British A. G. B. (Any good Brand) qualities in Calcutta and now only one or two of the more popular brands are coming into Calcutta. These sheets always cost more from 2/6d. to £1 per ton and should not therefore cause any hinderance to the sale of the Tata sheet especially as in addition to this premium they are likely to be protected by a duty. In Bombay this question does not arise as all sheets whether British or Tata are sold practically at the same price.

Therefore this claim, in our humble opinion is quite unjustifiable.

3. *Freight disadvantage Rs. 6.*—With a slight improvement in demand we expect Calcutta, which is a freight advantage area would be able to consume considerably larger quantities of Tata Sheets. In view of this fact and also that Calcutta will always

absorb more of the supplies than Bombay we think this claim can be reduced by the very small figure of Rs. 2 per ton . . . Rs. 4-0

We therefore arrive at the figure Rs. 150-7 as against their estimated price of Rs. 185.

Rs. 150-7

This figure, as compared with Rs. 185 which is Messrs. Tata's own estimated of a fair selling price, seems rather low and even if one were to allow them an extra Rs. 10 per ton by maintaining their overheads at Rs. 50 the fair selling price in our humble opinion ought not to exceed Rs. 160.

Then allowing them Rs. 7 extra on account of the revised freights we arrive at the figure Rs. 167 which, we believe, ought to cover the entire ground.

Now turning to the landed cost of British Sheets in India. The present British f.o.b. price for all foreign markets is £11-5 f.o.b.

The landed cost is:—

| | | | |
|-------|----|----|-----------------------------------------|
| £ | s. | d. | |
| 11 | 5 | 0 | F.o.b. |
| 0 | 2 | 6 | Shipper's commission. |
| 0 | 1 | 9 | Draft interest $\frac{1}{4}$ per cent. |
| 1 | 2 | 6 | Nett freight. |
| <hr/> | | | |
| 12 | 11 | 9 | Say £12-12-0 at $\frac{1}{6}$ Exchange. |
| <hr/> | | | |
| =Rs. | A. | P. | |
| 168 | 0 | 0 | |
| 3 | 2 | 0 | Approximate landing charges. |
| <hr/> | | | |
| 171 | 2 | 0 | Landed cost of British Sheets. |

We, therefore, submit that a duty of only Rs. 7 per ton will more than meet the needs. It is also unnecessary to work on any other prices except those prevailing to-day, as in the first place the British Sheet prices are not likely to go any lower at the present time if anything the indications are all in favour of its going higher. In any case as under the suggestions made it will be possible to raise or lower the duties to adjust the prices here in case of a likely fall, this question does not arise. As it is if this rate of duty was sanctioned the British Sheets would cost Rs. 178 per ton or Rs. 11 per ton above the Tata Sheet and we see no reason why our Industry would not be able to dispose of her entire output first, especially in view of the fact that British Sheets in Bombay are sold at the same prices practically and in Calcutta not more than a maximum of Rs. 7-8 per ton can be obtained for the British Sheet and this particular British Sheet costs 2/6d. per ton above the British price to buy.

PANDIT NILAKANTHA DAS.

**Evidence of Pandit NILAKANTHA DAS, recorded at Calcutta on
Thursday, the 21st December, 1933.**

President.—Panditji, you are an ex-Member of the Legislative Assembly?

Mr. Das.—Yes.

President.—You are representing in this enquiry the point of view of the general consumer?

Mr. Das.—Yes.

President.—You are not in any way connected either with the manufacturing or the trading side of steel, are you?

Mr. Das.—No.

President.—If you look at page 3 of your representation, there you are raising the question of protection being granted by the alternative methods of tariffs and bounties?

Mr. Das.—Yes.

President.—Your suggestion is that on the whole the most suitable method of protecting the steel industry is by means of bounties.

Mr. Das.—Yes.

President.—You are familiar with the financial machinery of the Government of India as we are and you know that the question of bounties is very largely a question of the financial resources available for the purpose, is not that so?

Mr. Das.—Yes, otherwise they will be made available.

President.—The point here that you are raising I take it is if you levy protective duties, the excess revenue which is made available to Government by means of protective duties may be used for the purpose of helping or fostering industries.

Mr. Das.—If that be considered indispensable. If for other reasons we cannot give bounty and we are forced to protect by tariff, then only I think it would be better to set apart the excess money for nation-building purposes or for giving some encouragement to our industries. That is my point.

President.—You are not suggesting that at present. For example as the result of our enquiry if we decide that protection for the steel industry should be continued.

Mr. Das.—You mean by tariff?

President.—What I am asking you is this. Supposing we decide that protection should be continued, you are not suggesting that protection so continued should take the form of bounties rather than duties under present conditions. Are you suggesting that?

Mr. Das.—Yes.

President.—Then, of course, the question with which we are faced is how exactly the bounty necessary for the protection of the industry is to be financed. If it does not come out of existing protective duties, it has got to be found by some other means of taxation.

Mr. Das.—By direct taxation. That is my point.

President.—That is to say, in the shape of increased income-tax?

Mr. Das.—Or by death duty. There are several ways of directly taxing the people or it may be contracts like the railway contracts with Tata's; for Tata's production is always limited under normal conditions.

President.—You mean, the railways should be instructed to purchase their steel materials at a price corresponding to the fair selling price fixed for the Tata Company.

Mr. Das.—Yes.

President.—That would be another way of taxing the country.

Mr. Das.—Yes, directly taxing the country only to the extent required for protecting the industry.

President.—So that the position that we should have to adopt in that case is that the Government of India should be prepared if they agree to the protection of the steel industry to raise further revenue in the shape of direct taxes.

Mr. Das.—Yes, and that revenue will be much less than the indirect tax that is being raised and again the levying of that tax will be easily directed in channels to people who can pay. That is the recommendation—definite recommendation—of the Fiscal Commission that a bounty should be given.

President.—I have no doubt that theoretically bounties are a more satisfactory method of protection than duties. There is no question about that.

Mr. Das.—We began with that in 1924-25. Mainly we gave bounties.

President.—We began with that for a particular reason. It so happened that in the earlier years of protection imports instead of diminishing began to increase. The result was that protective duties gave Government far more revenue than they got under revenue duties—the original revenue duties. Now we have reached a stage where the imports have declined to such an extent that protective duties instead of giving Government more revenue are giving them increasingly less revenue.

Mr. Das.—You come to this: as I said, Government for the purpose of revenue will protect the industry to a certain extent. If that is the position, then I have said that. . . .

President.—Governments cannot help that. After all Government must get a certain amount of revenue though the revenue incidentally helps the industry.

Mr. Das.—The Tariff Board will not look to that question.

President.—We are not concerned with that.

Mr. Das.—You will, as best as you can, preserve the consumer's interests and give the necessary protection if you consider that a good case is made for it. That is the point you are to consider. Whether Government will make money out of this protective duty or not, that is not your look out. If you give a handle to Government to make money out of protective duties, we do not know where it will end.

President.—We have no such desire at all. We have no desire to bring in any increased revenues for the Government of India.

Mr. Das.—Therefore I would like to stop it. Let Government find their money for budgeting purposes and let them take the responsibility.

President.—Supposing we made our proposals in that form and Government could not raise the necessary finance for the bounty, what is to happen?

Mr. Das.—Supposing we don't protect, we depend upon foreign materials. Will Government find revenue or not?

President.—We are not the Government. We are a humble advisory body.

Mr. Das.—Yes. Your recommendations should be to protect the interests of the consumer as well as to find some protection for the industry which is necessary. So, I find, that is the best way of solving the problem. Whether Government find the money for budgeting purposes or not is not your look out.

President.—Would you like us to base our proposals entirely on bounties or would you like us to make alternative proposals—“if you are going to grant bounties, this is the amount that the industry requires. On the

other hand, if you have not got money for giving bounties, these are the duties that you would have to levy". Do you want us to put forward our proposals in that form?

Mr. Das.—I would like you to make your recommendations for bounties and leave it to Government to find the money.

President.—Suppose Government were unable to find the money?

Mr. Das.—They will have to.

President.—If that were to happen, we would have landed the industry in a position of some difficulty. After all, it is the primary concern of the Tariff Board, if the industry establishes its claim to protection, that that protection is granted in an effective form. So, supposing we recommended only bounties and the Government of India, in whose confidence we don't happen to be, decided for some reason that bounties were not an acceptable method of protection, if we did not make alternative proposals, we would land the industry in a position of some difficulty.

Mr. Das.—Why should you anticipate that Government will not be able to find the money?

President.—It is a reasonable anticipation under present conditions.

Mr. Das.—Why, Government can find money for the bounties, just as they find money for budgeting purposes for other departments. Again, supposing there were no industries, what would Government do now for ordinary budgeting purposes? Incidentally, I may say, on Japanese cloth, we are paying 12 annas in the rupee. Do you think that it is a windfall to Government for budgeting purposes?

President.—As a matter of fact, if you take the quantity of piecegoods imported now and the quantity of goods imported about five years ago, and calculate and compare the revenue derived by Government now with the revenue derived five years ago, it would be rather difficult to maintain that the Government of India are any the wiser for the high duties on Japanese goods.

Mr. Das.—That is not the question. It is a vicious principle that in order to enable Government to find money industries should be protected. These two questions should not be confused and Government should not be given a handle to raise money indirectly from the consumer.

President.—Let me put the question in this form to reduce it to practical dimensions. Imagine yourself for the moment to be the Finance Member of the Government of India. Your Tariff Board makes a proposal to the effect that the whole protection required by the steel industry should be granted in the form of bounties. You are in sympathy with the idea of bounties and as Finance Member you accept the proposal. You bring the proposition before the legislature. You have to find ways and means and for finance you propose an increase in the income-tax. If the legislature turns that down, what happens?

Mr. Das.—If the legislature feels convinced that the industry should be protected, it ought not to turn it down.

President.—Suppose it does?

Mr. Das.—Suppose it does not give protection at all. Suppose it turns down the tariff duty on the ground that the consumers are unable to pay. In fact, how can they pay now?

President.—You are interested in protecting the industry.

Mr. Das.—I am also interested in protecting the consumer. His standard of living is getting higher and higher daily on account of these duties and his produce which is his means is not getting sold. We must look to that; otherwise the whole economic structure will break down like a house of cards.

President.—If Government is unable to increase direct taxes, you would rather that the industry is not protected at all.

Mr. Das.—Supposing for arguments' sake that it is so, I should like the Government to raise a loan. It is a productive loan.

President.—That does not solve the question because the interest has got to be found on the loan. You don't get loans free of interest.

Mr. Das.—The interest for the present will be a very small burden on the tax payer, and then the interest will be found from this industry after six years as you contemplate.

President.—How would you get the interest?

Mr. Das.—After six years, the industry will be self-supporting and it will then make profits.

President.—Supposing the Continental prices had been going down and the position was then as bad as it is now, what is to be done? The whole question of the industry being able to dispense with protection is bound up with the level of Continental prices. None of us is in a position to say what is going to happen to Continental prices. If at the end of six years the position remains as bad as it is now?

Mr. Das.—Would you recommend protection if you are convinced that after six years it will be like this?

President.—If I am not convinced?

Mr. Das.—If you are not convinced like that, would you recommend an expansion of protection?

President.—If I was convinced at the end of six years that the industry would not dispense with protection, I might.

Mr. Das.—You will expect at the end of ten or twelve years or at some time in the future that this industry will stand on its own legs and so you give protection; otherwise there is no need for protection.

President.—At the end of 12 years the industry must find money to pay off the interest on this loan. Is that the idea?

Mr. Das.—Yes, if that is so.

President.—Supposing at the end of 12 years the industry was just able to cover its works costs and necessary outgoings but was not in a position to contribute revenues to the Government of India?

Mr. Das.—After some period, it might contribute and till then Government would pay the interest. It would be a very small amount. We have now even a non-productive debt of Rs. 400 crores and a few more crores of this productive character would not affect us much.

President.—You don't want to add to our non-productive debt?

Mr. Das.—Never mind. You will have to create a fund.

President.—Call a development fund.

Mr. Das.—Yes, if you are convinced that the national wealth will increase in that way.

President.—I take it your position really is that protection must be given in the form of bounties.

Mr. Das.—Yes, definitely.

President.—Duties must not be thought of?

Mr. Das.—Not at present, at least.

President.—Let me put it in another form. Suppose on an examination of the costs of the Indian industry we find that the duties could be very considerably reduced. Although protection is continued, it will be continued at a much lower level than now. In that case, we reduce considerably the burden on the consumer. Even then, would you insist on bounties?

Mr. Das.—I should like to know how much of the duty is for revenue purposes and how much for protective purposes. Government can raise, if they want, money for their own state expenditure by any increase in customs duties. Their system of taxation is like that. They may raise the revenue duty to 30 per cent. They may do anything they like. Let

them take the responsibility. Why should the Tariff Board share it in the name of National Industry?

President.—You want the general tax payer to bear the burden rather than the consumer of steel.

Mr. Das.—No. I would like that Government should take the responsibility.

President.—Government will find the money either out of the pocket of the consumer or out of the pocket of the general tax payer. You would rather shift the burden from the consumer to the tax payer.

Mr. Das.—No. That will be the responsibility of the Government who represent the tax payer.

President.—I am asking you as a citizen, as a member of the public, is it such a very great advantage to the country that if there is to be a burden in connection with protection that burden should be borne rather by the tax payer than by the consumer of the product manufactured by the industry?

Mr. Das.—The tax payer and the consumer as far as indirect taxes are concerned are practically one and the same person. I don't find much difference there.

President.—Are you interested in helping the consumer of steel rather than the tax payer?

Mr. Das.—No. I should protect both for they are one and the same.

President.—There is no other source.

Mr. Das.—Let Government take the responsibility.

President.—Government can find the money only by either taxing the consumer or the tax payer. If you are anxious not to throw any burden either on the consumer or on the tax payer the position is not reasonable.

Mr. Das.—The difference is between definite direct tax, and the indefinite indirect tax. Then again there are tax payers and tax payers. Income-tax, death duty and such taxes will not be paid by the ordinary tax payer of the land, who is very poor. That is my point. Government will surely collect that money from people who can pay and those that cannot pay will not be made to pay. Now is the time when you must see that people are gradually finding themselves unable to pay. Their produce is not sold. You must protect not only Tata's but also you must protect the poor villager. How can he pay this burden?

President.—As far as the Government of India is concerned, does their taxation affect the village tax payer very much? The village tax payer pays land revenue; he pays excise duties.

Mr. Das.—He pays for every piece of cloth. He pays for agricultural implements. He pays for matches. He pays for kerosine. He pays for salt. He pays for everything. The entire burden of the tax is mainly upon him.

President.—The main revenue borne by the village tax payer is land revenue.

Mr. Das.—Yes, so far as direct payment is concerned.

President.—There is no doubt about that.

Mr. Das.—That, however, is going to be reduced.

President.—The Government of India are not concerned with that.

Mr. Das.—No.

President.—Another considerable tax that the village tax payer pays is excise. The Government of India are not concerned with it.

Mr. Das.—No.

President.—The Government of India are only concerned with imported articles.

Mr. Das.—Yes.

President.—Now to the extent to which the village tax payer consumes imported articles, he pays the Customs duty but that is relatively negligible.

Mr. Das.—I am afraid not. Will you kindly tell me the amount of land revenue taking the whole of India and the amount of the Customs duty? Which is more? Even the income-tax which the rich people pay, comes next to Customs. The Customs revenue is mainly paid by the villager. It is about Rs. 50 crores and the land revenue for the whole of India will not be more than Rs. 30 crores.

President.—You are mistaken.

Mr. Das.—Am I?

President.—Land revenue would be considerably more.

Mr. Das.—No. What is the total amount of the provincial revenues?

President.—If you take the provincial revenues together, it will be more than the Customs revenue.

Mr. Das.—It is less.

President.—You are quite right in saying that the Customs revenue in good old days was about Rs. 50 crores. We got as much revenue from Customs as was necessary to cover the expenditure on the Army. If you take Madras, the province gets a land revenue to the extent of somewhere about Rs. 9 to 10 crores. That is one out of many provinces.

Mr. Das.—Bihar pays only a couple of crores.

President.—If you say that the land revenue of the whole of India is only Rs. 30 crores, it is an under estimate.

Mr. Das.—It is not. As I say, Bihar pays only a couple of crores.

Mr. Wiles.—Bihar is one of the small provinces.

Mr. Das.—Bengal pays perhaps about Rs. 4 crores.

Mr. Natesan.—There are provinces bigger than Bihar.

President.—I think we should be straying outside our sphere by discussing this. On page 4, you think that protection should be granted by means of agreements regarding quotas and so on rather than by duties.

Mr. Das.—No. I should like to eliminate preference of any kind and if preference is considered necessary then other means should be adopted. If you want to give some preference to England then I say we should have quota purchases; that would be better.

President.—An arrangement of quotas with regard to imports from other countries which export steel to this country and these quotas would have to be fixed with reference to particular level of prices?

Mr. Das.—Yes, if it is considered necessary at all to give preference to England. There is a big 'if'.

President.—You would not give preference by means of preferential duties; you would give preference by means of agreed quotas and agreed prices?

Mr. Das.—Yes.

President.—At page 5 your argument is that if the iron and steel industry is to be supported on the ground that it is necessary for defence, the burden of it should be placed on the shoulders of the military department: it would go out of the pockets of the tax payer in the end?

Mr. Das.—In my time army expenditure was 55 crores of rupees; let us now know that it is so many crores more than 55 crores.

President.—It has got to come out of the general revenues?

Mr. Das.—Yes. Then the tax payer will at least understand that "for defence I pay so much;" that will be plain dealing.

President.—At page 6 you refer to the debenture loan of the Tata Iron and Steel Company and you think the question should be investigated

whether there has been any attempt to repay the loan or convert it to one bearing lower interest?

Mr. Das.—Yes.

President.—They have got a sinking fund for the repayment of debenture stock.

Mr. Das.—My point is, when Government can find money at 4 per cent. why should not they guarantee a similar loan raised by the Tata Company? They can raise a loan for which Government will be the guarantee and thus enable them to pay this loan.

President.—This particular debenture stock was raised at a time when the rates of interest were much higher. If the debenture holder does not want to have it converted to a lower rate of interest they have to wait till the period expires.

Mr. Das.—Then they are helpless. I did not know that.

President.—It probably helped them to raise it in the form of a debenture loan; they also proposed to raise a rupee loan on which the rate of interest I believe was higher.

Mr. Das.—I did not know that. My idea was if they could convert it with Government to stand guarantee, that would have been better instead of taxing the people.

President.—At page 7 you raise the question of pig iron. I do not know if you are familiar with the details of this question; are you? It is very largely a question of fact as to the price at which the Tata Company sell their steel for export and the price at which they sell for internal consumption. Some people who are primarily connected with the iron industry and are in a position to speak directly on their behalf have been before us and we find that there is a certain amount of doubt with regard to the actual facts, that is to say the margin between the internal price and the export price as far as Tatas' are concerned is not so large as is supposed. These figures that you give of Rs. 19 per ton and Rs. 75 per ton, on such figures as we have seen this margin is not substantiated.

Mr. Das.—What is the margin?

President.—Over a period of six years at the prices realised by the Company at works the margin does not exceed Rs. 12 per ton, but in some years the margin was considerably less.

Mr. Das.—The figures that I have submitted are from quotations.

President.—We are having the question looked into very carefully.

Mr. Das.—My point here is that it is being sold outside India much cheaper than in India. Why should facilities not be given in this country for consumption of pig iron; what facilities have they given?

President.—The big outlet for pig iron in this country is the production of steel and the very best and the most effective way of eliminating the export of pig iron is to expand the manufacture of steel, then all the pig iron that is now exported would be utilised in the country for the production of steel.

Mr. Das.—Then the necessity for protection would go.

President.—Then you are up against this question: the steel industry in this country cannot produce more steel than the market can absorb.

Mr. Das.—Can they not export. Has there been any attempt made to start other industries such as castings?

President.—We have got a castings industry, we have got a cast iron pipe industry. As a matter of fact the most important section of the cast iron industry to-day is pipes. You can't sell more pipes than the country is at present in a position to absorb, and you will find that the market for cast iron pipes has been seriously curtailed during the last five years as a result of economic depression. It has fallen from some where about 50,000 to 60,000 tons to 15,000 tons. If you stop the export of pig iron it can be absorbed only up to the extent of 15,000 tons, but

the pig iron necessary for that is already sold in the country so that the position is very much complicated.

Mr. Das.—You have been pleased to give me a copy of the representation made by the Tata Iron and Steel Company; there I have found no indication of what they have done to promote these industries which could absorb pig iron, to how many industries they have given pig iron, what attempts they have made to increase the consumption of pig iron in India and how they have failed.

President.—I do not know whether you are familiar with the technique of this industry. The kind of pig iron that you require for the foundries in this country is very different from the kind of iron produced by the Tata Company. What they produce is basic pig iron which is not useful for the purpose of small foundries and to ask them to produce in larger quantities the kind of iron required by the small foundries, although it is very different from what they are producing, would be an unreasonable proposition. Don't you think so? It is not a very businesslike proposition to put to a businessman, is it?

Mr. Das.—I don't know what kind of pig iron is produced by the Tata Company but I suppose this is the same as the Indian Iron Company produces?

President.—We don't give them protection and we have no jurisdiction over them.

Mr. Das.—Is it the same kind of pig iron which these people produce for which Government have an order in advance?

President.—It is not the same. At present under an arrangement Tatas' are directly interested in basic pig iron and foundry iron is almost entirely supplied by the Indian Iron Company and they receive no protection: we have no jurisdiction over them.

Mr. Das.—I can't enter into this big aspect of the question but I find that even the Bihar Chamber of Commerce and the Bengal Small Industries have complained about it.

President.—We are going to discuss this question in detail with the Bengal Industries Association.

Mr. Das.—I saw their memorandum.

President.—I have a sort of feeling that they are making that suggestion because there is an arrangement between the Tata Iron and Steel Company and the Indian Iron Company regarding the sale of pig iron in this country and since the Tata Company are a party to this arrangement, therefore I believe what is happening apparently is that people who complain about the price of foundry pig iron fancy as a result of this arrangement that the Tata Company are also responsible for it.

Mr. Das.—There is one foundry which is subsidiary to the Tata Company; it consumes I know pig iron from Tatas for cast iron articles.

President.—They are appearing before us to-morrow and we propose to discuss this question with them in detail.

Mr. Das.—Why should there be a combine if Tatas cannot supply to foundries? That looks suspicious.

President.—Unfortunately it is becoming increasingly an ordinary method of large scale business in the world. At the end of that page you refer to the question of scrap. There again I have some difficulty in blaming Tatas for their policy of exporting scrap. Because the kind of scrap that they export is scrap which is not useful for re-rolling or for smithy work. It is really scrap which can be used for re-melting rather than re-rolling.

Mr. Das.—That is a question of which I have no direct knowledge; the fact is that the materials are not at all available in this country. I have received reports from technical men as I have put that in my representation. That is what has been reported to me.

President.—We propose to discuss these with people who really know about them.

Mr. Das.—Yes.

President.—You speak of the sale of finished products for fabricating and other purposes. What exactly is the evidence on which this statement based?

Mr. Das.—I have got reports like that.

President.—Have you investigated these reports?

Mr. Das.—You have got the same charge in other representations also I think.

President.—Have you ever done business?

Mr. Das.—No.

President.—If I am a manufacturer and I find one of my customers is an exporter who does business on a large scale, buying large quantities from me, it is a reasonable thing for me to quote such favourable rates to such large customers. That is ordinary practice.

Mr. Das.—There might be a thousand reasons but from the consumers point of view I thought there was something in these complaints. Tatas being the one firm which is being protected and they being the only people who can give information about this, it is very difficult to find out what is the real fact, whether it is necessary or an underhand dealing. It is therefore up to the Board to look into it very carefully.

President.—Suppose it was found that Tatas quoted such favourable rate to large customers would you think, as a matter of common sense, that is a sound practice?

Mr. Das.—Theoretically?

President.—There is no theory in it.

Mr. Das.—With if's and possibles we can definitely think of nothing, but the fact is there that there is a general complaint all over the country from men in business and therefore I have put it up before the Board.

President.—Later on you say towards the end of the page "In September, 1931, a surcharge was levied by the Government on imported steel and Tatas at once jumped to take advantage of these higher duties". Was it very criminal on their part if they had done that?

Mr. Das.—Why should they make more money?

President.—Suppose they sold it at the original price and did not take advantage of it, do you think the middleman would sell at the original price?

Mr. Das.—Then we should blame the middleman and not Tatas. Tatas had no business to take shelter under this ever-plausible middleman theory.

President.—Therefore your poor consumer would have been in as unhappy a position as ever?

Mr. Das.—It might be less or it might be to the full extent, but why should a concern which is being protected by me should attempt to take advantage of that?

President.—Because the original protection granted to the industry was not sufficient.

Mr. Das.—That they must prove.

President.—They have proved that.

Mr. Das.—Was it for their protection that the surcharges was levied?

President.—It was not levied exactly for their purpose, but when it was levied they found it rather suitable for their purpose.

Mr. Das.—This I have got from the "Statesman", and I have quoted to show that Tata's did not require it.

President.—On page 10 you refer to the question of technical education and training. Are you familiar at all with technical education. When you were in the Assembly had you anything to do with the question of technical education?

Mr. Das.—As a public man and a politician.

President.—But you were not brought into direct touch with technical education: you say “That of late the system has been changed. Investigations will show if the change has not been made for the worse”.

Mr. Das.—I have got reports that it is for the worse.

President.—In what way?

Mr. Das.—People are not getting the same training as they used to get before.

President.—You mean the same number of men are not admitted for training?

Mr. Das.—The same quality of training too.

President.—I will give you the facts and I should like to know what your opinion is. Under the old system they used to admit Undergraduates who did not receive any University training on scientific subjects and they gave them three years intensive training partly theoretical and partly practical. That was the original system. The present system is that they don't admit Undergraduates and they admit only Graduates who have taken good degrees in scientific subjects and then the training is very much more practical than it used to be before.

Mr. Das.—You mean now?

President.—Yes. That is to say a much larger part of the pupils' time is spent in the works learning by practice the methods of manufacture. That is to say they start with a much better initial equipment and the training is much more practical. That briefly is the position. On that would you say it is a change for the worse?

Mr. Das.—My report is that they have divided it into two departments. In the lower department they are taking a bigger number.

President.—That is for artisans.

Mr. Das.—Yes, they have divided like that.

President.—I am thinking of the training provided for people who are expected to hold responsible positions.

Mr. Das.—Formerly more people were trained in higher technical methods. Now a very small number of people are trained. That is my information and a large number of artisans are being trained.

President.—Don't you think that it is a satisfactory thing that training in a Technical Institute of this kind should be very much more practical than theoretical and the standard for admission should be as high as possible? It is a key industry.

Mr. Das.—Those are two things. If, on investigation, you find that it is an improvement, I have no objection.

President.—If we are satisfied, you will withdraw that statement?

Mr. Das.—Yes.

President.—Then we come to the question of Managing Agency. That is a very complicated question. What do you want the Tariff Board to do? What is your proposal? You want the Managing Agency system to be replaced by something better, is that your suggestion?

Mr. Das.—Do you mean to say whether it is beyond the scope of the Tariff Board?

President.—I am making no suggestion.

Mr. Das.—I should like to eliminate it altogether.

President.—Unfortunately it exists in every industry in the country and our whole industrial system is based on it.

Mr. Das.—Why should the same misfortune exist in an industry which we are protecting. Messrs. Tata Sons have to manage a good number of firms in this country and they are always employing other men for this purpose. Rs. 10 lakhs goes to Messrs. Tata Sons and other men are employed by the Company and the remuneration is paid by the Company

itself. Why should that money go? From time to time they control when they know nothing; no technical knowledge, no knowledge of the management, no direct touch and no local knowledge.

President.—They are rather large statements.

Mr. Das.—I should like to know whether the Managing Agents know anything of the industry and whether they have done anything for the industry.

President.—You will at any rate admit, won't you, that we are in this Board who have been concerned with industrial enquiries for very nearly a decade, that we have some means of understanding the extent to which the Managing Agency system performs the services expected of it and I would ask you to take it from me that although the Managing Agency has many defects, it has also some very useful sides and unfortunately the financial organisation of our country is such that if you eliminated the Managing Agency system, you would find our industrial system would come to a stand still. That is the position to-day. Assuming you consider that the Managing Agency system, however evil a thing it is, has got to be reckoned with for some years to come, I want you also to take it from me that I personally have never seen a Managing Agency agreement in which the terms are more moderate than the agreement between Messrs. Tata Sons, Limited, and the Tata Iron and Steel Company and I have examined Managing Agency agreements in a great variety of industries.

Mr. Das.—I am very glad that you have given me an assurance, but I take these things from books, which are considered authoritative.

President.—Books are very unreliable.

Mr. Das.—There are no books I have seen, which represent your views.

President.—The real point is that the Managing Agency system, the necessity for it is very closely bound up with the banking organisation of the country and I am not for a moment concerned to argue that our banking organisation is perfect. Until you can get that organised, I am afraid you must be prepared to tolerate the Managing Agency system. You and I may live to see the time when the Managing Agency system goes.

Mr. Das.—We are accustomed to think in a traditional groove. That is also our difficulty and we have to tolerate many things.

President.—The last statement in your representation to which I want to refer is at page 10. You say: "Protection given to an industry at the expense of the consumer by a tariff or other indirect payments of the tax payer, such as concession of railway freights and the like, should take particular note of the fact that such protections create an undesirable sense of security in the industry itself". If in continuing protection we base the measure of protection on the lowest possible estimate of works cost, then we avoid the danger that you are apprehending.

Mr. Das.—The main danger that I contemplated is not there. It is rather in the indefiniteness of the protection by indirect tax. Then again the danger is in the fact that Government expects money for budget purposes. You always have to look to the balancing of the budget. Here you cannot avoid it. Though you are the Tariff Board, you cannot think independently of the Government coffers.

President.—We are completely independent. Never for a moment do I think of the Government coffers.

Mr. Das.—We have got to look to that aspect of the question and when Government make some indirect money out of this source, this security of the firm may be strengthened.

President.—I thought here your point was somewhat different. The protection granted should not be such that it will create an undesirable sense of security. What that means I take it is this: that the measure of protection you grant to the industry should not be such, that is to say should not be

excessive in the sense that the industry feels an undesirable sense of security. Suppose you reduce the measure of protection to the minimum?

Mr. Das.—You help me only in one aspect of the question. If you do that, some of this complaint may go, but while there remains the complaint in principle, the complaint in fact is perhaps somewhat mitigated.

President.—If the fact goes, and the principle remains, the situation is improved.

Mr. Das.—Yes.

Mr. Wiles.—You are very suspicious of “big industry”, I gather *Mr. Das.*

Mr. Das.—Which industry?

Mr. Wiles.—Of any big industry. On three occasions in this representation of yours, you “smell suspicions”.

Mr. Das.—Where?

Mr. Wiles.—You said just now that the Tata Company had combined with the Indian Iron and Steel Company.

Mr. Das.—Surely the combine is suspicious.

Mr. Wiles.—You state here ‘we may smell political and commercial corruption in this’.

Mr. Das.—Yes.

Mr. Wiles.—From the fact that they have got a debenture loan. You are generally suspicious of big business—what is commonly called big business men?

Mr. Das.—No.

Mr. Wiles.—You are not prepared to believe in their *bonâ fides*.

Mr. Das.—What do you mean by ‘with all big business’?

Mr. Wiles.—I mean an industry like the Steel industry, an industry like the Cotton industry.

Mr. Das.—When I find there are monopolies, trusts created and the whole market is going to be reserved for one single industry under protection, I have a right to be suspicious being a consumer and tax payer.

Mr. Wiles.—I am not questioning your right to be suspicious. I am only pointing out that your state of mind is suspicious of big business, of big industries.

Mr. Das.—Not all industries, but the circumstances which I have mentioned are suspicious. If a firm combines, we must suspect.

Mr. Wiles.—Combines do not necessarily give rise to suspicion. Sometimes they are of benefit to the consumer.

Mr. Das.—I have interpreted that in the sense of Sir Charles Innes’ speech.

Mr. Wiles.—You have entirely misunderstood the point of that speech.

Mr. Das.—You may understand it differently. Where the misunderstanding is, that is a disputed question.

Mr. Wiles.—I think you misunderstood the wording.

Mr. Das.—If you have understood it, please tell me and I shall take note of it.

Mr. Wiles.—Is it not an elementary axiom that the result of protection must mean a fall in the customs duty. To the extent to which a protective duty is effective, revenue must fall. If the tariff is effective, if it is keeping out foreign goods and enabling the industry in the country to expand and thus be in a position to meet the local demand, the foreign goods will not come in and they won’t pay any customs duty. To the extent to which a protective duty is efficient, it must reduce the customs revenue.

Mr. Das.—Yes, it is a general principle. But there is little to say that the Industry has expanded, and Tata’s maximum outturn will not supply even half the Indian market.

Mr. Wiles.—That is the principle which has been referred to here on page 3, "In the application of the above principle of protection, regard must be had to the financial needs of the country", if I understand that rightly.

Mr. Das.—I refer to page 6.

Mr. Wiles.—I am referring to page 3, "In the application of the above principle of protection regard must be had to the financial needs of the country". You interpret that as meaning that Government by instituting protection are creating a vested interest in the revenue they are going to get out of it. The meaning, as I understand it, is exactly the opposite. In applying protection you should not put on such a high rate of duty that you are going to kill the revenue which you get from the customs duty.

Mr. Das.—I am prepared to agree with you that this is the meaning, but as it turns out to be in fact the meaning may be that Government expects revenue from customs duties.

Mr. Wiles.—It doesn't mean that. When you criticised Government for having created a vested interest, I think you have misunderstood the wording.

Mr. Das.—It might not be the original meaning. I quite realise it. As it has come to stay, my meaning is, I hope, quite clear to you.

Mr. Wiles.—For a short time after protection came in, revenues went up.

Mr. Das.—Yes. Even now as our President remarked, Government cannot give up this money.

Mr. Wiles.—The President also remarked that the revenue is getting less and less.

Mr. Das.—Why not give bounty?

Mr. Wiles.—I am pointing out your mistake.

Mr. Das.—In order to make myself clear. . . .

Mr. Wiles.—Your meaning is quite clear. I am only pointing out your misunderstanding of the Government's intention. When you say the entire assets of the Tata Iron and Steel Company, Limited, have been mortgaged for a debenture loan, do you know what the amount of the loan is? Have you any idea?

Mr. Das.—They are in books.

Mr. Wiles.—You do not know what the amount is?

Mr. Das.—About Rs. 7½ crores.

Mr. Wiles.—The actual figure is £1,884,000. It is only about Rs. 3 crores, so that you are rather exaggerating when you talk about the entire assets.

Mr. Das.—The entire assets are mortgaged.

Mr. Wiles.—You should not draw that conclusion from it. The entire assets of the Tata Iron and Steel Company are at least Rs. 12½ crores.

Mr. Das.—What is the page number?

Mr. Wiles.—Page 6.

Mr. Das.—I say they have been mortgaged.

Mr. Wiles.—Your general tone of this paragraph led me to suppose that you believe the mortgage loan is very much larger than it really is.

Mr. Das.—That requires examination.

Mr. Wiles.—Here is the sum in their balance sheet, the exact sum outstanding to-day.

Mr. Das.—Can you assure me that the balance sheet gives a proper estimate of the assets, their purchase price and the present price? There are various things which you ought to look into.

Mr. Wiles.—What do you mean?

Mr. Das.—Assets have been calculated there on the purchase price of things minus the general depreciation.

Mr. Wiles.—How does that apply to it?

Mr. Das.—That is a disputed question.

Mr. Wiles.—This is a sterling loan of £4,000,000 and the outstanding loan to-day is £1,884,000.

Mr. Das.—If you are satisfied, I have no objection.

Mr. Wiles.—In fact the whole of your representation is a collection of complaints which you have gathered from other sources.

Mr. Das.—I am not a technical man, I have said, I have examined my reports as best as I could.

Mr. Wiles.—You gathered these complaints from various sources and put them together. I think I am right in saying that.

Mr. Das.—Yes from books and papers, and you are partially right.

Mr. Wiles.—Books which are available to you are available to us. Persons from whom you have collected these complaints have all submitted representations direct to us.

Mr. Das.—Many complaints, I have proved by quotations.

Mr. Wiles.—I am only saying that the authorities from whom you have quoted have all made separate representations to us. We are examining them separately. It will be much better for us to examine those persons who know their subjects.

Mr. Das.—On technical points it may be better. I have said, I cannot say anything decisively on purely technical points. But on other points where the tax payer and the consumer is directly concerned?

Mr. Natesan.—On page 11 you say 'Nevertheless, I am not a free trader. I yield to few in my anxiety for giving all reasonable help to our national industry'. I take it in your opinion the steel industry is one of our national industries and therefore help should be given, am I right?

Mr. Das.—If help is necessary—if it is proved to be a national industry, it should be given.

Mr. Natesan.—I suppose you had some such satisfaction when you yourself, as you say, in the Assembly agreed to give them bounty.

Mr. Das.—I have no objection.

Mr. Natesan.—Following this as a principle that you are not a free trader and that help should be given to our national industry, let me put a question. In the earlier years when this question was taken up in the Assembly, you said you were satisfied and therefore agreed to grant protection because the industry required help. You have since seen this report—I take it you have a copy of this. Is it still your feeling after reading this Report and the progress which the company has made in many directions despite difficulties that it should not receive support?

Mr. Das.—You have put a very pertinent question. This Report I have read. I am not a technical man, but this is *prima facie* one sided. When we first gave this industry protection, we gave protection to a national industry and not to the Tata Iron and Steel Company *per se* and I expected that in this report the Company would show that attempts had been made by them on account of this protection for the expansion of the industry in the country—not for some profits of that firm alone. I find nothing in the book to convince me that any attempts have been made for any expansion of industry to Madras or Karachi or any such distant place. That should have been done under protection. In India several subsidiaries and other firms might have been set up under the protection of Tata's and I should like to know what they have done to claim still that they are alone the national industry. They have of course increased their production I agree. To that extent if you consider them to be a national industry, they deserve protection. I do not know. But I should request

you to see that they help on account of protection in the expansion of the industry in the country. Their total estimated production is only about 600,000 tons, which is only less than half the normal Indian consumption.

Mr. Natesan.—We have had various memoranda given by various bodies and we have also been supplied by Tata's and others with statements and every possible information. On those statements given to us, I am not able to appreciate your complaint. You say that they have not helped other industries to be started; that they have not created as it were new organisations and business bodies to carry on. I don't know whether they were expected to do that. Don't you think that it is unreasonable to complain as you have done? After all, you are talking from the point of view of the Indian consumer. The Tariff Board has to satisfy itself when recommending protection that manufacture is being carried on very efficiently and that Tata's have been able to bring down their cost of production. If you apply your mind to this question from that standpoint, do you think you will hold that they have not fulfilled the reasonable expectations?

Mr. Das.—Yes, I think so. I have simply suggested the points. You are the authority to recommend. If you are satisfied with their claim to protection, I have no quarrel.

Mr. Natesan.—You will allow me to say that it is all very well for you to raise a number of points. As a responsible man connected with the legislature, when you make a series of complaints, one would naturally presume that you have evidence behind you. For instance, when you make a statement in the Assembly and when you are challenged, you may say "This is what I have heard". Allow me to tell you in answer to me and to my other colleagues, you have, with reference to more than one material point, said "This is the information I have". You have not been able to quote any authority; you have not been able to substantiate anything except your point about bounties.

Mr. Das.—I am not myself a technical man. Nor am I a business man. I must depend therefore upon reports, and I have given quotations too. There are such reports as these. For instance, some customers have been forbidden to purchase from others. I have got information like that. How can I give you here. If you want me to tell you all that, you must examine me *in camera*.

Mr. Natesan.—Yes, if necessary.

Mr. Das.—The privileged statements in the Assembly Chamber is one thing, and the Tariff Board evidence is another. I may tell you this. Yesterday I got the memorandum of Messrs. Indra Singh Sons and Company. I have got it here and I suppose you have also got it. You will I think examine Mr. Indra Singh.

Mr. Natesan.—We have already examined him.

Mr. Das.—You will have to examine some other firms or persons also. I do not know whether what Mr. Indra Singh has said is correct or not. That is your look out. You will have to examine it. You will have to ascertain the truth or falsity of it. I may simply say that I have got many such reports. My point is that if the industry is expanded, it will be to the interests of the consumer.

Mr. Natesan.—Let me tell you this. I find that the burden of your statement is that the interests of the consumer have been neglected and that unless certain things are done they will be neglected. So far as the Board is concerned, speaking for myself and my colleagues, every possible care is taken to see that the interests of the consumer are safeguarded.

Mr. Das.—Do I blame the Board? No, I don't. I thank you for the assurance and I am very glad to hear that you think so.

Mr. Natesan.—I want to take one instance. For instance, where you say about education.

Mr. Das.—If I did not believe the Board, I would not come before you. Why should I?

Mr. Natesan.—With regard to technical education, you said that the new system was for the worse.

Mr. Das.—I have not said that. I said that it should be investigated to see whether it was not for the worse.

Mr. Natesan.—The gulf between the top and the bottom should not be so vast as it is to-day; in fact that is one of the drawbacks of the present system to which the Royal Commission on labour referred. Taking advantage of that advice, the Steel Company has introduced what is called the apprentice system. I may tell you that the new system does not consist of two schemes only. There is a third scheme, *viz.*, apprentice scheme in which the boys of those who are employed in the industry are actually taken—about 50 or 60 of them—and small payments are made to them. I know that you will be interested in knowing this and therefore I am giving you this piece of information.

Mr. Das.—I am glad that it is so. In making my submission to the Board, I had in mind Dr. Dey's book which I have here (shown).

Mr. Natesan.—We have seen it. It has misled many.

Mr. Das.—I may also refer you to another book 'Secret of High Wages' in which the American system has been discussed. I can send you the book, if you want. Generally we Indians follow the British conservative system which we inherit. We cannot think radically. That is the difficulty. One apprentice here, one latch here and one screw there—that is our reform. But I must be excused when I tell you that in this I am thinking of something radically.

Mr. Natesan.—That is clear. The whole assumption is that you are thinking of something radically and on unique lines. It is clear so far as that is concerned.

Mr. Das.—Still, I am glad to hear of that apprentice system. I am glad that it has been so done.

Mr. Natesan.—Not only that. I want also to tell you that some of those who have had the benefit of the apprentice system have now been absorbed in the steel industry and some of them have been given responsible positions. Some of them have proved themselves so capable that they have been able to replace European labour.

Mr. Das.—That is all to the good.

Mr. Natesan.—I am giving you the fact.

Mr. Das.—Yes. I should like simply to know whether you have understood me.

Mr. Natesan.—I have tried my best to understand you from the memorandum and from the evidence you have given.

Mr. Das.—If there is anything that is not clear to you, I am here to explain that.

Mr. Natesan.—You charge the Steel Company that they have managed in such a way that in many cases they have not shown any signs of growing efficiency. Yesterday we examined a gentleman interested in galvanized sheets. He said that certain claims of Tata's for adjustments should not be given business because their sheets were quite as good as imported sheets. Probably you will be interested to know that when I examined some of your statements I found that they were opposed to facts and I thought I should draw your attention to them.

Mr. Das.—I should simply be glad to know that. But I am afraid my friend is as much a non-industrial man as myself and we can be very easily convinced of many things.

Mr. Natesan.—In studying these things we cannot go entirely by doctrines found in books. One has to trust to things that one sees. In my visit to the Steel Works I have found various amenities provided for the welfare of labour in which you are deeply interested. It looks as if some of these points have not been neglected to put it in a mild way.

Mr. Das.—I am glad to hear that, but you must not think that I have not been in Tatanagar or Jamshedpur. I have been there for four years, whereas my friend was there for a few hours of ceremonial visit.

Mr. Natesan.—I am aware of it.

President.—You have stayed there for four years?

Mr. Das.—Yes, from 1929, my jail period apart. That has been my health resort. I was connected with the Tinplate strike. I was there when the strike was on, though I do not generally approve of labour strikes in Jamshedpur.

Mr. Natesan.—One more question. If bounties are to be given it must necessarily mean an increase in direct taxation. Do you consider as an ardent nationalist in the present state of things that the country can stand increased direct taxation? You have mentioned income-tax. You are aware that there has already been a complaint that it is very high and that the surcharge on income-tax is another burden.

Mr. Das.—The organised complaint of bigger men is always better heard.

Mr. Natesan.—The income-tax is also paid by small—by many small men.

Mr. Das.—The money lender sometimes realises the income-tax from the borrower, but it does not necessarily mean that it is paid by poor men.

Mr. Natesan.—I suppose you consider a man getting about Rs. 100 a poor man?

Mr. Das.—I consider him a poor man, but he is richer than another who does not even get Rs. 5 a month.

Mr. Natesan.—Many of these people expect the tax to be reduced. They have complained about it.

Mr. Das.—They have all complaints. But a man drawing Rs. 100 and paying Rs. 30 will not be affected so much as the man getting Rs. 20 a year and having to pay one rupee more for his plough share. You must take that into account.

President.—You must get it all by super-tax.

Mr. Das.—Whatever be the name, you must tax the people considering their conditions in the country. You must tax the richer people and directly.

Mr. Natesan.—To sum up what is contained in your representation, this industry being a national industry should receive help from the State?

Mr. Das.—The steel industry should receive help.

Mr. Natesan.—Do you regret that you were a party to giving a bounty?

Mr. Das.—I never regretted that.

Mr. Natesan.—Therefore you think that protection should be continued in some form or other.

Mr. Das.—With certain conditions. I am not a free trader I have said.

Mr. Natesan.—You think that protection should be continued in one form or another and in determining the form, you want to warn the Board?

Mr. Das.—Yes, if you consider protection necessary. There are several points to be considered, viz., that it is being so given to one firm; that it creates monopolies, etc. These things apart, if you consider it necessary, the steel industry may be protected, that is my view.

Mr. Natesan.—You have stated that clearly.

Mr. Das.—I have said that I am not a free trader. It is for you to consider whether it is necessary to give protection in this form and under the present arrangements.

President.—Your whole point comes to this. While you are in favour of protection you want also to see that protection is not a burden on the poorer classes of the population. That is really your point,

Mr. Das.—Yes.

President.—That is to say, protection without any burden on the poorer classes.

Mr. Das.—That perhaps you want to avoid by putting a small tax. That is no doubt one kind of relief. But under Indian circumstances Bounty is the best form of protection.

Mr. Natesan.—There has been no instance of protection without some burden on the poor. You are quite justified in saying that the burden should not be carried beyond a reasonable figure. That is what you would like the Tariff Board to consider.

Mr. Das.—If you decide upon a duty, then it comes to that. I should like expansion of the industry which would also give relief by internal competition.

President.—We must wait for an expansion of the market.

Mr. Das.—If there is a monopoly, it would create havoc amongst the consumers. That is avoided if there is internal competition somehow. Tata's will supply basic materials and there will be several factories in the country amongst whom there will be internal competition, and Tata's will help them. That is my point to put it in a nutshell. If that happens, then I shall consider the industry to be a national industry.

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